

Santini: The train is coming!

San Juan and Puerto Rico's future depends on the train



By John Marino
pages 22-31

TOP STORY

Prepa: Vía Verde will be open to business hookups
page 2

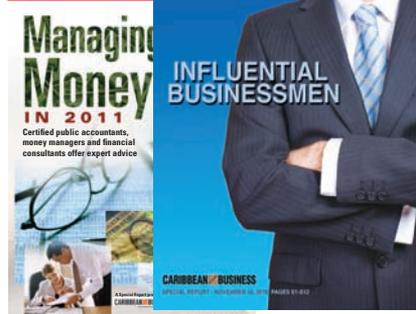
INSIDE

Housing Stimulus Act boosts mortgage originations page 41

Special Coverage Does P.R. need 100% container inspection at its ports? page 50

Local auto sales jump 18.9% in October page 58

SPECIAL REPORTS



For up-to-the-minute local, national, international and economic news in English, go to
caribbeanbusinesspr.com
now on



SATOUR to fulfill San Juan's economic potential

Light-rail project is 'backbone' of \$3 billion project to transform city into world-class host destination



BY JOHN MARINO
marino@caribbeanbusinesspr.com

San Juan Mayor Jorge Santini is pledging to begin construction of a \$400 million light-rail train project through San Juan next year that will be coming to a station near you sooner than you might think.

Financial and permitting hurdles are no obstacles, and the construction project is less complex, costly and time-consuming than most people think, Santini told CARIBBEAN

BUSINESS in an exclusive interview. In fact, the train's first phase should be nearly complete by the end of this four-year term.

"I am going to build this train. I don't care what anybody says or who says it," Santini said. "We are undertaking the necessary financial steps so that we can contribute more if things get tight.

"If the *federales* get real technical, I will build it myself," the mayor said. "Find a municipality that can tell you that."

The mayor believes there is a lot riding on the train—namely, the future economic aspirations of San Juan, and by extension, all of Puerto Rico. The train, combined with the existing Urban Train and other future mass-transit extensions, will provide San Juan the necessary infrastructure to really enter the league of world-class cities, like Seattle, New York City or Chicago, able to attract thousands more visitors each year, and able to host world-class events and professional sports

teams, the three-term mayor said.

Already known by its Spanish name SATOUR, the San Juan Automated Urban Transportation System will make existing facilities, from the Puerto Rico Convention Center to the Puerto Rico Coliseum, not to mention the city's vast hotel and tourism districts and Old San Juan, much more viable, Santini told CARIBBEAN BUSINESS. And it fits in with central government plans to emphasize professional

Continued on next page

Continued from previous page

services, trade & exports and tourism in the island's future economic development.

Moreover, it will be the driver to finally get underway a decades-long, \$3 billion dream to remake the entire Isleta de San Juan and the neglected Puerta de Tierra neighborhood connecting Old San Juan with the Condado tourism district into a vibrant waterfront sector with coastal parks and promenades, public theaters and attractions, and new hotels, retail and housing space.

The train line will run from the existing Urban Train Station in the Sacred Heart area of Santurce to Old San Juan. It will run along Fernández Juncos Avenue through Santurce and Miramar, loop around the Puerto Rico Convention Center District, and then run along an existing Metropolitan Bus Authority-dedicated street through Puerta de Tierra into Old San Juan.

The project will impact tourism, investment, the creation of jobs and the repopulation of the city, while serving as the platform for future development, the mayor said. And it will be the salvation of the Urban Train, which is losing millions each year as it fails to attract adequate ridership.

"It saves the Urban Train. The Urban Train doesn't get 40,000 riders a day, why? Because it comes from Bayamón, Guaynabo, the suburban towns, and it leaves you at Stop 26, in the middle of nowhere," Santini said. "With SATOUR, you can still come from these areas and continue through all of Santurce, Miramar, Puerta de Tierra and into Old San Juan, round trip. This will increase the ridership of the Urban Train in a gigantic way, adding thousands more riders every day."

City planners estimate daily ridership at 72,000 within two years of startup, a figure that takes into account other developments aimed at the area, such as increased entertainment, tourism and residential areas that will drive up demand.

Santini believes the train, combined with the wider San Juan redevelopment project, is what is needed to bring San Juan to a new level as a host destination, for tourism, entertainment, professional sports and sophisticated services from



*San Juan Mayor
Jorge Santini*

medical care to high finance to legal expertise.

"We are going to do all the things that you see in other places that you fall in love with and say, 'How come here and not in Puerto Rico?'" Santini said. "We are breaking that barrier of saying Puerto Ricans are not capable of doing these things."

A CAPITOL PARTNER

Santini's thinking is in line with that of Gov. Luis Fortuño, who first gave birth to the Isleta de San Juan project as former Gov. Pedro Rosselló's Tourism Company executive director and Economic Development chief.

Then called the Golden Triangle, the project always has sought to take advantage of the natural beauty and cultural and historical richness of the entire Isleta de San Juan. It has undergone several name changes and the plans have evolved over the years, but if the vision still laid out on the drawing board can even be somewhat approximated in reality, a renovated San Juan will indeed join the ranks of the most vibrant cities in the world.

