

Up from the bottom

2012 should be the year the local economy finally begins to improve



By Frances Ryan pages 14-19

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Continued rapid population decline threatens growth; 'sign of sick society' page 2

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Long-awaited regulations spur development of affordable housing page 6

Consumer spending, exports, tourism expected to lead economy in 2012 pages 11, 32-33, 38

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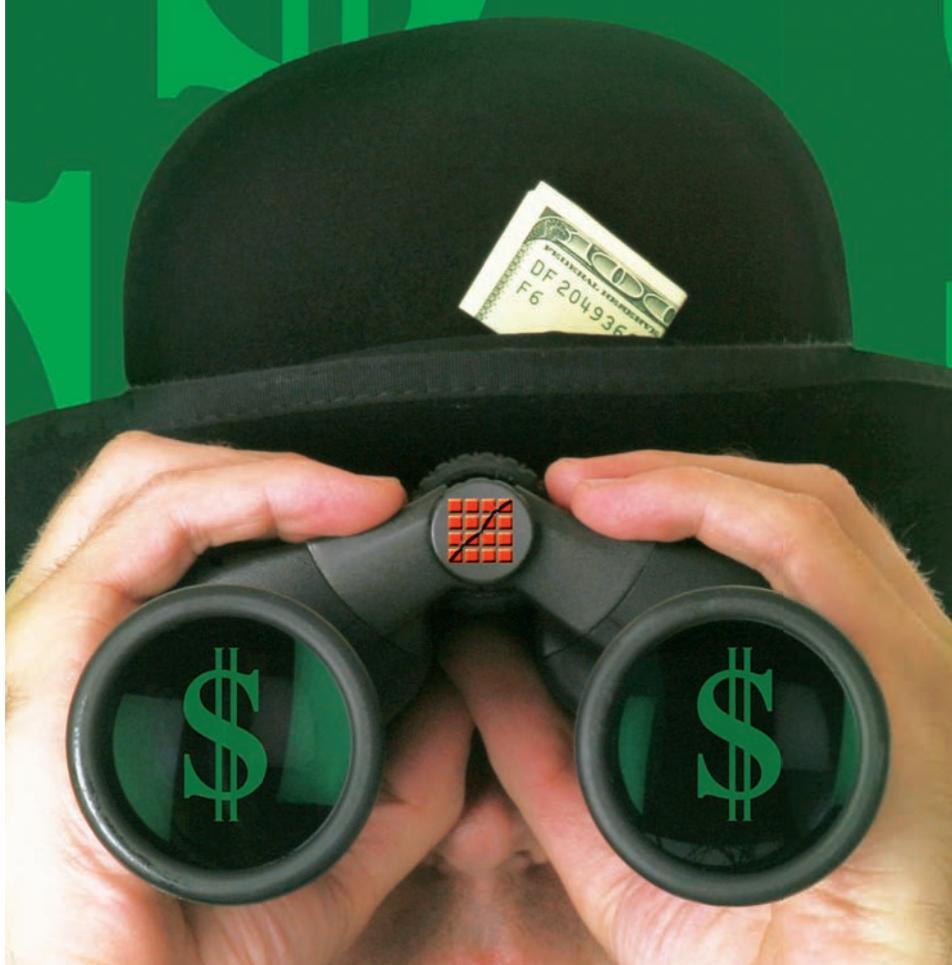
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2012 Annual CARIBBEAN BUSINESS Economic Outlook



BY FRANCES RYAN
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Still in the midst of economic uncertainty, Puerto Rico public and private sector leaders describe the island's 2012 economic outlook with cautious optimism.

The island's recession, already on its sixth year, has been deep and long. In fact, the longest of any developed country in the world in modern times, making it Puerto Rico's own "Great Depression."

Our economy went into negative-growth territory in March 2005, a total negative period of five years and 10 months to date. To put that in perspective, the Great Depression of the 1930s in the United States had a negative period of four years and seven months.

However, signs of improvement in some economic sectors point to 2012 as the beginning of a long road to recovery for the island. That is the consensus among local economists interviewed by CARIBBEAN BUSINESS.

The 2012 Annual CARIBBEAN BUSINESS Economic Outlook takes a closer look at some of the areas of economic-development opportunity for Puerto Rico during the remainder of the year, as well as those sectors that still pose an economic challenge in the near future.

