Impoverished Village In Mexico Strikes Pay Dirt in the Sand

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Locals and Foreigners Alike Make Out Like Bandits, Buying, Selling Beachfront

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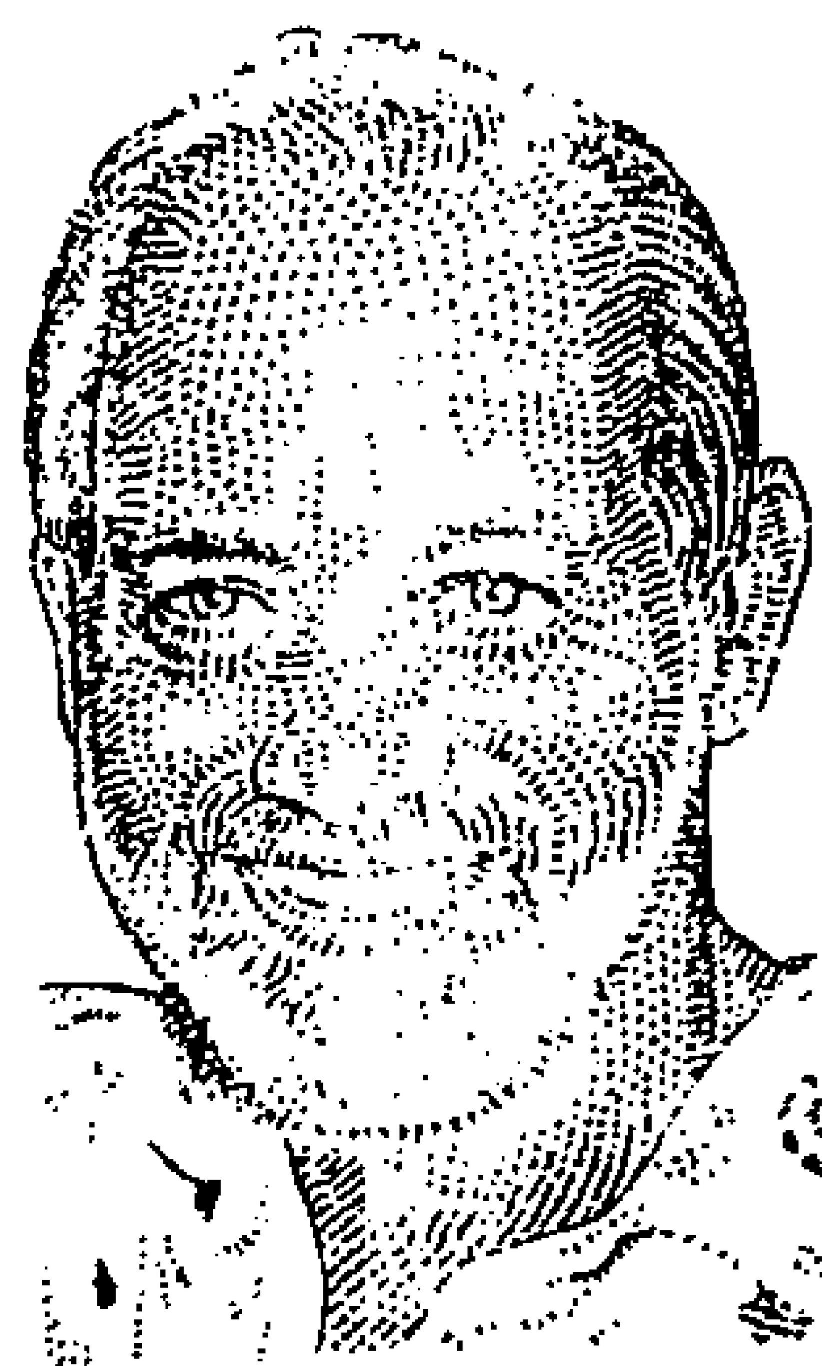
TRONCONES, Mexico—Former Alaska fisherman Dewey McMillin has done something unique in the world of Mexican beachfront development. He's made everyone happy.

Mr. McMillin, the first foreigner to settle in this sleepy village in Guerrero state, led local inhabitants through the red tape of getting proper title to their collectively held land, helped them parcel it among themselves, and then spearheaded a sales campaign to draw in wealthy foreigners. Since the villagers started selling their land in 1995, the price of a 1,000-square-meter (11,100-square-foot) beachfront lot here has risen from less than $10,000 to almost $80,000.

Even though some sold early and cheap, the 60 families of Troncones aren't complaining. They are among the more affluent residents of an otherwise impoverished state known as a hotbed of drug trafficking and guerrilla activity. Most Troncones families have concrete houses and cars. Several have started their own businesses. Others have gotten jobs in the handful of hotels and restaurants built here on the Pacific Coast about 150 miles north of Acapulco.

"It was the gringos that benefited from the run-up in prices," says Mario Izazaga, the current village leader and a local cattle rancher. "But we are satisfied because our quality of life has improved considerably."

