

QUÉ PASA

The Californian Dream

By Emilio Maldonado, November 2014

After traveling around the world, millionaire Warren Adams decided to create a real estate business in Chilean Patagonia. Now he faces a new undertaking: Selling *Valle California* to investors willing to pay US\$1 million per plot and who must commit to preserve a majority of the land.

Valle California is half an hour from the town of *Palena*. Its name has nothing to do with the sunny land in the United States. Over here the rain, the wind and exuberant vegetation replace the palms trees, beaches, and Mediterranean environment of the western United States.

It was precisely this distance and the space dominated by *lenga*, *ñirre* and *coihue* trees that seduced *Arauco's* Vice President of Corporate and Commercial Affairs, Charles Kimber. A few months ago, Mr. Kimber, began the construction of a house at the top of a hill, with a dominant view towards the fast-flowing *Tigre* River.

Kimber's purchase is not an isolated event in this distant place of Patagonia, a few kilometers from the border with Argentina. Neighbors have slowly commenced to settle in the 3,200 hectares that comprise *Valle California*; purchasing plots of between 110 and 150 hectares at prices around US\$ 1m. However, unlike other renowned businessmen – such as Andrónico Luksic, Eliodoro Matte, Andrés Ergas, and Felipe Briones – who have turned their eyes to the Southern regions of Chile, inside *Valle California*, the owners have a very special agreement: despite being the co-owners of 3,200 hectares, they may only alter 3% of that surface to build their houses or retreats. The remaining land is destined to ecological conservation. This unique model that combines conservation and real estate has attracted the attention of businessmen the like of José Luis del Río and Kimber, as well as American investors.

THE FIRST STEP

When Warren Adams graduated with his MBA from Harvard he knew he wanted to begin an innovative project. He did not want to be the typical manager that pursued his career until achieving, with a little luck, the presidency of some corporation. Thus, 2 years after graduating from business school, he created *PlanetAll*, a social networking site very similar to today's Facebook.

After 15 months, more than a million people had registered as users, making the website one of the most attractive undertakings at the end of the 1990s. It was the time of the .com fever, and *PlanetAll's* success called attention from *Amazon*, one of the largest online trade sites in the world.

In 1998, after a year and a half in operation, Warren Adams sold his enterprise for US\$ 100m. He became Product Development Director at Amazon, and went on to oversee 3,000 employees. Such an overwhelming number of staff pushed him to resign. He wanted to develop an innovative project that he could build from scratch, without having to be at the forefront of an army of employees.

After leaving the company in the year 2000, he began a journey of 400 days through 23 countries together with his wife, Megan. After visiting Vietnam, India, the Galapagos and Antarctica, among other destinations, the couple arrived in Chilean Patagonia. It was there that Adams decided he had to develop a project that would keep him in touch with this land.

He began looking into all of the possible businesses that could be created in the area, but none convinced him until he noticed something new: virgin land - apparently immune to the real estate bubble- was Patagonia's main attraction, and that would be his new enterprise.

Once back in the United States, he contacted the then director of the David Rockefeller Center, Steve Reifenberg. The academic was not only an expert in international relations, but also knew the Chilean reality well: before developing academic activities at Harvard University – the home of the David Rockefeller Center – and currently at Notre Dame University, Reifenberg managed an orphanage for 2 years in Santiago, at the beginning of the 1980s.

Together with talking to Reifenberg, Adams also included in the project the Director of Harvard's Program on Conservation Innovation, Jim Levitt. After discussing what type of business they would create in Patagonia, the three of them arrived to the conclusion that earnings could be generated through conservation. They would buy lands in the southern part of Chile and then sell the lands to high-net-worth individuals around the world.

In 2007 they registered *Patagonia Sur* as a Delaware-based company. Adams contributed the first US\$ 5m and went on to look for partners to form an investment fund, with which they would buy the land. Through his contacts, he raised US\$ 30m among 53 investors, with the purpose of acquiring 40,000 hectares in Patagonia. Two thirds of the money raised was destined to the real estate business. The remainder, to creating foundations and other businesses that yielded profits for the initial investors, [with a] rate of return calculated at close to 15% for the partners.

Not only Americans joined the investment fund. There was also a group of Chilean investors with a stake in *Patagonia Sur*. Juan Andrés Camus (founder of *Celfin*), Arístides Benavente (partner of *Komax*, Chilean representative of Polo, Gap and Banana Republic), Felipe Valdés (*Tiixa*) and Charles Kimber, among others, were the Chileans that joined Adams.

Already with the money necessary to start the business, the entrepreneur began to shape his new company. Under the umbrella of *Patagonia Sur*, different subsidiaries began to form. *Patagonia Sur Properties*, in charge of land sales, is the largest source of income to investors. Then there is the non-profit *Patagonia Sur Foundation*, which works with local communities. And then, there are other companies such as *Reforest Patagonia*, *The Tierra Austral Land Trust* and *Patagonia Sur Carbon Offsets*, an entity in charge of the sale of carbon offsets. In the latter, clients such as *Antofagasta Minerals*, Colgate University, Harvard University, *Land Rover*, and *Caja de Compensación La Araucana*, among others, have replanted more than 150 hectares in *Valle California*, with the purpose of promoting the sequestration of carbon dioxide through the reforestation of native species trees.

FORBIDDEN LAND

As soon as the funds were available, the purchase of lands began. Besides *Valle California*, the new company acquired six other properties between 2007 and 2010: *Melimoyu* (close to the Gulf of Corcovado), *Los Leones* (General Carrera Lake), *Jeinimeni* (near the town of Chile Chico), *Río Palena* (in the town of Palena), *Tortel* (near the town of Caleta Tortel) and *Lago Espolón* (near the town of Futaleufú), that amounted to a total of 40,000 hectares acquired by the investment fund.

After dividing each of the properties for its subsequent sale, two Chilean business people were immediately interested in acquiring vast extensions of land. Francisca Cortés Solari, daughter of María Teresa Solari -one of the owners of *Falabella* - purchased 12,000 hectares in *Melimoyu* to help conserve of the area. Arístides Benavente did the same when purchasing the 1,300 hectare *Los Leones* property.

The remaining properties are still for sale and *Valle California* has been *Patagonia Sur*'s greatest investment. Unlike the other plots of land, where it is merely suggested that owners help in the conservation of the area and maintain the flora of the place, an innovative conservation tool was put to use in *Valle California*: a Conservation Easement.

Emulating the successful private conservation model of the United States, and waiting for the publication of a conservation law in Chile, which is currently in discussion in the Chilean Congress, the owners of the *Valle California Reserve* chose a new path: the buyer(s) of each of the reserve's 25 parcels must sign a legally binding agreement to not alter their property outside of specific limits. From the 150 hectares available per unit of land, at a price that may climb up to US\$ 1m, the owner may build a holiday house or retreat, but with certain standards: all construction must be approved by the *Tierra Austral Land Trust*, and a building may not exceed 460 square meters.

All in all, only 2% of the 3,200 hectares may be developed. The rest must remain a forest of *lengas*, *coihues* and *ñirres*. As compensation, the owner is not merely the exclusive owner of his or her parcel, but also owns shares of *Valle California*'s 3,200 ha, that are administrated through a homeowners association.

Patagonia Sur has sold 30% of the properties in *Valle California* in less than a year, with a remaining stock of lands equivalent to US\$ 15.7m.

This was what seduced José Luis del Río, who just agreed to a land purchase, and what moved other foreign investors, among them Warren Adams himself, who shall build his house there in order to venture into this unexplored section of Patagonia. •••