"2012 will be the year when we finally turn the corner," said Gov. Luis Fortuño during an exclusive interview.

Key economic indicators are looking better, but we must keep it up, Fortuño said, warning that "we aren't out of the woods yet, and a frail economy is still vulnerable to sudden external changes."

In 2012, economists project, the Puerto Rico economy will move from the negative rates of growth that characterized the local economy from 2006 through 2011 to a "0" or even slightly positive growth. Puerto Rico Planning Board figures project a .7% growth for fiscal 2012.

These glimpses of economic recovery have come at a great deal of sacrifice for all Puerto Ricans, Fortuño said.

"They have required taking difficult but necessary steps to get on a

path of economic recovery," he said. "Although the recession in Puerto Rico started long before I came into office, the decisions we made in 2009 are now being considered and implemented by many states and countries around the world, decisions that have enabled us to address our short-term liabilities and enabled us to seize new growth opportunities."

Private sector leaders, on the other hand, are hopeful that modest signs of economic improvement continue through the end of 2012.

"External factors, including a still weak U.S. economy, uncertainty within the European community and volatility of oil prices can still set us back," said Ismael Vega, chairman of the Puerto Rico Hotel & Tourism Association (PRHTA). "However, if modest signs of improvement continue, 2012 may be the year that we see some opportunities for growth."

Economic Development & Commerce Department (DDEC by its Spanish acronym) Secretary José R. Pérez-Riera credits a bevy of economic reforms and development initiatives at the core of the government's Strategic Model for a New Economy as instrumental in driving the economic recovery.

"Implementation of permitting and tax reforms has improved our business climate. Public-private partnerships [PPPs] and new legislated incentives have made Puerto Rico a more attractive investment destination," Pérez-Riera said. "We had to get back to basics to establish a solid foundation that would promote economic recovery and attract new investment leading Puerto Rico into the 21st century."

Puerto Rico scaled up six notches to the 35th position out of 142 jurisdictions evaluated in the 2011-2012 edition of the World Economic Forum's (WEF) Global Competitiveness Report. Puerto Rico showed the most improvement among the top 35 economies in the world. This is the highest ranking Puerto Rico has obtained in this report in its history. Puerto Rico also advanced eight notches to the 45th position

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out of 139 jurisdictions in the Travel and Tourism Competitiveness Report published by the WEF, the highest ranking Puerto Rico has obtained in this report in its history as well.

AS THE U.S. GOES, SO GOES PUERTO RICO

The stateside recession, which began in December 2007, officially ended in June 2009, lasting 18 months. Since then, the mainland economy has grown at a 3% rate in real terms in 2010 and is expected to have grown less than 2% in 2011, according to a recent Associated Press survey of economists.

That same survey has the U.S. economy growing at 2.4% in 2012.

“The main downside risks to this projection are worsening conditions in the Middle East and North Africa, which could result in rising oil prices, and the impact of recessionary fiscal measures in developed countries, particularly in Europe,” Pérez-Riera said. “If projections hold true, given that Puerto Rico’s economy is directly linked to the U.S. mainland’s, as the U.S. continues to improve it should have a positive effect on our local economy.”

Fortuño, for his part, cautioned that “while there may be signs of improvement in the stateside economy, we must remain vigilant about the projected cuts in social programs in the federal budget, which will likely translate into a reduction in financial transfers to Puerto Rico.”

Puerto Rico, which relies on federal funding for \$1 out of every \$4 spent by the local government, must prepare in advance for cuts in federal spending over the next several years, with projected cuts of nearly 8% in education, health and transportation to take effect in 2013.

Defense and farm bills, the latter affecting the island’s \$2 billion Nutritional Assistance Program, are also expected to contain substantial cuts.

As the year 2012 kicks off, the island stands to lose millions of dollars in rum excise tax rebate revenue after Congress failed to extend an increase in the program that expired Dec. 31—a glimpse of the impact on the local economy as cuts in federal spending take effect.

ECONOMIC ACTIVITY INDEX

The Government Development Bank Economic Activity Index (GDB-EAI) reached 127.7 in October 2011 compared to 126.7 registered during September 2011—the highest absolute level since November 2010. The year-to-year change of the GDB-EAI for October 2011 was -0.9%, which is the most favorable such change for any month since July 2007 (52 months).

