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Property frenzy in Baja California

## As megaport is planned 50 miles south of Ensenada, secrecy surrounds land sales in impoverished area

**By Diane Lindquist**

UNION-TRIBUNE STAFF WRITER

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PUNTA COLONET, Mexico — After Mexico picked this uninhabited inlet as the site for a new west coast megaport two years ago, beachfront land that held value only to surfers and a handful of fishermen suddenly became hot property.

Since then, global and domestic business executives, Mexico City lawyers, consultants, engineers and even a former Baja California governor have been beating a path along a pot-holed dirt road from the town of Colonet on the trans-peninsular highway to the water's edge five miles away.

Federal officials have yet to announce a bidding competition, but the project has set off a land grab in this impoverished area 50 miles south of Ensenada.

Buyers have snatched up 132 prime acres along a strip of tideland likely to be transformed over the next decade into docks for container ships arriving from Asia with goods destined for America's heartland.

Former Baja California Gov. Ernesto Ruffo Appel and a partner have bought one such parcel, and also a nearby mountaintop and rights of way to move rock that might be used for the massive project.

"We have purchased 2,500 hectares (more than 600 acres)," Ruffo said. "We've spent about \$3 million so far. That shows how serious we are."



CHARLIE NEUMAN / Union-Tribune  
Punta Colonet is likely to be transformed over the next decade into a megaport that will help to handle the increasing amount of cargo coming from eastern Asia.

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### Graphic:



### Punta Colonet land grab

Additional groups are said to be maneuvering for other choice sites. Secrecy obscures much of the wheeling and dealing.

The Punta Colonet property frenzy is changing life in a rural region populated in part by families who have held the unproductive land for a half century in collective *ejido* arrangements. The influx of cash has split apart communal groups, pitting family against family, brother against brother.

José Luis González learned he was being cut out of a windfall coming to Ejido Villa Morelos last August, a day before 18 other members of the group gathered at a bank to receive checks for selling several parcels of oceanfront property.

González, his brother Rubén and two uncles have since taken their fellow *ejido* members to what is known as an agrarian resolution court, seeking a slice of the proceeds.

“I don't know exactly how much they got. They aren't letting us know,” González said recently while taking a break from preparing a cornfield for planting. “But now they're driving fancy cars and wearing nice clothes.”

Several sources with knowledge of the transaction estimate that \$10 million to \$15 million was paid for the land.

“No one is against the development,” González said. “We're glad the port's being built because it's needed. We're against how we're being treated.”

Numerous individuals refused to be quoted for publication because of the sensitivity of the subject or fear of financial repercussions. Others didn't return phone calls and e-mails. Baja California Economic Development Secretary Sergio Tagliapietra declined to comment through a spokeswoman because he “doesn't want to contribute to the speculation.”

A federal official said the government plans to encourage investors from across the United States and Asia to take part in the competitive bidding process that is expected to start in the next month or two.

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## U-shaped port project

The port project is being driven by the inability of other ports, especially those at Long Beach and Los Angeles, to handle increases of cargo coming from eastern Asia. Shipments from there are growing 15 percent annually and are expected to double by 2020.

Punta Colonet will serve only container ships, said Ensenada port director Carlos Jáuregui González, who will be involved with the government's marketing and bidding process. The port will be configured in a U-shape, with each leg having several berths and cranes to handle cargo. One leg will also comprise the project's breakwater.



CHARLIE NEUMAN / Union-Tribune  
In Colonet, a bus crossed over the San Rafael River, which empties into the ocean at Punta Colonet when the river is flowing.

Nearly 7,000 acres, 97 percent of them water and 3 percent tidelands, will be devoted to the project. A harbor must be dredged deep enough to accommodate several megaships at once.

Within seven years, Punta Colonet could be processing the equivalent of a million 20-foot-long containers annually, 6 million by 2025.

"It's actually going to be bigger than Los Angeles and Long Beach together," said Albert Fierstine, a consultant who was the Port of Los Angeles' business development director.

Together, those ports handled 13 million TEUs in 2004, or \$200 billion worth of cargo. TEU, or 20-foot equivalent units, is the standard measurement in the shipping industry to quantify container traffic.

The port and rail projects are expected to require an investment of \$4 billion to \$5 billion. But the development of the region, including a city with thousands of inhabitants that would spread farther east into *ejido* lands and support the cargo operations, is expected to attract as much as \$22.2 billion in investment.

## Big names

According to area residents, including Ruffo, Hutchison Port Holdings, the parent of Ensenada's cargo and cruise ship operator, is behind the purchase of the Ejido Villa Morelos parcel. The name on land transfer records, however, is Ernesto Roberto Tatay.

González said that when the judge in the Ejido Morelos case asked who Tatay is and where he lives, Tatay's attorney said he didn't know. The lawyer has been ordered to produce the information.

Officials of Hutchison Ports Mexico, a subsidiary of Hutchison Whampoa Ltd., the world's largest port operator and developer, did not return phone calls and an e-mail seeking comment on Punta Colonet land purchases.

"They are not buying anything now," said Isaura Puppo, secretary for Hutchison executive Mike Power. She declined to confirm whether the company is behind the Ejido Villa Morelos acquisition.

Punta Colonet landowners and residents of Colonet, a town of about 5,000 populated mostly by area *ejido* members and farmworkers transplanted from southern Mexico, said they have been given no official information about plans for the region.



CHARLIE NEUMAN / Union-Tribune

Jesús Lara, who owns more than 900 acres atop a cliff overlooking Punta Colonet, displayed a map last month showing the parcels that will be affected by the port project.

