

Fundación Bahía de Loreto, A.C.

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Report of Activities



Love this place and its people

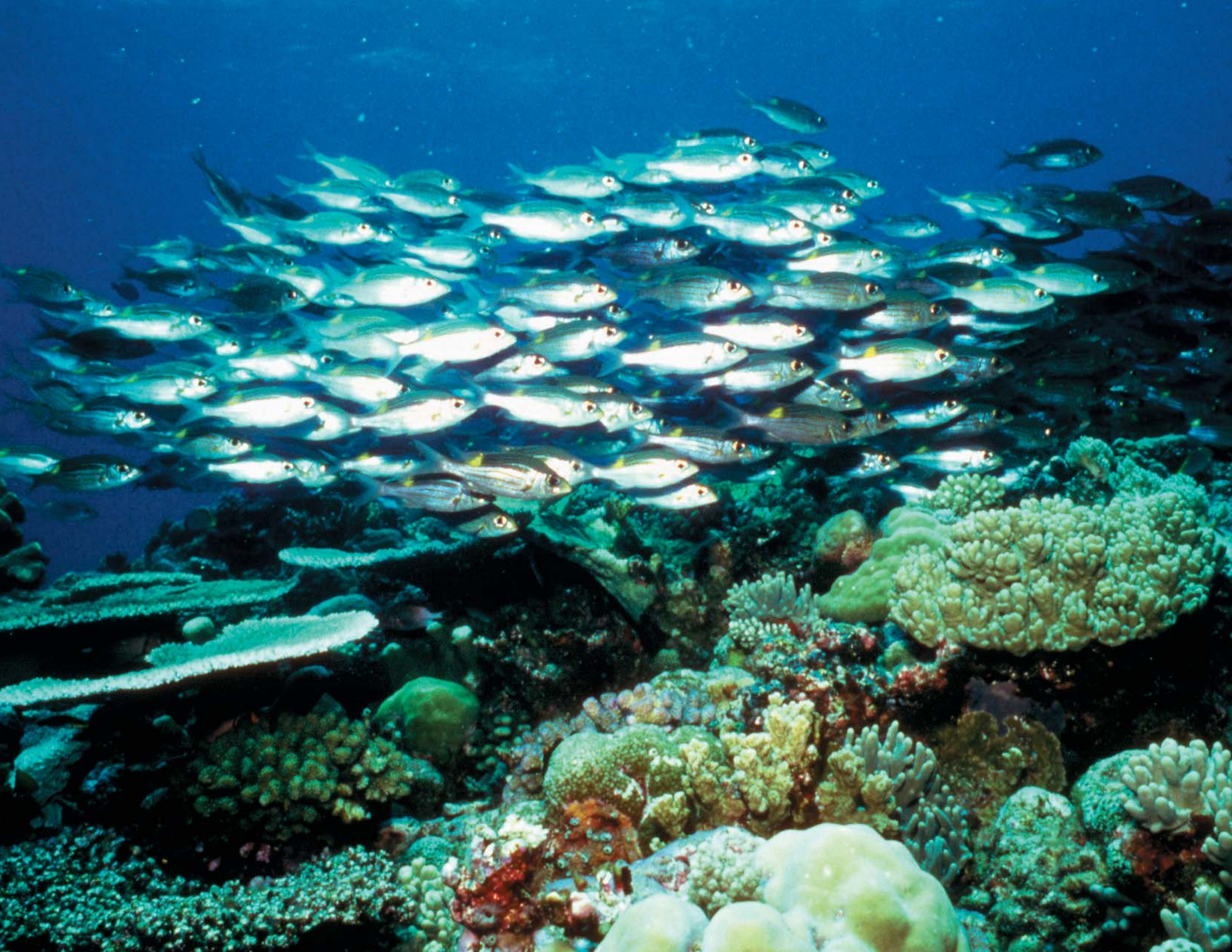


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Fund is a fund of **THE OCEAN FOUNDATION**. These two entities work in parallel, and are referred to in this report collectively as the Loreto Bay Foundation.

The Loreto Bay Foundation is a member of the CGBD International Baja California Funders group, with whom we work collaboratively to create the vision of a healthy Baja California Peninsula and Sea of Cortez

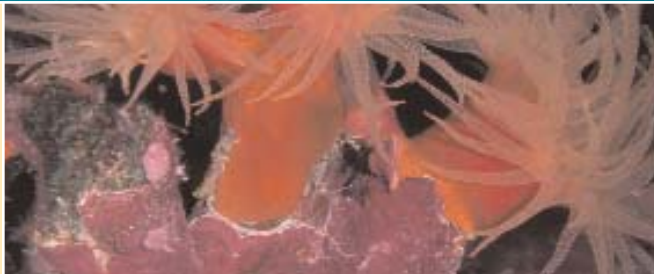
Fundación Bahía de Loreto is a non-profit (Asociación Civil) Mexican corporation. The Loreto Bay Foundation



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Greetings !



Photos: Digital Stock

The Fundación Bahía de Loreto (Loreto Bay Foundation), and its websites in English www.loretobayfoundation.org and Spanish www.fundacionbahiadeloreto.org were officially launched on 1 December 2005. Last year we completed the design and research phases of creating this new foundation, received our initial funding, and made our inaugural grants. We begin this report with a review of the Loreto Bay Foundation's history, the basis for its existence and the vision for its benefits to the area.