Santini said he spent much of his time during his first two terms in office undertaking other changes in the city, from creating huge recreational facilities and programs to expanding the public school system, which has prepared the groundwork for the light-rail train and San Juan redevelopment project. That effort also includes the Río Piedras 2012 redevelopment project, which also is getting off the ground, and other



*Economic Development &
Commerce Secretary
José Ramón Pérez-Riera*

initiatives and the pursuit of major league sports and other international events (see sidebar).

However, he also acknowledged that during his first eight years in office, the opposition Popular Democratic Party (PPD)-controlled La Fortaleza and much of the Legislature slowed down progress on both the train and his more ambitious plans for the Isleta de San Juan contained in the San Juan Walkable City project.

Fortuño's support has translated into a commitment of \$200 million to the train project alone, Santini told CARIBBEAN BUSINESS.

The Fortuño administration also has tempered a central government plan to redevelop the San Juan Bay waterfront, filled with underutilized and decaying commercial port space, into a new development project called Bahía Urbana that fits into San Juan's master zoning plan for the entire area, which is called The Walkable City.

The central government has already transferred key facilities in the area to City Hall that also will facilitate Santini's Walkable City development plan. The sites include the Carnegie Library, Sixto Escobar Park and the Paseo de los Enamorados, the oceanside promenade along the north coast of Puerta de Tierra, all of which will play a key role in the ambitious renewal of the area.

The municipal and central government also have signed a memorandum of understanding regarding the SATOUR project, and a joint working



*San Juan Deputy Mayor
Lourdes Rovira*

group holds regularly scheduled programs to discuss project plans and updates, San Juan Deputy Mayor Lourdes Rovira said.

Santini is thankful for the support, which he says also is working to get momentum behind the ambitious plans.

"The Fortuño administration has a large interest in seeing that we are successful," the mayor said. "Fortuño is very supportive of the project and is doing what he can with limited resources to move this project forward."

The light-rail train also is an essential ingredient of the existing Urban Train and other related mass-transit initiatives contemplated by the Fortuño administration.

Transportation Secretary Rubén Hernández Gregorat is banking on establishing bus rapid-transport (BRT) routes from the Caguas, Carolina and Manatí areas to feed into the Urban Train system running between Bayamón and Santurce in metropolitan San Juan. Those routes are aimed at feeding about 100,000 riders daily into the Urban Train system, which has a ridership of about 30,000, well below its original target of 112,000 daily riders.

He also is backing the SATOUR project, which he also believes will significantly boost ridership. Resident Commissioner Pedro Pierluisi also has been drumming up support within Congress and the Obama administration for the six-mile train,

Continued on page 24

Continued from page 23

which he said is a cost-efficient and streamlined project because it will use existing dedicated bus lanes, which should make it easier to sell in Washington, D.C.

Santini said the SATOUR plans include the construction of a large parking area in the Convention District, which could serve as another point to pick up the new light-rail train, especially for people coming to San Juan from the island. This also would support the central government's mass-transit objectives, he said.

Fortuño has said that the idea of the Golden Triangle project always included linking Old San Juan with the Urban Train.

"Our goal now is to do so with this light train from Stop 26 and to the piers at the entrance of Old

San Juan," Fortuño recently said while discussing the project. "We not only seek the redevelopment of the Isleta de San Juan, but also the old Miramar Base area—where the Convention Center is now located—and the Condado area.

"We can expect to have a better quality of life and more livable city with the redevelopment of the area," Fortuño said. The Fortuño administration plan makes the SATOUR a necessity, Santini said, because you just can't keep bringing more people to Stop 26, without allowing them to go to more places, like the Convention Center and Old San Juan.

The mayor not only predicts that the first section of the SATOUR, from Old San Juan to the Convention District, will be largely complete by the end of this term, but he also said the rest of the project, running along

Fernández Juncos Avenue to Stop 26 is the "simplest" part to build.

However, the SATOUR line also requires a redesigned Intersection 5, which is the bridge from Puerta de Tierra to Miramar, a \$45 million project also slated to break ground this term. The central government is handling this renovation.

COMING DOWN THE TRACKS

The SATOUR, and the wider Isleta de San Juan redevelopment project, are closer to reality than most people think, Santini said.

While the city, in coordination with the Department of Transportation and Public Works, is following the U.S. Department of Transportation's Federal Transit Administration guidelines to seek funding for the project, the mayor and his team said they are not counting on federal