The foreign buyers are pleased as well. Ranging from a young Indiana couple who put their nest egg into building a six-room hotel, to a semiretired Pismo Beach, Calif., ophthalmologist, they've attained a slice of tropical life with few of the hassles that normally accompany living in Mexico. In Troncones, crime is minimal. There isn't any pollution to speak of. And, perhaps most important, the newcomers don't feel that the locals resent them. "Relations with the community have consistently been good," says Jim Garritty, who owns the Eden Beach Hacienda hotel with his wife, Eva Robbins.



Dewey McMillin

What Mr. McMillin, 50 years old, has engineered is a world apart from the land-title disputes that have soured relations among locals and American settlers in the north, along the Baja peninsula. In a recent incident there, 150 homeowners, mainly from Southern California, were evicted from their houses at a development called Punta Banda after a Mexican court found that the land they had built on had been leased illegally. It's also a far cry from the nasty clashes taking place on the Caribbean coast between builders of big resorts and local environmentalists.

The key to achieving harmony, Mr. McMillin says, is a little common sense, an arms-length relationship with government authorities – and a good attorney. "You can do business here just like you do in the States," he says. "The trick is not to leave your brain at the border."

Mr. McMillin, a former Seattle native who fished in Alaska, didn't expect to become a real-estate czar when he and his wife arrived here on vacation in 1983 and

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A Poor Village Finds Riches in the Sand

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decided to stay. Troncones was a remote and poor place then. Although it had a massive beach break that was a favorite of California and Mexican surfers, it hadn't drawn any attention from Mexican authorities, who were concentrating on the development of Ixtapa bay down the coast. Ixtapa, along with Cabo San Lucas in Baja California and Huatulco in Oaxaca state, had been selected by the government as a promising site for replicating the success of Cancun, built by the National Tourist Development Fund in the late 1970s.

In those days, Troncones was an *ejido*, a land cooperative owned and farmed jointly by the 60 families. Housed in a village about 100 yards from the beach in mud huts without electricity or running water, they eked out a living growing beans and corn and diving for shellfish, or working in construction in Ixtapa.

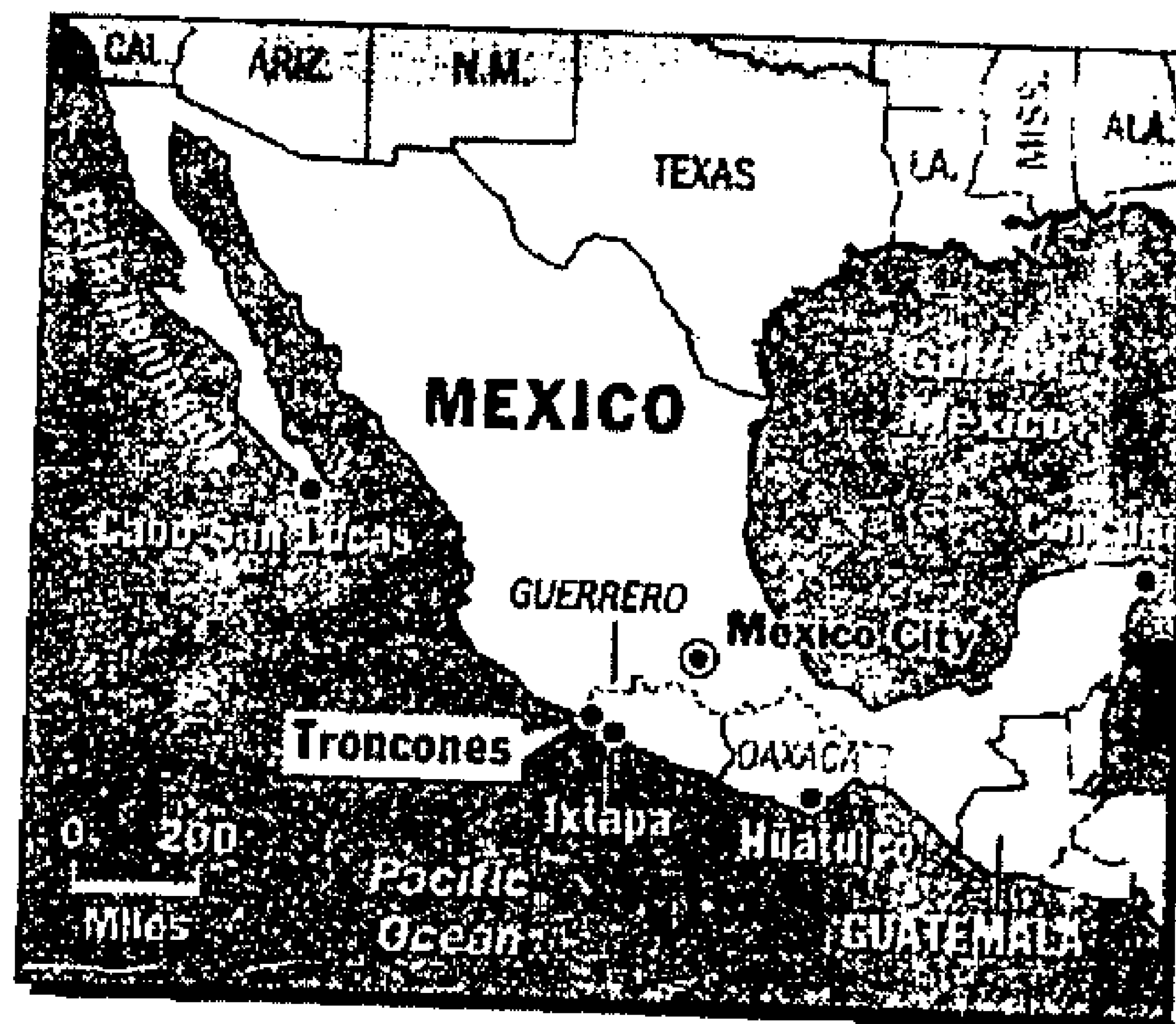
In 1992, then-President Carlos Salinas de Gortari changed the constitution to allow ejidos, the principal form of landholding in the country since the Mexican revolution, to be broken up and sold as private land. Mr. McMillin, who at the time was managing a beach bar called the Burro Borracho, or Drunken Donkey, got wind of the change. He went to the nearby town of La Union to find out how land reform worked and then called a meeting of the villagers. The message delivered to them, says David Connell, a 29-year-old attorney who works with Mr. McMillin, "was that they'd grown up in a Karl Marx community, but that now it was time to enter into the Adam Smith world."