“We expect this trend to continue and our preliminary analysis of the indicators shows that November 2011 will approximate positive year-to-year growth for the first time since March 2006,” Pérez-Riera said. “When we finally do return to positive growth in the next few months, we will have come back to growth from an abyss that quite frankly seemed insurmountable at times, and that will be something that all Puerto Ricans can feel proud of.”

Still, investment in Puerto Rico has been falling consistently since 2005 and construction investment, which seven years ago accounted for 17% of gross domestic product (GDP), is now close to 6%, noted economist Joaquín Villamil of Estudios Técnicos, an economic consultancy firm based in Hato Rey.

Another sign that may indicate growth on a year-to-year basis is around the corner, Pérez-Riera said, is total nonfarm payroll employment, which increased by 3,600 jobs in November 2011 in comparison to November 2010.

“This represents a year-to-year increase of 0.4%, which is the highest year-over-year increase since March 2006, or 67 months,” Pérez-Riera said.

HIGHER RATINGS

“Our achievement in the area of credit ratings is unquestionable,” said Fortuño, adding that many other governments are just now addressing the same problem.

Added Pérez-Riera: “We saved Puerto Rico’s credit from becoming noninvestment grade and achieved the first positive evaluations from the rating agencies in decades. In contrast, over the past few years, Greece, Portugal and Ireland have been downgraded to junk-bond status, and even the U.S., the most powerful country in the world, received a negative outlook on its sovereign debt.”



Gov. Luis Fortuño sees Tax Reform as one driver of growth in the new diversified economy.

The governor expressed certainty that Puerto Rico is “truly ahead of the curve” in establishing a stable fiscal foundation, a prerequisite for sustainable economic growth.

“This will continue to be instrumental as we seek to attract new investment to Puerto Rico,” Fortuño said.

TAX REFORM SPELLS RELIEF

General Fund net revenue rose 5.8% in fiscal year 2011 to \$8.2 billion, and for the first five months of fiscal 2012, it is up 4.7% over the same period of the previous year.

“Taxpayer relief provided by the Tax Reform will continue to fuel economic growth as well as to drive government revenue,” the governor said.

This will be the first year Puerto Rico taxpayers will file tax returns under the provisions of the new Tax Code. Individual and corporate taxpayers should see a reduction of 25% in their (2011) tax liabilities this year.

“The Tax Reform will have injected \$953 million into the economy this year,” Fortuño said.

IVU REVENUE SIGNALS GREATER CONSUMER CONFIDENCE

Local sales & use tax (IVU by its Spanish acronym) collections rose 2.8% in 2011 to \$1.1 billion, marking the second-straight year of growth, as 2010 collections rose by

15.1%. January 2011 was the month with the highest IVU revenue for any given month in recent history, and every single month in 2011 reflected a year-to-year increase, Fortuño noted.

“To the extent that people are spending their money and that we are seeing the effects of that as an increase in the IVU, that means people have more disposable income, and it reflects an increase in consumer confidence—all important signs for the economy as we go forward into 2012,” he said.

JOBS NEEDED

With the unemployment rate hovering at 16%, local economists aren’t very enthusiastic about prospects for the local labor market in 2012—Puerto Rico needs jobs, hundreds of thousands of jobs.

Planning Board figures project growth of 0.7% next year, which in real terms is zero growth. Industry experts interviewed by CARIBBEAN BUSINESS believe the job market will stabilize during the second half of 2012.

“We are confident that will be the case,” Fortuño said, adding he is hopeful that signs of recovery seen during the second half of 2011 will continue. “September 2011 was the first month of year-to-year growth in total nonfarm payroll employment that we have seen since March 2006.”

Total nonfarm payroll employment then increased in November 2011 by 3,600 jobs in comparison to November 2010, which represents a year-to-year increase of 0.4%, “also the highest we have seen since March 2006,” the governor said, noting that two of the past three months have exhibited year-to-year increases in total nonfarm payroll employment.

As of November 2011, sectors leading in job creation included information technology (4.3%), education and health services (2.5%), and finance (2.3%).

GOVERNMENT SHUFFLING

Everyone agrees that Puerto Rico’s government needs to be overhauled, reorganized and modernized to become more efficient. Under Law 182 of 2009, nine out of 13 reorganization plans filed within the executive branch are being implemented.