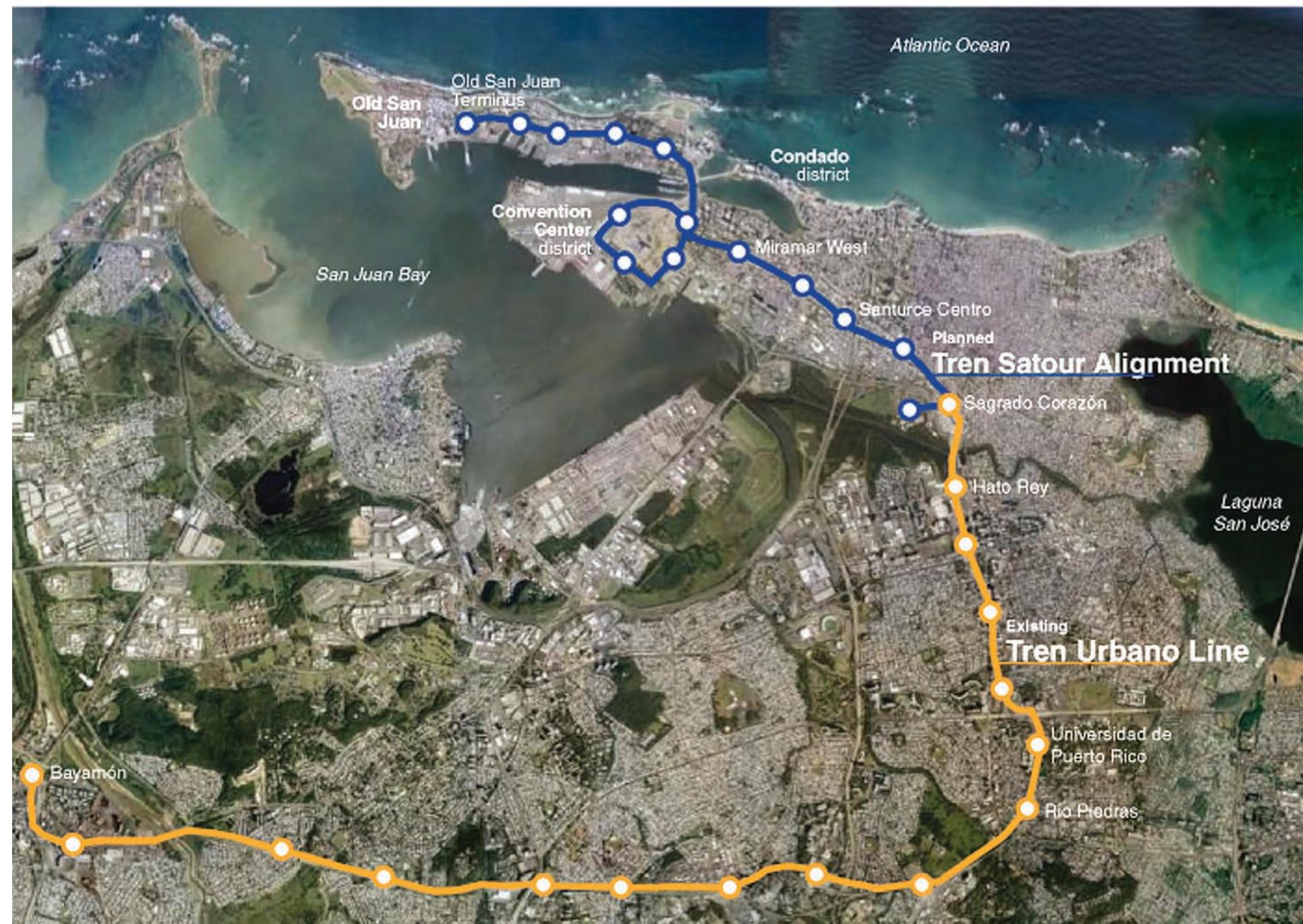
funding for the project.

The federal government is putting more emphasis on mass-transit feeder systems, such as the BRTs and electronic buses, than on full-fledged mass-transportation projects, which might make getting funding for SATOUR more difficult.

Also, the experience of the Urban Train, which was plagued by delays and huge cost overruns, has compounded the difficulty of getting more funding from the federal government.

"In Washington, they told us, 'After what you did with the Urban Train, don't come to us looking for even one dollar,'" Santini said. "So because we are paying for what others have done badly, we have gone to the private sector and are in conversations with large, prestigious firms

Continued on next page



Continued from previous page

that are experts in the development and management of mass-transportation systems.”

The city is undertaking all the necessary steps to qualify for federal funding while it continues to pursue private investment, and it is designing the project according to federal regulations so that it will qualify for federal funding either now or in the future.

“What we don’t want to do is wait for the indeterminate process of federal regulations. We want to start this now,” San Juan Deputy Mayor Rovira said. “We are in constant communication with federal authorities about our plan, and everything is being coordinated with the state Department of Transportation & Public Works.”

Santini said San Juan officials are in discussion with two Spanish firms, a British firm and one of the developers of Denver’s light-rail system about investing in the project. Several models are under consideration to finance and contract out the remaining design work, construction and operation of the SATOUR.

The mayor said the city will look for the best deal, whether one firm or several undertake the whole project. The city also is preparing to finance the project on its own if it has to.

“I will build it even if I have to use my own funds,” Santini said. “This is very quick, very easy. The wheel has already been invented.”

The Master Zoning Plan for the Isleta de San Juan has already been approved by the Planning Board, and the design of the train line is in process, with more than 10% of the route completed, Rovira said.

“I can close the streets tomorrow, but first we have been fixing up Old San Juan,” Santini said, pointing to ongoing work to repave the Old City streets with its iconic blue cobblestones.

City planners also are working on the project’s Environmental Impact Statement, which should be ready for delivery by next summer. City Hall officials, who already have discussed the project with the Environmental Quality Board, don’t see major problems because the train is running through an area that already has been substantially impacted.



The push to redevelop the Isleta de San Juan, contained in the Walkable City and Bahía Urbana projects, seeks to capitalize on underutilized assets in Puerta de Tierra, like the Capitol Building, large parks and ocean and bay coastlines, and weave them into a seamless whole with the historic and cultural richness of Old San Juan.

Once that is approved, Rovira said actual construction permits should be issued promptly.

The city plans to begin work in Old San Juan, constructing a major terminal for the SATOUR in the area of the Old San Juan cruise-ship docks, and then working backward toward the Convention Center District, which will comprise the project’s first phase, Santini said.