With the launch of the Fundación Bahía de Loreto, the community of Loreto and the Loreto Bay National (Marine) Park now have a dedicated funding source that stretches decades into the future and guarantees tens of millions of dollars over time that can be spent in support of projects that enhance the quality of life for residents, including the protection and restoration of natural resources in the area. In addition, as a member of the International Baja California Funders working group, Loreto Bay Foundation can assist in the rational and collaborative deployment of our resources to help ensure that this dedicated stream frees up the funding of others to work in other parts of the Peninsula and in the Sea of Cortez.

Loreto is a beautiful place, located on the shore of a national marine park. Thirty-five years ago, the land adjacent to Loreto was identified by FONATUR¹ for "tourism development." The touristic corridor Loreto - Nopolo - Puerto Escondido was targeted for extensive development by FONATUR in a federal plan, with every intention that it would be as fully developed as space, resources, and funding would allow—another Cancun if the stars came together as FONATUR envisioned. As with all FONATUR projects, the development was to stimulate the local, regional and national economy; to create jobs to match Mexico's population growth; and to

replace oil exports as a means to generate foreign revenues. In search of a developer for this remote site, FONATUR built roads, curbs, electrical services, water supply and wastewater services, as well as a golf course, two hotels and a conference center in Nopolo about seven miles south of the old town of Loreto.

Fortunately, by the 1980s, the focus was on protecting the unique status of the Sea of Cortez and Baja California Peninsula. Thus, many parts of the region have been wisely placed under protection. And in 1996, the Loreto Bay National Marine Park was created by the Mexican government.

In 2003, the Trust for Sustainable Development, a federally chartered Canadian not-for-profit corporation created the Loreto Bay Company (LBC) to begin work on The Villages of Loreto Bay (in Nopolo). Thus, LBC is the first developer to make a successful attempt to develop the Nopolo location within the touristic corridor. However, in agreeing to meet the government and community's desire for extensive economic development and jobs, LBC plans to follow the principles of sustainable development and to leave Loreto and the Loreto Bay National Marine Park properly protected. There is no need to sacrifice Mexico's natural heritage in the search for simple economic growth and job creation.

The Villages of Loreto Bay may be the largest sustainable resort currently under development in North America. The goal of Loreto Bay Company is for the Villages to become an international model for how development can enrich an existing ecosystem and community and still be economically viable. The developer's vision is an integrated stewardship process of conservation, protection, enhancement, and regeneration that balances the social, economic and environmental needs of the community. Thus, the Villages of Loreto Bay are a proving ground for the balancing act that ensures economic development is partnered with ecological protection and enhancement and social responsibility. It is central to the developer's aspirations that all three forces of sus-

tainability work together, and that they acknowledge their equal partner status in creating a future for Loreto.

Like virtually everyone alive today, I was born into a degrading environment. My goal is to die in a place that is regenerating. Everything I have done up to this point has been a warm up, even back to the early 70's as a hippie organic farmer, founder of the Lund Farmers Coop and aspiring carpenter, an aspiration which somehow determined my career in real estate. The Villages of Loreto Bay is my life's work.

*David Butterfield, President,
Trust for Sustainable Development*



Part of the effort to fulfill this goal is the creation of the Loreto Bay Foundation to provide philanthropic support to protect and enhance the community of Loreto and the Loreto Bay National Marine Park. The funding mechanism for the Loreto Bay Foundation is set up to be independent of the development company. It is expected to be a reliable, long-term source of

support for the needs of the park and the town because the funding mechanism was included in the master development permits. At the request of LBC, the agreement requires **any** developer to contribute one percent of all sales in the Villages of Loreto Bay development to the Foundation and to require the sale documents signed by home buyers to recite this donation in perpetuity in all re-sales. As such, it was the Trust for Sustainable Development's way to protect the LBC project's contribution in perpetuity.

This reliability of the Loreto Bay Foundation's funding mechanism is a model for sustainable community-building. The grantmaking decisions of the foundation are independent of the development company—and are based on available funds, our internal guidelines, and the recommendations of a

to limiting unsustainable development in the interests of protecting the area's resources. In fact, to date more than 20 home owners in the development have also made independent contributions to the Loreto Bay Foundation's subsidiary funds, the Loreto Children Fund and the Loreto Medical Facility Fund.

A Loreto Bay Foundation Fund is currently operated as a Donor Advised Fund (DAF) at The Ocean Foundation www.oceanfdn.org. As a result, money in the fund has been donated to The Ocean Foundation, belongs to The Ocean Foundation, and is distributed by a vote of The Ocean Foundation's Board of Directors.² The Board of Directors to the Fundación Bahía de Loreto A.C.³ concurrently serve as the advisors to the Loreto Bay Foundation Fund. They make recommendations to the staff of The Ocean Foundation and in turn, to the Board of Directors of The Ocean Foundation. This set-up provides US or Mexican tax benefits to donors, and helps to ensure that the decisions on where to provide funds are made in the most objective and thoughtful manner possible.

For my part, I have the honor to serve as the President of The Ocean Foundation, and as Executive Director of the Loreto Bay Foundation.

¡Un cordial saludo!