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The bulk of the executive branch reorganization is being delegated to technology, digitizing hundreds of manual processes and services. To date, pr.gov offers more than 100 online services compared with none only three years ago. The online platform has processed more than 4 million transactions, representing savings of more than 4 million hours and \$50 million.

“For the first time in 60 years, the Puerto Rico Legislature voted to reduce the size of the Legislature by a considerable 30%,” the governor said. “When [the bill] comes to me, I will sign it.”

The change won't constitute a constitutional amendment because that would need to be approved by more than two-thirds of the Legislature.

“Although the measure won by majority, it is a pity that it went down on partisan lines,” Fortuño noted.

ENERGY DIVERSIFICATION EFFORTS CONTINUE

Soaring energy costs continue to be a major concern among Puerto Rico residents and business leaders across the economy, ranking among islanders' top-three concerns, along with crime and health.

Puerto Rico is expected to make tangible progress in 2012 toward diversifying its power production, with additional natural gas, wind and solar plants entering into operation later in the year, as the government brings increased focus on improving efficiency at the Puerto Rico Electric Power Authority (Prepa)



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—Economic Development & Commerce Department Secretary José R. Pérez-Riera

while bringing down the cost of electricity.

Yet, despite the progress, Puerto Rico will still be reliant on imported oil for most of its power production, which means the local economy will remain vulnerable to oil-price shocks, even if Prepa operations begin to improve.

The U.S. Energy Information Administration (EIA) is predicting that crude-oil prices will average about \$102 per barrel in 2012, up slightly from the 2011 average of \$101 per

barrel. Prepa spends \$2 billion annually on imported oil.

Two Prepa-run units at the Costa Sur powerplant, in the Peñuelas-Guayanilla area, should start burning natural gas in March, which will push Prepa's use of natural gas to 28% from its current 15%.

Amid controversy and opposition, Prepa plans to move forward with plans to build the 91-mile Vía Verde natural gas pipeline, from the south-coast town of Peñuelas north to Arecibo, and then east to San Juan. This will allow for the conversion of three more powerplants to natural gas.

However, the new chairman of Prepa, José Ortiz, is determined to seek alternatives to a pipeline if possible.

GLIMMERS OF HOPE IN MANUFACTURING

Despite rapidly losing ground, manufacturing continues to be a major force in Puerto Rico's economy, responsible for 45.5% of the island's GDP of \$95.7 billion, or close to \$44 billion, up from \$24.5 billion or 39.7% of the GDP in 2000.

Industry observers predict a rough 2012 for the vital economic sector as this year's third-quarter figures reflected a 5% employment reduction in the segment compared with the same period in 2010—a trend that has been consistent since 2009.

Many blame the island's high operational costs for the downturn in manufacturing.

DDEC Secretary Pérez-Riera noted that important achievements often go unnoticed.

“Our pipeline of new projects for

2012 is also looking very good,” he said. “At the moment, we are in the process of finalizing agreements with more than 18 companies during the first three months of 2012 that will represent investment of hundreds of millions of dollars and will create thousands of new jobs.

“The Federal Contracting Center initiative to provide a one-stop shop for all resources related to contracting with the federal government aims to increase Puerto Rico's participation in the federal procurement market to \$1 billion.”

Since 2009, more than 239 projects have been promoted with a commitment to create or retain more than 13,707 jobs, representing investment of more than \$1 billion, according to figures from the Puerto Rico Industrial Development Co.

CONSTRUCTION SHOWS SIGNS OF LIFE

The increase in sales and production of cement also tends to indicate there will be a rebound in the Puerto Rico construction industry in 2012, despite a continued lag in the issuance of construction permits last year.