Eliseo Sanchez was skeptical at first. But he also figured he had little to lose. He lived in a small house made of old paper cartons and, because he had burst an eardrum diving for lobsters, was having a tough time making ends meet for his wife and six kids. But as head of the ejido, he had learned to work with Mr. McMillin and the other foreigners who had settled in Troncones and were paying rent to the families. "Dewey was straight," Mr. Sanchez says. "He didn't try and take advantage of us."

The villagers and a team from the agrarian reform ministry began surveying and parceling out about nine square miles of ejido land. Each family received as many as ten lots: five 1,000-square-meter beachfront lots, two lots in the village where they live, and two or three in the mountains behind the village. Mr. McMillin then brought in bankers from Zihuatanejo, the most-developed town in the area, to explain bank accounts and certificates of deposit. "When we started, out of the 60 heads of households, 30 signed with an X," Mr. McMillin says. "Now, several of them can quote you the latest CD rate at two or three banks."

The villagers received individual title to their land in December 1995, and Mr. McMillin soon began driving in busloads of visitors from Zihuatanejo and Ixtapa to show them properties. Along with the land reform came speculators: Mark Gibson of Canada and David Brown of England, two longtime Zihuatanejo residents, accumulated 28 lots between them. Mr. McMillin bought five. Ten-thousand dollars was such big money in a place where the daily wage is less than $4 that several villagers sold off their beach lots as fast as they could. Despite Mr. McMillin's urging that the locals bank the money, several of the early sellers literally drank their newfound wealth.

Ms. Robbins of the Eden Beach Hacienda recalls arriving in Troncones in 1996 after spending several months hunting on Mexico's Pacific Coast for a spot to build a hotel with money that she and Mr. Garritty had made working in Hong Kong. "I walked into the Burro and there was Dewey lounging in a hammock grinning like the Cheshire Cat," she says. At first, Mr. McMillin didn't take them seriously because he thought they were too young, she recalls. The couple, who are in their thirties, spent $55,000 to buy three lots and then sunk $150,000 into their hotel and restaurant.



It didn't take long for land prices to skyrocket, as young Americans and Canadians arrived, ready to spend the money they had made in the stock market. Those who bought and then resold parcels made out like bandits: One speculator tells of buying parcels for less than $10,000 each and reselling them for more than $40,000 apiece.

Mr. McMillin took a 5% cut of the price of each property he sold, while Mr. Connell, who first came to Troncones to surf as a teenager, did the paperwork. Because foreigners can't own land outright within 35 miles of the coast, Mr. Connell set up corporations and trusts—which can be wholly foreign owned—to hold the property. Mr. Connell has built a luxurious home for himself here, and Mr. McMillin is just starting his own. Both men are now looking to do business with other ejidos.

Many things have changed in Troncones over the past four years. The road has improved because one of the newcomers, a St. Louis businessman who made a killing selling his telecommunications firm, paid to have it fixed. Electricity and telephones have arrived. The number of restaurants has doubled to six, and the number of rental rooms has quadrupled to nearly 80. There are 160 full-time jobs for the villagers. And the ejido donkeys, which used to lug loads of corn and drinking water, now spend their days grazing.