Mark J. Spalding, Executive Director

Love this place and its people

Photo: Siri Thomas

group of advisors, only one of whom represents the Loreto Bay Company. This one percent model ensures the most important element of any development—full engagement by the homeowners in the community-building elements of the place they use for recreation. There is reason to hope that the Americans or Canadians who own homes in Loreto will remain committed

¹ FONATUR is Mexico's national fund for tourism development. It is the institution responsible for the planning and development of tourism projects of national impact – it promotes investment and training of the tourism sector; and shares its tourism expertise with regional entities, states, and municipalities, as well as with small and medium businesses.

² J. Thomas McMurray (Chair), Wolcott Henry, C. Bowdoin Train, and Angelica Braestrup.

³ An A.C., or Asociación Civil, is a Mexican not-for-profit corporation.

About Loreto

Loreto is a small coastal town facing the Sea of Cortez. Its population is about 12,000. It is located in the State of Baja California Sur, 220 miles to the north of La Paz and 750 miles south of San Diego on the transpeninsular highway. As the first capital of the Californias, established more than 300 years ago, Loreto is as historically important as it is rich in natural beauty.

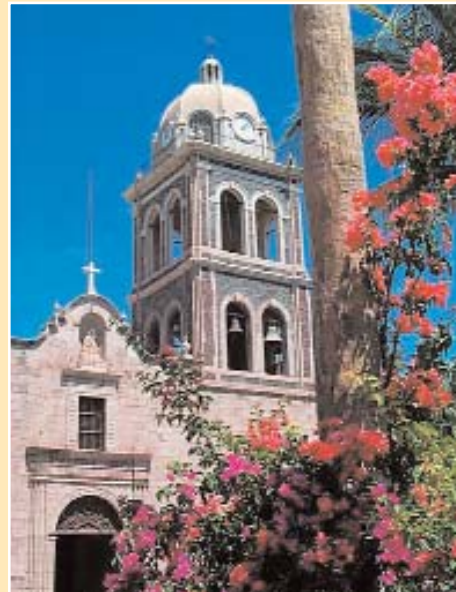
Dating back nearly 12,000 years, Loreto is considered the oldest human settlement on the Peninsula of Baja California. European colonizers were the first to establish the town of Loreto, on the site of a naturally occurring oasis in the arid desert climate.

In 1697, a Jesuit Priest, Juan María Salvatierra, and his followers came upon San Dionisio, a small port where steep lavender mountains with spreading palms divided the arid desert from the Sea of Cortez. He carried a statue of the Virgin of Loreto, the patron saint of emigrants, and he placed her image on a wooden cross adorned with wildflowers.⁴ The name “Loreto” comes from the Holy House of Loreto, which is said to be the house where Mary was born and raised, and where an angel told her she would be the mother of Jesus.⁵

The Loreto region possesses nearly 250 km. of coastline, 750 square km. of sea and 14 islands. The Sierra de la Giganta mountain range, the tallest and most spectacular on the Baja California Peninsula, overlooks the town of Loreto offering those who climb breathtaking panoramic vistas. The land is rich with unique plant and animal life and the Sea of Cortez teems with marine life.

⁴ The Virgin of Loreto is also patroness of pilots because of the legendary transport of the Holy House by angels. Pilots pray and give thanks for safe air flights. A statuette of the Virgin of Loreto accompanied Charles Lindbergh on the first solo airplane flight across the Atlantic and a Loreto medallion was taken on the Apollo 9 mission to the moon.

⁵ The word Loreto is derived from a laurel grove, or ‘Lauretanum,’ in Recanati, Italy where legend says angels relocated the Holy House in 1295.



Padre David with parishioner. Photos: Siri Thomas

Loreto Bay National Marine Park⁶



Photo: Jack Swenson



Photo: Digital Stock



Photo: Gary Cooper

The sea and the islands of Loreto form a natural nursery, ideal for the reproduction, spawning and growth of many marine species that are the main source of nourishment for the people of Loreto, as well as many residents along the coasts of the Sea of Cortez. Eighty percent of the economy in Loreto is based on the sea; it represents food and the income of the tourist industry that creates many jobs, directly, for most of the population.

Until the 1960s, the Sea of Cortez was rich with wildlife. To feed their families, the people of Loreto fished from the shore, or very near to the coast. Sport fishing was also plentiful: dorado, yellow tail, sea bass, rooster fish, tuna and bill fish were caught within a few kilometers from shore. Sardines were abundant and, as a consequence, the area between the shore and islands was a prime feeding area for fish as well as numerous species of marine mammals.

Over time, the use of destructive fishing gear and overfishing affected the extremely valuable marine resources. Highly damaging fishing equipment (trawling nets, nets with very small mesh, harpoons and purse seines), destroyed the sea floor, altered the plankton, killed newborn species, wiped out large numbers of females during the spawning season and decreased the sardine population, which is the primary food for other species. As a result, the number of fishes has diminished; and what is available is now more expensive to buy or catch for the people of Loreto.