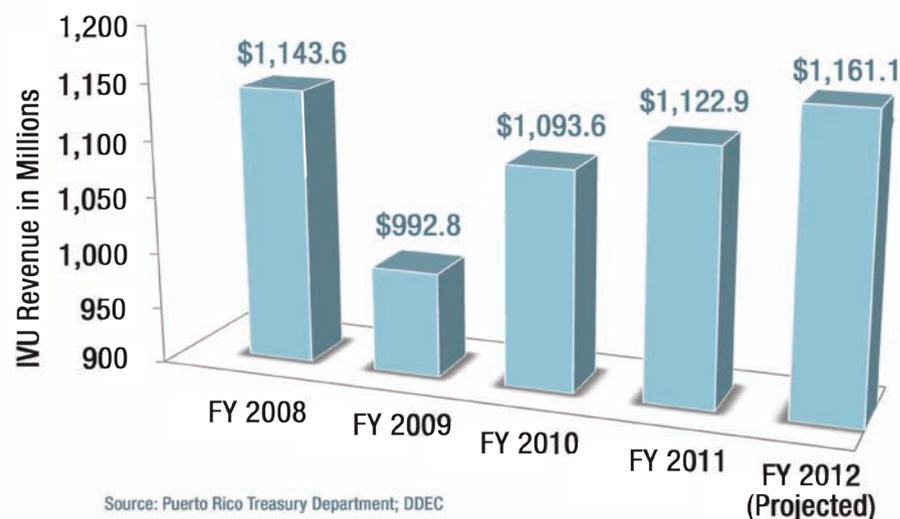
From July through November 2011—the first five months of fiscal 2012—6.98 million bags of cement were produced, representing an increase of 11.9% over the same period the previous year—“a telling sign of economic activity and one that points to impending economic growth,” Fortuño pointed out.

In November (the fifth month of fiscal 2012), cement sales increased by 114,000 bags, or 7.5%, from the

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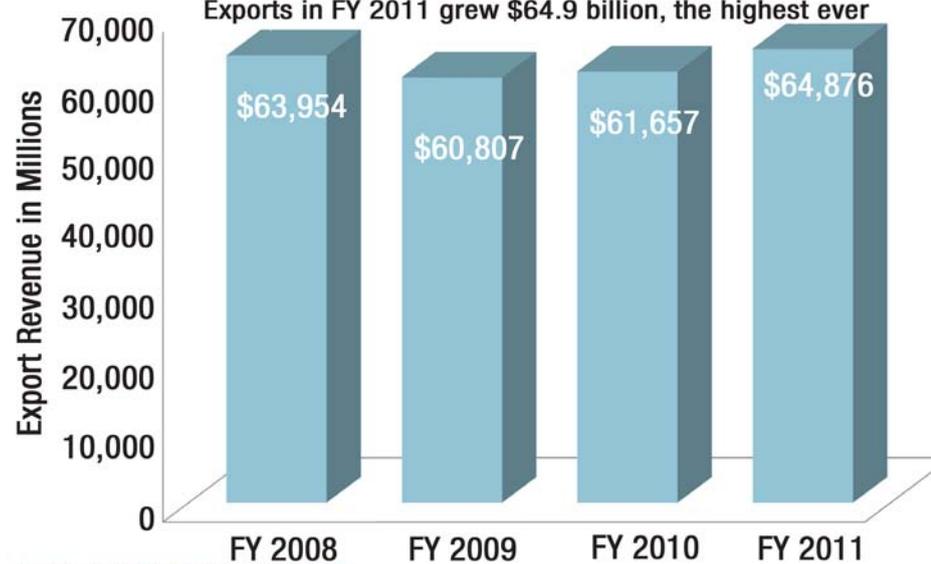
As consumers spend more...

In the first four months of FY 2012 (July-October), IVU revenue increased 3.4% over the same period the year before



Companies export more...

Exports in FY 2011 grew \$64.9 billion, the highest ever



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same period in the previous year.

From January to November, sales grew a total of 4.4% compared to the year-ago period. This breaks a five-year downward trend in sales of cement, with the largest drop—29.7%—coming in 2009.

Although issued construction permits remained low at only 236 for February 2011, according to the most recent available data, industry employment rose to 58,000 in October 2011 from 46,000 in October 2010, although it remained well below the 75,800 people employed during the industry's peak in 2001.

"Recovery in the real-estate market will come from the top and the bottom of the market," said Alex Brito, president of the Home Builders Association, adding that recovery of middle-market real estate will take longer.

November 2010 to November 2011 home sales totaled 15,550 in new and existing units, representing an increase of 32.8%, while stateside home sales decreased 13% during the same period. The total value of home sales for that period totaled more than \$2.5 billion, according to DDEC figures.

WHEN ARRA AND 154 FUNDS RUN OUT

There isn't a clear scenario as to what will happen when federal American Recovery & Reinvestment Act (ARRA) funds run out at the end of 2012. However, Fortuño sees growth opportunities in moderate- and low-income housing, private sector financing and the export

of goods and services.