The mayor said basic infrastructure and demolition work also can be started before the entire project wins approval.

“We want to get started on this right away, by next year,” Santini said. “This is a very simple, very fast, very easy construction job.”

A DIFFERENT KIND OF TRAIN

Because the project is being planned along the existing dedicated Metropolitan Bus Authority lanes, there are not the usual headaches with expropriation associated with these massive projects, which drive up costs and prolong work schedules.

Santini said the project would require “almost no expropriations.” That is one reason the route along Fernández Juncos Avenue was chosen, because it was wider than Ponce de León and did not present the problems of having to expropriate several properties, Rovira said.

From the Convention District into Old San Juan, the light-rail train will travel the corridor that once held an

island railroad and is now used exclusively for bus traffic.

The light-rail system itself is much less invasive than a heavy-rail system such as the Urban Train, Santini said, which also will keep construction costs and time down. The mayor said the rail system on which the train will run is narrow and requires an excavation of less than two feet.

“The most expensive part of the project is the train cars,” he said.

Light rails are urban rail systems with lower speed and capacity than heavy-rail systems. While most operate on their own private rail systems, these systems sometimes run along roadways shared by vehicular traffic. The cars are narrower and shorter than traditional heavy-rail systems.

The San Juan system is being constructed so that the rail tracks can accommodate both light-rail cars and smaller, streetcar or tram systems. These are even lighter, narrower and less invasive than even light-rail trains, but have less speed and capacity.

The mayor said the idea was to build a flexible system that can be expanded in the future, so that, for example, a tram line can be extended from the SATOUR line to areas where light-rail trains might not fit. For example, a tram line might be a better choice than light rail to run from Fernández Juncos Avenue across Santurce to Loíza Street, Santini said.

“In Orlando, there are four different types operating on the same system,” the mayor said.

The light-rail stations also are much less complex and costly than the Urban Train stations: simple, smaller structures that will dispense tickets and protect passengers from the elements.

The exception will be the main terminal at Old San Juan, which will have several amenities and be much larger than most stops. Larger stations also will be built at the Convention Center and the start of the line at Stop 26 in Santurce.

While the train systems may be different, the SATOUR project will be integrated into the Urban Train and bus systems, so that its passengers can transfer to the other transportation options. At the Sagrado Corazón stop, passengers will be able to walk from the Urban Train to the SATOUR tracks within a common facility, the mayor said.

“It will have its own terminal, but it will be connected to the Urban Train,” Santini said.

Regardless of which of the financing and development alternatives the city finally decides on, a private operator will administer the train.

“Any government that dares to operate a train is doomed to failure. No matter what, the private sector will operate the train,” Santini said.

Continued on page 26

Continued from page 25

“We need people with experience and know-how. Otherwise, you fail. Look at the Metropolitan Bus Authority. It’s a simple system, and it’s a disaster. It’s a source of shame for the country.”

THE ‘BACKBONE’ OF THE WALKABLE CITY

Santini is the first to tell you that the decades-long plan to redevelop the Isleta de San Juan “has had five different names but not one nail has been hammered in.”

However, he lays the blame for the failure of previous administrations to “sell” the project to investors on the lack of a clear plan. The redevelopment plan may also have lacked a cohesive vision for many years, because the PDP-led administrations plans for the area were often in conflict with Santini’s ideas.

“Now we have a master plan that is complete, profound and exact, and the administration has decided to insert itself into our plan,” Santini said.

Even more important than the plan, however, is the train itself, Santini said.

“The train is the backbone of the Walkable City. The train is what feeds all this,” he said. “It’s proven that if you don’t have an adequate mass-transportation system to promote the rest of the larger project, then no one will invest.”

The train resolves perhaps the biggest barrier to development in the area—the massive vehicular congestion caused by the entry of 77,220 vehicles daily onto the Isleta de San Juan.

That is why the train is the first of 10 strategic actions established by the San Juan municipal government to enact the Walkable City plan, which aims to preserve Old San Juan, the oldest city under the U.S. flag and the second-oldest in the Americas, as well as remake the islet on which it sits.

Currently, much of Puerta de Tierra is underutilized, or poorly used, with abandoned buildings and fenced-in lots blocking access to the waterfront and its parks and beaches, a lack of sidewalks, shade and public transportation services, and decaying industrial and residential areas.

In addition to the train, the plan calls for a waterfront promenade

running along the entire coast of Old San Juan and Puerta de Tierra, for use by pedestrians, joggers and cyclists. It also envisions “strategically restricting” vehicular access to Old San Juan to increase its livability for residents and visitors.

A big part of the plan calls for reconnecting the northern Atlantic coast with the southern San Juan Bay and San Antonio Canal shorelines. While it is just a 10-minute walk from coast to coast in Puerta de Tierra, such a stroll is currently impossible because there are no direct roads or pathways.

This will be accomplished by new vehicular and pedestrian corridors and the abundant use of open spaces like plazas, small lakes and finger parks to connect the various assets in the neighborhood, including the coastlines, the existing parks and the cultural assets of Old San Juan.

The Walkable City also aims to rescue the Isleta de San Juan’s eroding coastline by developing beach areas through protective coastal reefs and storm-surge barriers, as well lining them with public-use areas. It also calls for the repopulation of the area by creating a mix of new residential

communities, as well as the revitalization of the marginalized La Perla and San Agustín neighborhoods.