This situation was taken very seriously during the 1980s and the community raised the issue to the appropriate authorities. The Ecological Group Antares (GEA) promoted the idea of a marine park, along with the members of the Municipal Council, public opinion leaders, the Governor of Baja California Sur, Guillermo Mercado Tomero, and the Secretary of Tourism,

Jesús Silva Herzog. A majority of Loretanos were very interested in creating a protected area; the Municipality of Loreto was committed to preserving its ecological heritage; and perhaps most importantly a local environmental group, GEA, worked and supported all the parties involved to reach a common goal. There was also the invaluable interest of the Secretary of Environment, Natural Resources and Fisheries, Julia Carabias. And, last but not least, there was Mexico's President, Ernesto Zedillo, whose commitment, personal interest and support towards Loreto and its citizens, made the Loreto Bay National Marine Park a reality.

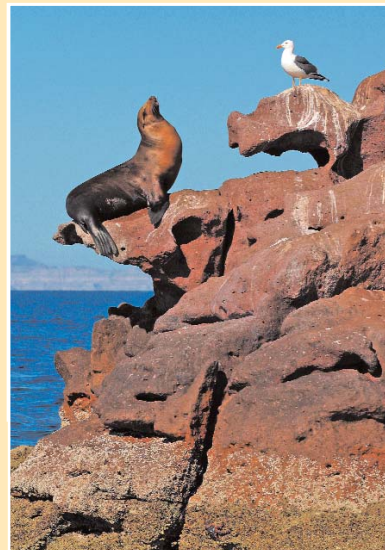
The park was created by Presidential decree on July 19th, 1996, and approved by Mexico's Congress. The decree, combined with the ecological ordinance for the development of the "touristic corridor"⁷ Loreto - Nopolo - Puerto Escondido, was intended to guarantee the necessary ecological equilibrium of the sea, islands and coasts. The requirements for the region include specific laws and regulations; a work program and the corresponding budget; an organization and procedure manual; the personnel; technical and administrative equipment; office buildings and a sea life research unit.

The Loreto Bay National Marine Park covers an area of 2,065 km², from the north side of Coronado Island, up to the south of the Catalana Island. The main features of the park are five large islands, Carmen (151 km²), Coronados (8.5 km²), Danzante (4.9 km²), Monserrat (19.4 km²) and Catalana (43 km²). The islands are home to dune vegetation and desert scrub with 51 species of reptiles and 33 mammals of which many species are under a protection status. The structure and operation of the park is the responsibility of the national commission for protected areas, the Navy, the Secretary of Transportation and Communication, and the community of Loreto.

Today, the Park offers the opportunity to study and protect the marine species that live or visit Loreto Bay and which

depend on the deepwater upwellings that provide so much of their food. In addition to the fish targeted for commercial and recreational fishing as noted above, other species can be found in the Bay. Blue whales, gray whales, fin whales, and humpback whales are among the largest of the visitors. Sea lions, spinner dolphins, bottlenose dolphins, and sea turtles swim and feed in the Park's waters. Populations of sea birds, such as cormorants, pelicans, and elegant terns, can be seen flying and fishing in the Park.

The town of Loreto and Loreto Bay National Marine Park offer us a heritage that is rich in history and the resources on which so much of the region depends. As stewards of that heritage, we all have the opportunity to establish a legacy for our children.



Photos: Jack Swenson

⁶ For more information, please see <http://effectivempa.noaa.gov/sites/loreto.html>

⁷ Touristic corridor is the phrase coined by the Mexican government to designate high priority areas for development of housing, hotels, golf courses and other amenities designed to establish tourism based economies in those corridors. Examples include the regions around Tijuana to Ensenada, San Juan de los Cabos and Cabo San Lucas, and Yucatan Peninsula.

Loreto Bay Foundation Inaugural Grants

	Organization	Headquarters Location	Project Description	Type of Grant	Grant Amount	Project Deliverables/ Evaluation	Comments
1	Animalandia	Loreto	Spaying & Neutering	Animal welfare	\$ 1,000	Construction of facility	Generated a 9:1 match. Land already donated. Human health issues, as well as animal health
2	Instituto de Servicios de Salud, BCS	La Paz	New medical facility for Loreto	Health and human services	\$ 5,350	Construction of facility	Pass through of donations by LBC home buyers gifts to Loreto Medical Facility account
3	Bomberos de Loreto	Loreto	Assembly, installation and foundation for a Hermosa Beach, California donated shade structure for the Loreto Fire Department's trucks and ambulance	Health and human services	\$ 3,000	Construction of shade structure	
4	Center on Ecotourism and Sustainable Development (Stanford University)	Stanford, CA	Rapid assessment of the benefits of Sea of Cortez Marine Protected Areas (MPAs) in generating income	Jobs and Economic Development	\$ 1,000	The report	Remainder of funding is from Packard Foundation
5	CEMDA (La Paz office)	DF	Legal work regarding urban development plan for Loreto	Urban Planning	\$ 5,000	Comment letters / testimony regarding plan(s) under consideration	Well respected group Already active on subject
6	GEA	Loreto	Environmental Center	Environment	\$ 25,000	Construction of a museum and research center dedicated to protecting the nearby deserts and the Sea of Cortez	Well respected local group. Land for Center already donated, and a decent amount of contributions sent in
7	Grupo Tortugero (Pro Peninsula)	San Diego	Annual Grupo Tortugero meeting in Loreto	Environment	\$ 5,000	Implementation of the January 2006 meeting	Renewal from last year
8	Conservación del Territorio Insular Mexicano, A.C. (ISLA)	La Paz	Totoaba Sport Fishing in Loreto Bay National Park study	Environment (Loreto Bay Marine Park)	\$ 10,000	Seven detailed outcomes listed in the proposal The main product will be a report	A rather academic style research project, but with a conservation goal
9	Patronato para la Prevención y Preservación del Patrimonio Natural e Histórico	Loreto	Cultural events in Loreto: 1) "Landscapes of California Sur" and 2) concert of piano with pianists from the "Centro de Formación Musical Profesor Luis Peláez Manríquez, A.C."	Cultural	\$ 2,000	Implementation of the events	
10	UABCS (Loreto Campus)	La Paz	Building maintenance / updating	Education	\$ 5,000	Demonstrated building upgrades	Buildings recently returned to university in need of maintenance and upkeep
11	Biblioteca de Loreto	Loreto	The municipal library's building is for sale	Education	\$ 25,000	Library saved	Funding approved, not yet distributed. <i>See discussion page 9</i>
					\$ 87,350.00		

