

Protests 'Just A Glitch,' Puerto Rico Becoming 'Hawaii Of The East,' Promoters Say

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The head of the Puerto Rico Builders Association says the wave of protests that have **forced the ouster of one governor** and **imperiled the job of his successor** shouldn't be cause for alarm from the business community.

The protests were "just a glitch," Puerto Rico Builders Association President Emilio Colon Zavala said to kick off *Bisnow's* Caribbean Hospitality & Tourism Summit last week.



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Puerto Rico Tourism Co. Executive Director Carla Campos, McConnell Valdes partner Patricia George-Iguina and AG&T Managing Partner Adam Greenfader

"In a few weeks we'll be back to normal in terms of news," he said. "No investment has been canceled in Puerto Rico because of this situation. Bear with us. This thing will all be resolved."

Puerto Rico had already been rocked by a 12-year-long economic depression, an exodus of residents, bankruptcy, austerity measures and hurricanes when protesters took to the streets to oust Gov. Ricardo Rossello. Leaked text messages revealed the governor and his associates engaging in cronyism, corruption, and disrespect for citizens and political rivals.

The island had just been experiencing signs of economic recovery. This past fiscal year, after **years of contraction**, gross domestic product grew by 2%. It is expected to grow by 3.5% in 2020, panelists said. Panelists suggested these factors make now an opportune time to invest.

The commonwealth is still experiencing political aftershocks, as there is a court challenge to the man Rossello named as his successor. **The Wall Street Journal reported** that hotel room sales were down 5.1% the first half of this year compared to last and that some major investors are exiting the island.



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AG&T Managing Partner Adam Greenfader, Kevan Grant Thornton partner Francisco Luis and Discover Puerto Rico CEO Brad Dean

But at the *Bisnow* event, Discover Puerto Rico CEO Brad Dean said that if Germany were a stock, and someone had invested before the Berlin Wall came down, they would be doing extraordinarily well.

“Sometimes, massive social movement leads to economic gains,” Dean said.

Puerto Rico Tourism Co. Executive Director Carla Campos added that, in addition to the island's high-growth potential, it also is a tax haven because of policies enacted to spur investment.

“Five words” said Kevan Grant Thornton partner Francisco Luis, a CPA, holding up his fingers one at a time. “You don’t pay federal taxes.”



Bisnow/Deirdra Funcheon
Puerto Rico Builders Association President Emilio Colon Zavala

Puerto Rico's status as a commonwealth precludes residents from paying federal taxes, and legislators have bent over backward in recent years to draw businesses and high net worth individuals with a **slew of incentives**. Tax credits of 40% are available to people developing tourism-related projects, and 97% of the island is designated as an opportunity zone.

“You can combine opportunity zones with the tourism incentives,” McConnell Valdes partner Patricia George-Iguina said.

On top of all that, some businesses can be exempt from 90% of municipal taxes, although that exemption is going down to 75% in December. For anyone wanting to expedite a project to get in before the change, “know that the government is there to support you,” Campos said.

The change “shouldn’t make or break a deal, but it’s definitely a benefit you want to get a hold of before it changes in December,” she added.



Bisnow/Deirdra Funcheon
Ellington Management Group's Jake Epstein, Lifeafar's Cole Shephard, JLL's Andrew Dickey, Inter-American Development Bank's Rogerio Basso and Integra Realty Resources' James Andrews



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Apple Leisure Group Vice President Fernando Fernandez, Puerto Rico Builders Association President Emilio Colón Zavala, WG Pitts CEO William Pitts, Caribbean Hotel and Tourism Association CEO Frank Comito and Hilton Hotels Vice President of Development Juan Corvinos Solans

Housing for workers is being renovated and constructed. The electric grid is getting privatized. All of that translates to a lot of work in the coming years for infrastructure companies and builders.

WG Pitts CEO William Pitts said Puerto Rico will see a revival like South Beach or Cancún did in the 1980s.

“Puerto Rico is the Hawaii of the East,” he said.

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