While the project envisions moving all the loose cargo-shipping services located in the area, Santini emphasized that there was plenty of room for them in the ports area near Kennedy Avenue, and that they would not have to be relocated out of San Juan.

BAHÍA URBANA

Much of the new development foreseen in the master plan would take place along the San Juan Bay coast, with the central administration leading the efforts to remake the area.

Now called Bahía Urbana, the long-term project aims to revamp the San Juan Bay waterfront stretching between Old San Juan and the Miramar Convention District.

Bahía Urbana is a long-term project to transform the battered San Juan Bay coast, an abandoned or underutilized industrial area, into a vibrant and renovated district featuring housing, businesses, restaurants, hotels and cultural activities. It will require an estimated \$1.5 billion

Continued on next page



Continued from previous page

investment, largely from the private sector, over the next decade or so to pull off.

Economic Development & Commerce Secretary José Ramón Pérez-Riera said the project had the potential to create 20,000 jobs during its construction and more than 7,000 permanent jobs once completed. The central government will invest some \$300 million in critical infrastructure, including roads, utilities, public parking and ports projects.

Bahía Urbana, formerly known as the San Juan Waterfront redevelopment project, will be comprised of four interconnected neighborhoods. The neighborhoods will be connected by a meandering green walkway and a bayside promenade that planners envision as a kind of urban beach, with welcoming spots of shade, stone and wooden lounge chairs for relaxing, along with outdoor rooms.

The westernmost area, and the one

closest to Old San Juan, is Capitolio Sur, an extension of the existing Capitol District, which will serve as a civic and cultural center, boasting a bayside park. Next to it is Villa Mercado, which planners believe will be the heart of the Bahía Urbana, with hotels, restaurants, galleries and boutiques and bayside dining and entertainment.

Its two residential communities, with a diverse range of offerings, are called Parque San Antonio and La Marina.

Pérez-Riera said the project would not replace existing communities in the area, but would instead complement them.

“The project includes a range of residential products with a diverse range of prices, including rental units,” he said. “The project seeks to improve connections and access between the different communities of the Isleta.”

Continued on page 29



Above, the first project to break ground as part of the new SATOUR light-rail system will be the main terminal in Old San Juan. The plan also calls for connecting historic Plaza Colón with the waterfront district and the light-rail terminal through an open promenade. Below, a project to turn Piers 7 and 8 into a recreational area for the whole family will get underway early next year. Plans call for an observation balloon, trapeze school and docking facilities for tall ships, as well as a pedestrian bridge running to Old San Juan.



Santini defends management of San Juan finances

Blames ex-mayor Calderón for deficits

BY MARIO SANTANA
mario@caribbeanbusinesspr.com

San Juan Mayor Jorge Santini distanced himself from deficits shown in Comptroller's Office data, insisting they are the remainders of the \$49 million cumulative deficit he inherited a decade ago from former Mayor Sila Calderón. "Since I became mayor, except for one year, we have closed every fiscal year breaking even or with a surplus," he told CARIBBEAN BUSINESS.

According to the Comptroller's Office, at the end of fiscal year (FY) 2009—the most recent data available—San Juan, with the largest municipal budget on the island by far, had the second-largest deficit among the municipalities, amounting to \$18.4 million and surpassed only by Ponce's.

At the end of FY 2008, San Juan's deficit of \$19.5 million was the largest among all municipalities.

But the San Juan mayor said that the deficits shown in the Comptroller's Office reports do not refer to operational but to cumulative deficits.

He said that those deficits are the remainders of the \$49 million cumulative deficit he inherited from Calderón, who was San Juan's mayor from 1997 to 2000.

"I have been able to reduce the cumulative deficit because I have closed most fiscal years with surpluses," he said.

He said many of the mayors who have inherited deficits, even those belonging to his New Progressive Party (NPP), have increased their deficits, while he has been able to reduce San Juan's.

Also, San Juan deficits are proportionally lower than those of many other municipalities. San Juan's deficit represented just 4.5% of its FY 2009 unconsolidated \$425.6 million budget.

By contrast, Vieques' \$11.4 million deficit ranked second among all municipalities and represented 88% of its \$12.9 million budget



for FY 2009. Salinas' \$8.7 million deficit (the third largest) represented 63% of its \$13.8 million FY 2009 budget.

San Juan has been paring its cumulative deficit, according to Comptroller's Office data. The \$19.5 million deficit registered at the close of FY 2008 represented a sizable 54% bite out of the \$30 million dollar deficit registered at the close of FY 2007.

Vieques' budget gaps, by contrast, have widened over time. The island municipality's cumulative budget increased 18.7% to \$11.4 million in FY 2008 from \$9.6 million in FY 2007, when it skyrocketed 500% from the \$1.6 million budget shortfall in FY 2006.

Santini recalled that when he began as mayor in January 2001, the city had more than 10,000 employees, and now has around 7,200 as a result of two early retirement programs he established at a cost of \$130 million, which

have already been paid.

Some 1,200 employees retired with a \$5,000 bonus and pensions equal to 75% of their latest salaries, he said. Another 300 retired with a \$10,000 bonus.

San Juan still employs more people than any other city on the island. Almost 12% of municipal employees in Puerto Rico work for the island's capital city.

MUNICIPAL REVENUE, EXPENDITURES AND DEBT

Among municipal governments, San Juan has by far the highest revenue and the largest budget. Its consolidated budget for the current fiscal year amounts to \$763.4 million. No other city hall comes close to San Juan's income—or its expenditures.