Grantmaking

The Loreto Bay Foundation (LBF) was established to support and fund local projects in the community of Loreto, Baja California Sur and in the Loreto Bay National Marine Park. The principal benefactors of LBF are Loreto Bay Company and the residents of The Villages of Loreto Bay.

The Loreto Bay Foundation funds projects and activities focused on the community of Loreto and the Loreto Bay National Marine Park that promote:

- sustainable development
- education
- business enterprise capacity building
- jobs training and skills enhancement
- environmental protection
- conservation of the Loreto Bay National Marine Park
- improved medical services
- social, cultural, and recreational activities and infrastructure

LBF will NOT fund (Ineligible Proposals):

- projects outside the boundaries of the municipality of Loreto or Loreto Bay National Marine Park
- endowments
- grant requests asking for more than 10 percent of overhead, administration or infrastructure costs

After a project has been identified or brought to our attention and passed initial review, we use objective **and** subjective evaluation methods (an entrepreneurial investment model) to select and then evaluate grantees. Specifically, we conduct a review of publicly available information on these groups and rate them across a 21-point due diligence checklist to evaluate the project's management, financing, legal filings and other reports. And, whenever possible, we prefer to conduct on-site interviews with key staff.

Loreto Medical Facility Fund

www.loretobayfoundation.org/medical

Loreto Bay Company has made a \$850,000 pledge to the Instituto de Servicios de Salud, BCS (the Baja California Sur state Health Services Institute) to fund (apart from the Foundation) a new medical facility in Loreto. LBF has created a parallel sub-fund called the Loreto Medical Facility Fund so that home owners and others could contribute cash or medical equipment for this cause. Within just a couple of months of its creation, and only one letter to home owners, we received \$5,350 to add to this project. We look forward to receiving more contributions from others committed to improved medical facilities in the region.



Photo: Siri Thomas

Loreto Children Fund

www.loreto bay foundation.org/children

We have also created a fund to benefit the children of Loreto. The primary activity of this fund will be to support the annual Christmas Present Project. Every year, the Loreto chapter of Cáritas (an international charity) sponsors a Christmas present project. A tree is placed in the courtyard of the Loreto Mission, and Loretanos are asked to donate wrapped presents to be distributed to the less fortunate children of Loreto. The presents are marked with appropriate age and gender and Cáritas volunteers drive through various lower-income neighborhoods and distribute them. The present distribution takes place over a few days around Christmas and covers the Loreto neighbor-

hoods of Miramar and Zaragoza (as well as surrounding villages, including San Bruno, San Javier and Ensenada Blanca). In addition, Cáritas volunteers prepare and deliver Christmas dinners, blankets and children's presents to a pre-selected list of families in need.

When LBC staff member Siri Thomas discovered the Christmas tree program three years ago, she offered to accept financial donations from friends and family to purchase and wrap presents. With the help of some generous donors, she was able to contribute a few hundred presents. In 2004, with the help of financial contributions from Team Loreto Bay (and lots of wrapping help from Loreto Bay Company employees), LBC contributed approximately 600 presents and sponsored six families with dinners and blankets!

For 2005, LBC sought to repeat the goal of having enough presents for all Loretano children who might not otherwise have a Christmas present, but also to greatly improve the value of the gifts and also double the number of sponsored families.

To accomplish this, the Loreto Bay Foundation (through its US "host" foundation, The Ocean Foundation) accepted and tracked donations earmarked for the Loreto Christmas Present Project. As a result, donations to the Loreto Children Fund became tax-deductible. Through this new mechanism, Siri's friends and family as well as Team Loreto Bay contributed \$6,939.

This translated into 600 presents (each individually wrapped!), 66 blankets, and 41 meals for children and families in Loreto.

The creation of the Loreto Children Fund as a vehicle for this project ensures that any excess funds (beyond what is needed for the Christmas Present Project) will be earmarked specifically for the benefit of the children of Loreto.



Christmas present distribution — Photos: Siri Thomas



Staff Activities

The Loreto Bay Foundation only has one part-time staff person, Mark J. Spalding, as its Executive Director. With administrative and book keeping assistance from Viviana Jiménez and Nicole Ross at The Ocean Foundation, he handles all aspects of foundation management. The staff of Loreto Bay Company, Loretanos, and other individuals have been generous in communicating with Mark about community concerns and needs.