"ARRA funds, by definition and by design, will run out at some point," Pérez-Riera said. "That is what they were designed to do, and the responsibility of all state policymakers who received those funds was to use them wisely for maximum impact, and to prepare for their eventual termination.

"We used the time the funds bought us to make drastic, and sometimes difficult, decisions that would prepare our economy for a higher growth level which in and of itself would create more economic activity and therefore offset the eventual termination of the ARRA funds."

The Puerto Rico economy will get a \$1.39 billion boost during fiscal 2012 from ongoing and ready-to-start projects with ARRA funds—the overall tally of federal economic-stimulus funds coming to the island through the ARRA program has reached \$7.029 billion.

Funding for fiscal 2012 is nearly 20% of Puerto Rico's total ARRA funding.

LAW 154: FIRST LINK IN A CHAIN OF ECONOMIC ACTIVITY

The same can be said for the excise tax enacted through Law 154, Fortuño added.

"Despite all our efforts, once it became evident that implementing such a measure was inevitable, we were tasked with ensuring it would have the least possible impact in the manufacturing sector," the governor explained.

Added Pérez-Riera: "This was ultimately achieved, for the most part,



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—Joaquín Villamil of Estudios Técnicos

through the excise tax creditable to taxes paid by the companies in the U.S., and what we have been seeing is that many of these companies have come around to realize that Puerto Rico continues to present the most compelling business alternative. As such, we have seen that many of these companies have entered into expansions, sometimes very substantial ones at that."

By giving back \$1.2 billion a year in revenue to Puerto Rico taxpayers, Fortuño asserted that "we are now generating economic activity that is

already showing signs that revenue lost upon the termination of the excise tax will be offset by revenue generated through the Tax Reform."

BUILDING ON PPPs

Puerto Rico's public-private partnership (PPP) reform has led to the development of what many industry observers hailed as one of the most novel, ambitious and well-thought-out PPP programs.

Project Finance International (PFI), a leading source of global project-finance intelligence and part of the Thomson Reuters family of publications, selected the PR-22 and PR-5 PPP project as "Deal of the Year in the Americas," and the American Road & Transportation Builders Association selected the transaction as its "Project of the Year."

"This year will see a lot of PPP construction activity," Fortuño said. "During the first quarter, there will be the correctional hospital in Bayamón, the extension of PR-5 and a bevy of green projects. Additional sections of PR-66 will be ready by the summer. Works on PR-22, which goes from De Diego/Minillas to Hatillo, will continue in 2012."

The governor added that the next major phases, involving PR-66 and PR-52, are currently being evaluated.

"The Luis Muñoz Marín International Airport [LMMIA] concession is in a very advanced stage, and the six bidders that are expected to submit their final bids in the first quarter

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And factories produce more...

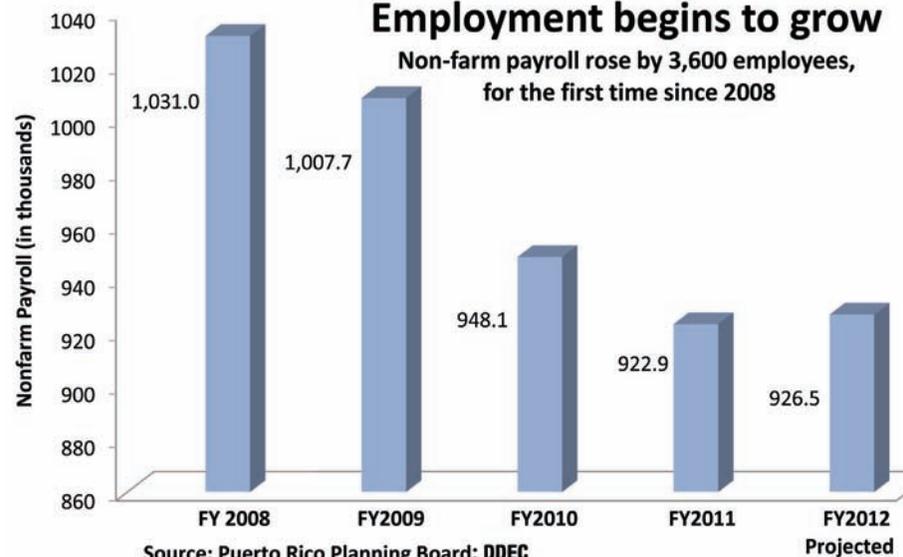
The manufacturing purchasing managers index has been in expansion (over 50) in 12 of the last 18 months



Source: Puerto Rico Statistics Bureau; DDEC

Employment begins to grow

Non-farm payroll rose by 3,600 employees, for the first time since 2008



Source: Puerto Rico Planning Board; DDEC

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of 2012 are among the most competitive groups in the world," Fortuño noted.