"San Juan is a central government in miniature," Santini said.

Of the \$763.4 million consolidated budget, \$444.3 million—or 58%—comes from the city's own sources of revenue, not including \$51 million from the municipal net share of the sales & use tax (IVU by its Spanish acronym). Another \$117.6 million—15.4% of the consolidated budget—is composed of federal funds.

In FY 2010, which ended June 30, San Juan revenue from its own sources amounted to \$519.9 million. When federal and state transfers are added, the amount increases to \$723.3 million.

FY 2011's consolidated budget is larger than the previous one; however, projected collections from its own resources are down from what the city collected during the previous fiscal year.

FY 2010's consolidated budget was larger than the \$692.5 million consolidated budget in FY 2009, but smaller than the \$793.6 million consolidated budget of FY 2008, the largest in the city's history.

Collections from property taxes—the city's main source of municipal income—have stayed relatively stable during the past four years, although in FY 2010 collections

were \$1.8 million above the previous fiscal year. In FY 2010, collections from property taxes amounted to \$216.5 million; in FY 2009, \$214.7 million; in FY 2008, \$217.7 million; and in FY 2007, \$217.5 million.

Municipal taxes on businesses (*patentes*), meanwhile, have continued to grow, despite the economic downturn. In FY 2010 they amounted to \$157 million; in FY 2009, \$156 million; \$149.9 million in FY 2008; and \$145.6 million in FY 2007.

Collections from the municipal net share of the IVU also have stayed relatively stable during the past three fiscal years. In FY 2010, collections from this source amounted to \$54.5 million; in FY 2009, \$54.7 million; and in 2008, \$54.8 million. In FY 2007, when San Juan initiated IVU collections, revenue from this source was \$41.4 million.

Collections from municipal excise taxes on construction, however, have suffered a sharp decline during the past two fiscal years, as they have in all municipalities. In FY 2010, income from this source amounted to \$17.3 million, and in FY 2009 collections totaled \$29 million, both marking a sharp decline from the \$48.3 million collected in FY 2008. In FY 2007, collections from excise taxes on construction amounted to \$29.6 million.

Federal and state transfers to San Juan amounted to \$136 million in FY 2010; \$141.9 million in FY 2009; \$146.7 million in 2008; and \$136.3 million in FY 2007.

SPENDING IN SAN JUAN

How does the city spend its income? The biggest chunk goes to the city's health system, consisting of the municipal hospital at the Río Piedras Medical Center, a network of health centers and several health programs, according to data provided by the city. All told, around one-third (34%) of the budget is spent on providing healthcare services.

General Municipal services

Continued on next page

Continued from page 27

In fact, the Housing Department has undertaken recently the modernization of public-housing projects in the area with an eye toward the larger redevelopment vision, which calls for the opening up of north-south corridors, and better integrating the housing into the neighboring community, as well as decentralizing the housing units.

THE FUTURE IS NOW

While the redevelopment of Isleta de San Juan is a long-term project that will not be fully complete for more than a decade, work has already gotten underway on it.

Pérez-Riera said that much of the legwork regarding permitting and land-title issues has already been done, and that the government owns the majority of the land involved in the project's initial phases, which should speed up the process.

The Economic Development chief acknowledged that the redevelopment of the San Juan waterfront was originally conceived so long ago that the private sector may be skeptical of it ever becoming a reality, which is why the government is focused on getting an initial phase of the project completed this term.

Work crews have already started repairs and improvements along Fernández Juncos Avenue and just last week, the Department of Economic Development & Commerce put out to bid a renovation project for Piers 7 and 8. The government is investing \$25 million to begin this first phase.

The initial project will be to remake the area of Piers 7 and 8, currently a decaying industrial port zone, into a large recreational area for the whole family, surrounded by water and green areas. It would be hooked up to Old San Juan via a



pedestrian bridge, feature an observation balloon and a trapeze school, and serve as the home port for the HMS Bounty tall ship.

Another recreational area, a splash park and play and sports area adjacent to the Club Náutico marina, will shortly take root on the other end of the development, the Economic Development chief said.

"The idea is that this will be an area where family, visitors, tourists and the public in general can come and have a good time," Pérez-Riera said.

Meanwhile, as San Juan drives ahead with its development of the SATOUR light-rail train, it is simultaneously continuing to put its Walkable City plan into action. The repaving of Old City streets, a key step in allowing San Juan to become a pedestrian-friendly city, is underway.

Santini also is in discussions with private groups and the owners of the Sheraton Old San Juan hotel regarding the development of the light-rail train's main terminal in Old San Juan, which will be

where work on the train begins in earnest.

The plan also calls for connecting Plaza Colón, the historic square, with the waterfront district and the light-rail terminal through an open promenade that will wed the new vision for Puerta de Tierra and the San Juan waterfront to the Old City. This will be the first large Walkable City project, Rovira said.

"The train is what makes this all attractive," Santini said. "It allows those who want to invest to invest." ■

Continued from previous page

account for 18% of the budget; 10% is spent on public works, another 10% on debt service, 8% on security, 6% on urban development, another 6% on capital disbursements, 3% on education, another 3% on recreation and culture, and 2% on urban development.

According to the Government Development Bank (GDB) data for the end of fiscal 2009, San Juan debt with the bank stood at \$569.4 million.