In 2005, time was spent talking to people in the town of Loreto, and walking or driving the streets to research quality of life issues and extant infrastructure. We interviewed key community leaders, especially non-profit representatives. The major focus of this research was to identify potential grantees to be inaugural grant recipients at the official launch of LBF. Over the course of 2005, Mark developed the Foundation's guidelines (English and Spanish versions), an information sheet addressing the Frequently Asked Questions about the Foundation, and oversaw the production of the bilingual website.

In order to strengthen the collaborative elements of the Foundation, Mark actively participates in a Baja California funders collaborative, and is a member of the program committee of the Consultative Group on Biological Diversity's Marine Funders Working Group. Both of these groups meet monthly by telephone and annually in person.

Mark continues to serve as the Chair of the Board of Pro Peninsula, a non-profit organization that is working to create a network of strong and effective environmental organizations backed by an educated and active public working towards the common goal of environmental preservation in the Baja California Peninsula. He will be rotating off this board in 2006 to avoid any appearance of conflict of interest with his duties with the Foundation.

Mark has informally evaluated the developer's sustainability efforts related to water, wastewater, habitat restoration,

indigenous plant protection/relocation, waste/recycling, and cooperation with federal archeologists. The outcomes are on balance very positive. Although challenges arise quite regularly in such pioneering efforts, The Villages of Loreto Bay development is on track to produce more energy from renewable resources than it consumes, and to ensure that more habitat, biodiversity and biomass is created than existed before the project started. More challenging is the promise to harvest more potable water than the Villages will consume; 2006 will be a key year in determining how to accomplish this goal. In addition to these key commitments, the developer is doing remarkably well on construction waste management and recycling, sustainable agriculture and landscaping, integrated pest control, as well as construction materials choices.

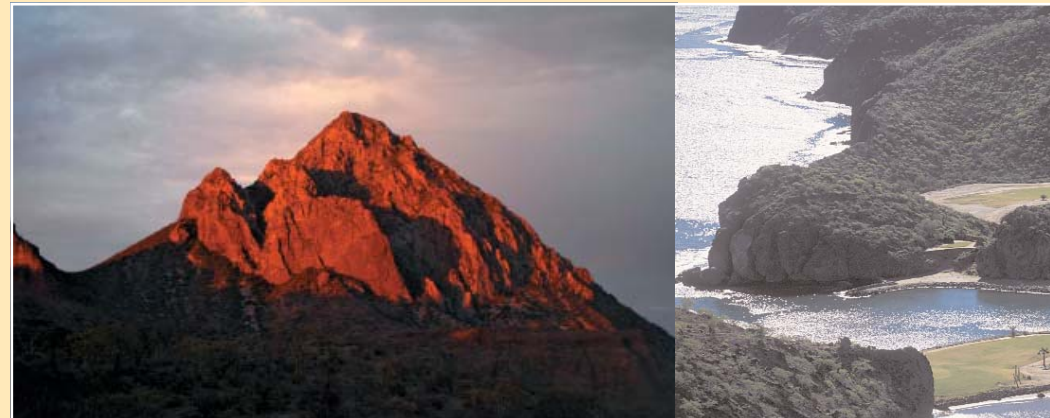


Photo: Siri Thomas

A Sampler of Loreto Bay Foundation Activities in 2005 — for a detailed list check <http://www.loretobayfoundation.org>

January

LBF sponsored and participated in the 7th annual Grupo Tortugero meeting in Loreto, which focused on all the regional efforts to conserve endangered seaturtle species and their habitat



February

Baja California Conservation Summit for NGOs and funders. Presentations from conservation groups reporting on their work throughout Baja California and the Sea of Cortez

March

"North American Marine Protected Areas Network: Symposium on financing and economic benefits of Marine Protected Areas" in Loreto. The North American Commission for Environmental Cooperation organized the Symposium



April

Began key background research projects on overfishing and on micro-enterprise lending



May

Needs assessment research, and evaluation of potential inaugural grantees

June

Began background research on best environmental practices regarding golf courses



July

Meeting with CEMDA (the Mexican Center for Environmental Law) regarding its work on marine waters and beaches



Photo: Jack Swenson

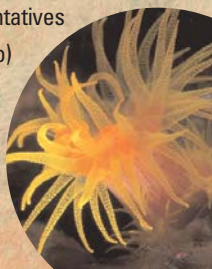
August

Meeting in Los Cabos regarding the creation of a trust fund, to be called "FONMAR" that will receive funds from sportfishing licenses and then make grants and investments intended for conservation



September

LBF meeting with grantees, fund benefactors and Loreto community representatives (Loreto, BCS, Mexico)



October

LBF was a participant at a donors' round table meeting that was part of The Ocean Policy Summit 2005 in Lisbon, Portugal, which in turn was part of preparations for the Global Forum on Oceans, Coasts and Islands meeting that took place in Paris in January 2006

November

LBF completed three research projects regarding

- overfishing in the Loreto Bay National Marine Park
- micro-enterprise credit lending in Loreto
- best environmental practices for golf courses

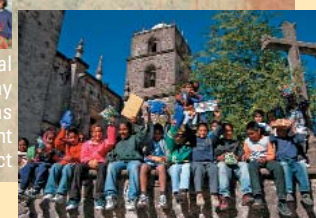


December

Official launch of LBF and its website (in English and Spanish) www.loretobayfoundation.org www.fundacionbahiaadeloreto.org



Annual Loreto Bay Christmas Present Project



Photos: Siri Thomas

Plans for 2006

— Grantmaking

Our grantmaking will continue in the categories identified through a needs assessment for Loreto, which include Health and Human Services, Civil Society, Environment, Education, Micro-enterprise Lending, Preserving Historical Assets, Arts and Culture, Affordable Housing, Community Recreation Opportunities, and Community Infrastructure. During 2006, we will continue and expand our grantmaking from 2005. We have, for example, made a multi-year commitment to the annual sea turtle conservation meeting that takes place in Loreto each January. We hope to add more grantmaking directly benefiting the marine park during 2006.