However, Jesús Lara, who owns more than 900 acres atop a cliff overlooking the proposed site, has been waging an one-man effort to learn about the project, the land purchases and the companies and people involved.

After buying the cliff-top property about five years ago, he was in the process of clearing land to develop a golf course, a hotel and restaurant when he got wind of the port project about eight months ago.

"I was just starting a lot of work there, and these guys came and bought (the parcels below his)." he said. "And I said, 'What am I doing?' Then I stopped."

Lara grew up as a member of a nearby *ejido*, farmed in the area and operates a cross-border trucking firm from Chula Vista. Bilingual and bicultural, he has sought out officials to discuss the project and has become an important contact for many of the parties interested in the port development.

"Everybody is thinking now is the time to buy the land cheap. If you're down there every day, you'll see helicopters, planes and four-wheel drive vehicles coming in," he said.

According to Lara and Ruffo, Hutchison paid about \$5 per square meter compared to the average \$7 per square meter Ruffo and Ensenada businessman

Roberto Curiel Amaya paid Ejido Heroes de Chapultepec for their tideland property.

Initially, Ruffo said, he was acting as a consultant for interested parties but as the project appeared more feasible, he decided to pair with Curiel, a builder with extensive interests in sand, gravel and rock, to play a larger role under a company they formed called Puerto Colonet Infraestructura.



CHARLIE NEUMAN / Union-Tribune  
José Luis González was cut out of a windfall coming to other Ejido Villa Morelos members who sold parcels of property.

“I will certainly be a bidder,” he said. “Now we are trying to put together a consortium.”

Besides the two communal groups that have sold land, three others – Ejido Veinte Siete de Enero, Ejido Diaz Ordáz and Ejido Mexico, which is also known as Ejido Colonet – hold property in the area where the port, railroad and new city are to be built.

It's up to developers to secure land for the port project, said port director Jáuregui.

Property for a 180-mile rail line from the port to Mexicali is likely to be obtained through eminent domain by the state of Baja California, he said. From the port, it is expected to run along the San Rafael River valley north to the border near Mexicali.

### 'Now money's involved'

The Ejido Morelos judicial dispute, Jáuregui said, “could interfere with the project if it is not properly solved.”

Once forbidden from selling their land, the collective groups are permitted to do so under a 1992 change in Mexican federal law.

After that change, José Luis and Rubén González and two of their uncles bought a few parcels to farm on their own from the other members of Ejido Villa Morelos, which was formed in 1958.

“Those of us who were cut out of the cake are the pioneers of the *ejido*,” Rubén González said.

“The coastal property that was sold is common area belonging to all (22 members). Nobody complained before, but now money's involved.”

Interest in Punta Colonet continues to grow among visitors and locals alike, Lara said. Representatives of four of the *ejidos* and a group of

business leaders from San Quintin, the coastal town to the south, met with him recently to learn what he knows about the project and the land transfers.

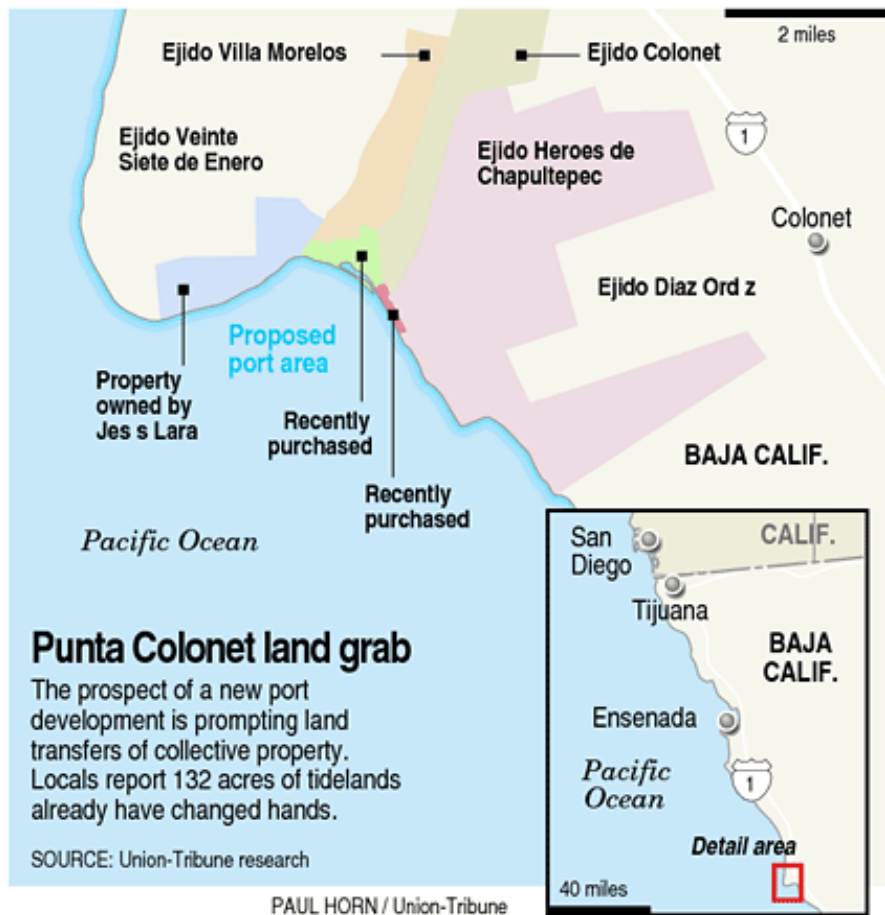
Lara has no plans to sell his cliff-top property, which extends to the tidelands below that will make up the bottom of the U-shaped facility.

“I won't sell,” he said, “because I can't get now what it's going to be worth eventually.”

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