San Juan's debt at that time was 0.9% smaller than its \$574.6 million debt for the end of fiscal 2008. But San Juan's current debt is 18.3% higher than its \$481.2 million debt

at the end fiscal 2006, and 14.8% higher than its \$496 million debt at the end of fiscal 2007, according to GDB data.

The Santini administration's debt data differs from the GDB's records. According to the city data, its debt with the bank amounted to \$410.6 million in FY 2010, up from \$384.2

million in FY 2009, \$389.6 million in FY 2008 and \$384.8 million in FY 2007.

Debt service expenditures amounted to \$57.2 million in FY 2010, \$57.3 million in FY 2009, \$50.8 million in FY 2008 and \$48.7 million in FY 2007, according to the city. ■

Río 2012 attracting investors, Santini says

Key construction underway in Río Piedras urban center, more slated for 2011

BY MARIO SANTANA
mario@caribbeanbusinesspr.com

With a new parking facility under construction and a 12-story municipal tower and a new health center slated to begin construction next year, San Juan Mayor Jorge Santini proclaimed that Río 2012 has moved from initial doubts to where it is arousing serious interest among private investors.

"Nobody thought this [project] was going to make it," Santini told CARIBBEAN BUSINESS during an exclusive interview. "Now we have more than 20 investors interested."

Río 2012 is an ambitious plan to renovate the historic heart of Río Piedras. It consists of a master plan designed by Boston-based architect Antonio DiMambro, who has designed major works in Venice, Boston and Dallas, as well as here in Puerto Rico. All construction in the area must follow the master plan's guidelines.

The master plan won an award from the Boston Society of Architecture in 2009, which helped spur international interest in the project, Santini said.

The city expects Río 2012 will spur over \$1 billion in private investment, as it envisions more than two million square feet of new construction; 1,124 new residential units; 166,340 square feet of new commercial space; 972,000 square feet of new office space; and 1,500 new parking spaces.

The goal is to attract 5,000 new residents to the Río Piedras urban center, generating some 3,000 direct and indirect jobs in the process, as construction gets underway to renovate the area.

The city government has bought more than 15 real-estate properties so far in preparation for the envisioned development. The properties or land parcels are located along Georgetti, Piñero, Tavárez, Vallejo, Arzuaga and Monseñor Torres streets. Santini said all



have been normal purchases, not expropriations.

"The process has been very smooth," he said. "I haven't been able to buy more, but I have another 25 [properties] whose owners want to sell them to us."

Río 2012 aims to take advantage of the sector's two main advantages: the presence of the University of Puerto Rico's flagship campus and its status as a transportation hub, with several Urban Train stations, a *carro público* (public car) terminal and a central convergence spot for bus lines.

Río 2012 began with the renovation of Río Piedras' main square, Plaza de la Convalecencia. The renovation cost \$15 million and included the square's underground parking facility, which accommodates 602 vehicles. Since its completion, the city holds two or three activities there weekly, Santini said.

"Río Piedras is thriving," he said, adding that so far, the city has invested \$25 million of its own resources in Río 2012.

MUNICIPAL TOWER, TRANSPORTATION TERMINAL NEXT
The next phase of Río 2012 includes a municipal tower and a transportation terminal with parking.

The 12-story municipal tower is slated to begin construction next year. It is proposed as an energy-

efficient building of 180,000 square feet of office space on Camelia Soto Street, at a cost of \$38.9 million.

Santini said that the private sector will build the municipal tower and rent it to the city. When the rental period ends, the building's ownership will revert to the city, he said.

"This means that my disbursement for the construction is zero," he said. "I provide the land, they build and rent it for 30 to 40 years, whatever the contract says, and at the end, the tower is mine."

The municipal tower will replace the city's current main office building on Chardón Street in Hato Rey. That building is owned by the Public Buildings Authority and the city pays rent for its use.

The move will bring 1,200 municipal workers to downtown Río Piedras each day, stimulating economic activity in the area. The municipal tower also will house a privately managed cinema and other amenities.

Santini said that by the end of the current government term in 2012, the municipal tower construction should be completed or in advanced stages. The project is now in the process of selecting a construction company.

The transportation terminal will require a total investment of \$13 million in municipal and federal funds. The city expects that around

51 *carro público* routes will be based in the new environmentally friendly terminal, which will include 334 parking spaces for the general public.

The terminal is already under construction, and Santini plans to have it completed by the end of the government term.

The city also plans to build a new health center for downtown Río Piedras, after dropping earlier plans to make improvements on the existing one. An average of 200 people visit the health center's outpatient clinics on weekdays, and more than 100 use the emergency room in a given day, according to city hall data.

PRIVATE INVESTORS STEPPING UP

In the area surrounding Plaza de la Convalecencia, the city has been razing abandoned structures and preparing plots for redevelopment. DiMambro's master plan envisions different types of residential and commercial units in this area.

But these developments, especially residential projects slated for rent and sale, will ultimately depend on private investors willing to take the risk of building apartments, and office and retail space for sale or rental.

Some of the owners of real estate located in the area have expressed interest in selling their properties to the city, but others want to build some of the projects slated in the master plan, the mayor said.

"The last time I talked with our acquisition personnel, we had around 27 to 30 owners of real estate willing to either sell their properties to us or to develop a project by themselves or jointly with other owners," he said. "We have verbal proposals and letters."