— Building Business Capacity and Preparing Loreto for a New Market

We plan to issue a Request for Proposals to seek out a Mexican micro-credit organization to make low-interest business loans available to Loretanos. Parallel to such uses of Foundation funds, we hope to foster the creation of private sources of business assistance (accounting, management, secretarial, export, and translation) through building the capacity of the UABCS campus in Loreto to offer some of this type of training. This is to fulfill part of our charter, to foster education as well as enhance jobs training and skills. Because the Foundation's purpose includes strategies that build business enterprise capacity, we hope that the availability of such micro-credit and training will lead to opportunities for the creation of new Mexican businesses (plant nurseries, gardening and landscaping, delivery services, house cleaning, production of organic goods in rural areas). On a funds available basis, such "private

sources of business assistance" and "new businesses" can be given physical space and access to the infrastructure needed to build a strong basis for success. For Loreto, this will allow increased entrepreneurial success and individual opportunity. Thus to complement the micro-credit lending, we hope to acquire a building and offer fully equipped office spaces for incubation of businesses. If we can figure out how to do it on a cost-effective basis, this site might also be able to provide some business mentoring services.

— Loreto Library

The Loreto town library occupies donated space on the main square of Loreto. However, the building is currently for sale. We are concerned that the library will lose its lease, as well as its prominent location on the central square. We have also received a proposal to upgrade the library's computers, printers and other electronic media infrastructure. Our board has authorized an initial expenditure of \$25,000 to upgrade the library. However, we are holding this while we investigate the issues regarding the building, its historic preservation, or the library's options for other sites.

— Special Project: Workers and Affordable Housing

One of the first impacts of a large real estate development project is often a huge influx of construction workers. These workers can overwhelm small isolated communities and create numerous problems, from housing shortages to behavior that is not in keeping with local standards. This has been documented in Joel Simon's book *Endangered Mexico* (1997) in which the author discussed the generally negative outcomes socially, environmentally and economically that came from squatters' villages and worker camps from numerous FONATUR projects



(the successful ones and the failures). This sorry history of providing inadequate housing applies to both construction and resort services workers. Poor worker housing in those previous development examples led to increased crime and to the rapid development of slums as workers sought to escape the squalid work camps. The slums persisted and became the housing for service workers in the hotels and related new developments.

The good news is that the Mexican Constitution requires all companies to provide “adequate housing” for their employees. Employers are also obligated to pay a percentage of a worker’s salary to the National Worker’s Housing Development Fund Institute (INFONAVIT) to implement housing programs for workers, or finance the construction or improvement of workers’ dwellings.

The bad news is that there is a shortage of affordable

housing options in Loreto and the cost of housing continues to increase with the success of Loreto Bay Company sales efforts and the increased tourism it is attracting to the Loreto region. Last summer, Mark visited five worker-housing locations that were housing a total of 400 workers. In short, he found that the general contractors and labor bro-

kers were not in compliance with Mexican labor law, nor Mexican (or UN) standards for housing workers. These problems are endemic throughout Mexico and it must be recognized that decent affordable housing is an issue in every city in the United States as well as throughout the world. LBC management promptly took a number of actions to address the concerns:

- Reminding the contractors of their legal obligations
- Providing the contractors with the detailed Mexican and UN legal requirements they must comply with
- Pro bono architectural services to design appropriate housing
- Hiring Stephen Zubkoff, one of North America’s top experts in affordable housing
- Requiring all contractors to provide detailed description and plans for workers housing before contracts are signed and before the contractor is allowed on site
- Working with city officials to identify overcrowded or substandard housing situations in town
- Performing routine spot checks of worker housing standards compliance
- Terminating several of the contractors who failed to respond adequately to the concerns

The Loreto Bay Foundation, as an independent entity, has in part as its mission to mitigate the impacts of this development project on the community of Loreto (Loretanos, like Villages home owners, do not want another Los Cabos). As such, the foundation will be looking into any and all ways it can be of assistance in addressing this issue, including:

1. Supporting architectural plans for worker housing, including housing for temporary workers without families (construction workers) and permanent housing for new workers and their families who will be working in The Villages of Loreto Bay (service providers)
2. Land purchases
3. Subsidized home loans
4. Alternative entertainment for workers when they are off duty
5. Police training in proper handling of large groups of men



Loreto Bay Foundation Staff

Mark J. Spalding, J.D. M.P.I.A.,
Executive Director Fundación Bahía de Loreto A.C.
www.markjspalding.com