The housing units Santini wants to see developed in the area will be for occupants from various income levels, not only for low-to-moderate-income families.

"We will have a quota of low-to-

Santini unveils political plans

Says he will likely seek re-election, touts public works record

BY MARIO SANTANA
mario@caribbeanbusinesspr.com

San Juan Mayor Jorge Santini said he will likely seek re-election, but also said that every day he receives petitions to run for governor, adding that he can beat anybody because he has a record of accomplishment in public works that can only be compared to that of former Gov. Pedro Rosselló.

"I am the mayor of San Juan, and I want to keep being the mayor of San Juan and see my projects get completed," was his first reaction when asked about his political plans. "I need to institutionalize my projects in a way that prevents future mayors from knocking them."

Santini has been mayor for a decade, after winning the past three elections, each time running on

the New Progressive Party (NPP) ticket.

He said that when he first launched his key projects, some labeled them as crazy.

"What we began some time ago had no other purpose than to lay the foundation for what we are doing now, which will lay the foundation for what we will do tomorrow," he said.

SUPPORTS FORTUÑO

Santini said that he supports Gov. Luis Fortuño's re-election "if he decides to be the [NPP] candidate" for governor in 2012.

"Who will be the candidates for governor in the next election? I don't know," he said, adding that he "could defeat any of them."

"What happens is that I am not in that game, unlike other politicians from my party," Santini said,

adding that "people of all levels, from people in public housing projects to bankers, ask me every day to run for governor.

"I think that the political world has turned its eye on me and is saying: 'Hey, this guy, who is one of the warriors, a gladiator, has stayed focused on doing his projects,'" he said.

For Santini, no other politician but Rosselló can claim a work record more robust than his.

"Even though I am an ardent politician, I have a work history that backs me. In the past 20 years, nobody in Puerto Rico, and I say this with conviction, nobody but Pedro Rosselló has had a catalog of works like mine," he said. "Nobody, not even in the House or the Senate or in another city hall."

The mayor further said that the

only government entity that "is moving forward" is his city hall, although he clarified that the problem with the Fortuño administration is a lack of money.

"Fortuño does not obstruct me, but he does not have much to give, besides his cooperation, because there is no money to do what [former Gov. Rafael] Hernández Colón did in Ponce and allocate \$50 million in San Juan."

Santini said he opposes any internal challenge to Fortuño.

"I asked my fellow politicians in other positions to do the same as I do: focus on their work and on cooperating with the administration, because the changes Fortuño wants to make are good for everybody," he said, dismissing the notion that his message is especially intended for Senate President Thomas Rivera Schatz. ■

Continued from previous page

moderate-income units in order to promote an integration of people with different income levels," he said, adding that the quota could be 15% or 20% of all new housing units.

But he also said housing units to be sold at market-value prices "will still be affordable and attractive."

A mix of municipal, commonwealth and federal incentives are available for developers who invest in the area.

The incentives available include interim loans provided by the municipality with its HOME Investment Partnerships Program funds. HOME is a federal assistance program of the U.S. Housing & Urban Development Department aimed at providing decent and affordable housing, particularly for low-income families.

The program is expected to provide from \$7 million to \$8 million to subsidize the mortgages of the first 77 housing units built. Only

families that qualify for the federal program will get the subsidy.

Other incentives include exemptions in the payment of municipal business taxes, and real and personal property taxes, and reduction and deferment of municipal construction fees.

OTHER PROJECTS

Santini also highlighted other city projects during his interview with CARIBBEAN BUSINESS.

He touted the fact that the city manages its own education system.

"Nobody thought that a city could have its own education system, but we have it. It is a reality today," he said, adding that the city schools' test results are above 92% of all other island schools, public and private.

He also said the city is now in charge of considering permits within its boundaries. In mid-July of 2009, the Regulations & Permits Administration (ARPE by its Spanish acronym) and Planning Board transferred most of their permit powers to the city's permits office.

Santini also noted as one of his administration's greatest achievements the Casa Cuna of San Juan, a shelter for abandoned or abused babies and toddlers at the former U.S. Naval Radio Station in Puerta de Tierra. He said the project led to the reform of the island's adoption law.

"I have searched for similar projects around the world, and ours is unique," he said.

The mayor recalled that in February the city hosted the Latin American Special Olympic Games and is currently competing to become the host of the 2015 Special Olympics. To that end, last month he attended seminars in Athens, a requirement for filing the formal petition. San Juan is competing with cities in Australia, South Africa, India, the U.S. and Morocco to host the event, he said.

Santini also said the city designated a redevelopment district near the Kennedy Avenue expressway that includes the construction of two hotels next to the city's wild-life museum. The hotels will be

built on municipal land as part of another deal that will transfer their ownership to the city after 40 or 50 years, he said, adding that the hotel operator also will be in charge of developing and running an 18-hole golf course. Other projects in the area include a new central food market that will use renewable energy.

The city also is seeking a private investor to build and run a waste-to-energy plant on municipal land. Such a plant would represent savings in the city's solid-waste-disposal expenses.

The city government also has acquired property near PR-1 in Río Piedras, for \$55 million, and has plans to acquire adjacent land parcels to offer this real estate to private investors willing to develop state-of-the-art film and recording production facilities. That project is envisioned to include a school, to be run privately or by the city, that would offer training in motion picture lighting, staging and set design, and special effects, Santini said. ■