Mark concurrently serves as the President of The Ocean Foundation (TOF) and as Senior Program Officer for the Alaska Conservation Foundation's Alaska Oceans Program. He is the chair of the Council of the National Whale Conservation Fund. Mark is an active participant in the marine working group, Baja California group, and coral reef group of the Consultative Group on Biological Diversity. He serves on the International Bering Sea Forum. He has consulted for the San Diego Foundation, the International Community Foundation, a large private family foundation, the William and Flora Hewlett Foundation, and Fundación La Puerta. He designed and managed the Orca Fund. He has served as a member of the Environmental Grants Advisory Committee of FINCOMUN (Tijuana's Community Foundation). In addition, he has helped design some of the most significant ocean conservation campaigns in recent years. He brings his extensive experience with the legal and policy aspects of ocean conservation to the Foundation's grantmaking strategy and evaluation process. He is a former faculty member of UCSD's Graduate School of International Relations and Pacific Studies where among other courses he regularly taught "Environmental Issues in Baja California." He is the co-author of a text book on Mexican Labor Law, and the author of the book *Sustainable Development in San Diego — Tijuana: Environmental, Social, and Economic Implications of Interdependence*. He has also authored 18 peer reviewed articles or book chapters, and numerous other publications. He served in the Clinton Administration as a member of a Presidential and Congressional Advisory Committee on U.S.-Mexico environmental border relations, the Good Neighbor Environmental Board. He was a research fellow at UCSD's Center for U.S.-Mexican Studies in 1998 where he studied Mexican protected areas management. During 2003 and 2004, Mark was a Sustainability Institute, Donella Meadows Leadership Fellow where he worked on applying systems analysis to federal fisheries management problems, and in 2004 he served as

the first SeaWeb Senior Fellow, where his project focused on the viability of a large scale corporate markets campaign for four major seafood species. In his law practice he handled entry of a maritime satellite communications and vessel monitoring systems service provider into Mexico, including the establishment of its Mexican corporate subsidiary. He also handled the start up of a new Mexican airline.


Viviana Jiménez, TOF Program Officer came to The Ocean Foundation after three years at the Earth Policy Institute researching, analyzing, and writing on key environmental and sustainable development issues. Viviana has a strong background in environmental issues, international relations, and financial analysis, developed while working at the Council on Foreign Relations, Ashoka, and the U.S. Department of Commerce. Viviana received her degree in Finance and International Relations from Universidad Externado de Colombia in Bogotá. She continued her studies at American University in Washington, DC, completing courses in International Environment & Development and International Business & Trade.

Nicole Ross, TOF Program Associate has been interested in marine conservation since her early years exploring the turquoise waters of the Caribbean Sea, surrounding her home island of St. Croix. She is a certified diver. Nicole's background in community activism and volunteer work also helps further the Foundation's work to build a community of donors and grantees, focused on marine conservation. While she serves primarily as liaison to TOF's grantee organizations, she also brings extensive experience in historical research, grant writing, and hospitality training. Nicole conducts TOF's primary marine and coastal conservation research and project identification in the Caribbean region.



Photo: Digital Stock

Fundación Bahía de Loreto A.C. Board of Directors (TOF's Loreto Bay Foundation Fund Board of Advisors)

-  **DAVID C. BUTTERFIELD**, Trust for Sustainable Development (representative of benefactor, LBC)
-  **CATHERINE CAMERON**, (former) Executive Director, Wallace Global Fund (has spent the last thirty years working on international projects, especially those relating to women, population, health, and similar issues)
-  **DR. JAMES L. ELDER**, Chair, Sustainability Education Institute, [Board Secretary/Treasurer] Director, Campaign for Environmental Literacy, and founder of the School for Field Studies, (brings ecotourism knowledge and experience)
-  **IAIN KERR**, Vice President and CEO, Ocean Alliance [Board VP] (offers experience in marine conservation as we focus on the Loreto Bay Marine Park)
-  **MARK J. SPALDING** [Board President]



The Ocean Foundation Executive Board

J. Thomas McMurray, Chair
C. Wolcott Henry, Secretary
C. Bowdoin Train, Treasurer
Angel Braestrup
Mark J. Spalding

FINANCIAL REPORT

Revenues

Unrestricted Contributions	511,172
Loreto Bay Medical Facility Contributions	5,350
Loreto Christmas Present Project	6,939

Total Revenues	523,461
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Expenses

Grant Support and Research	140,891
Bank Charges and Fees	166
Consultants and Contractors	380
TOF Fees Paid - Management	20,724
Grants Made	70,320
Postage and Shipping	50
Rent	3,400
Telephone	2,483
Travel/Conferences and Meetings	10,778

Total Expenses	249,192
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Excess (Deficit) of Revenues over Expenses	274,269
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Notes:

- Consultants and Contractors: Jeremy Linneman (CEC meeting work) and Kama Dean (LBF needs assessment).
- Many expenses such as DSL services, insurance, licenses and permits, online donation processing fees, printing and copying, and web hosting are paid for by The Ocean Foundation from the management fees deducted from the Loreto Bay Foundation DAF.
- An additional \$25,000 in grants was approved in 2005 but has not yet distributed.

Front and back covers: Loreto, view from inside the Mission Belltower, Children receiving Christmas presents — Photos: Siri Thomas

Photos not marked throughout the report: LBC

Printed on recycled paper



Photo: Digital Stock

Fundación Bahía de Loreto, A.C.

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