Pérez-Riera, who oversees the local air-access strategy from the DDEC, said the LMMIA transaction "is being closely watched by the entire infrastructure finance community."

"The concession should extend our success in these last three years in attracting 250 new weekly flights and new routes to the major European markets in Madrid, London and Frankfurt, making it easier to continue adding new routes, more seats and higher frequencies of flights as part of our aggressive air-access strategy," the DDEC chief said.

ONGOING SUPPORT FOR TRADE AND EXPORTS

Pérez-Riera said the exporting of Puerto Rico products and services "has become a growth segment for our economy."

"Selling overseas creates jobs here at home, since companies have to hire locally to make products [if they are manufactured here] and to service those customers whether the products are made here or not," he said. "The important thing is for the companies to have headquarters in Puerto Rico because the more they grow, the more they hire. We will continue to support export efforts throughout 2012 with different initiatives, including 15 additional trade missions that should generate some \$22 million in new revenue."

Already confirmed trade missions will visit Peru, Trinidad and Tobago, Guatemala, El Salvador, Spain, Mexico and Panama.

In fiscal 2011, exports totaled \$64.9 billion, representing an annual growth of 5.2%, the highest value for any given fiscal year in Puerto Rico's history. Imports also increased in fiscal 2011, totaling \$44.7 billion for an annual growth of 9.5%.

"Our efforts at the Rafael Hernández Airport [BQN], the former Ramey Air Force Base in Aguadilla, will help a great deal in our trade export initiative," Pérez-Riera said. "It will be the first Foreign or Free Trade Zone-designated airport in Puerto Rico."

The strategic development of BQN as a mega-cargo air hub in the

Caribbean is aligned with the federal government's National Export Initiative, which aims to double all U.S. exports by 2014.

TOURISM

In the first 11 months of 2011, Puerto Rico's hotel occupancy rate reached 69.6%, which is an increase of 1.5% compared with the first 11 months of 2010.

"In those first 11 months of 2011, we have also seen the highest rate of hotel occupancy since at least calendar year 2008, according to independent market-research reports from Smith Travel Research," said Mario González Lafuente, executive director of the Puerto Rico Tourism Co. (PRTC). "We have also seen an increase of 4.4% in the average dai-

the languishing business travel, meetings & conventions segment.

Since 2009, 28 hotel properties, representing 1,793 rooms, \$779 million worth of investment and 1,640 permanent jobs, have opened, or remodeled or expanded existing properties. In the pipeline to begin operation or construction in 2012 and 2013 are 23 additional projects representing 2,106 rooms, \$1.5 billion in investment and 2,713 permanent jobs—chief among them being the \$100 million Condado Vanderbilt Hotel.

A key question still remains. How can Puerto Rico's private sector have more of a say in the efforts to market the island as an attractive tourism and investment destination? Tourism industry executives will press Gov. Fortuño to deliver on his promise for

"This administration supports the creation of a DMO that provides a proper mechanism for the private sector to be integrally involved in Puerto Rico's marketing strategies."

—José R. Pérez-Riera

ly rate, which reached \$167.57, the highest we have seen since 2009."

The governor sees these improvements, along with hikes in other "key tourism benchmarks" as "an important sign of economic recovery for our local industry."

However, key players in local tourism, which contributes 6%, or \$3.6 billion, to the island's GDP, supporting some 62,000 direct and indirect jobs, are cautiously optimistic about 2012, and are quick to emphasize their top priorities for the industry:

- Addressing the rising crime rate, which has spilled over to all sectors of society, impacting the tourism industry
- Developing a destination marketing organization (DMO) for Puerto Rico to enable the private sector to head the marketing and promotion of tourism and conventions
- Lowering soaring operational costs, particularly electricity
- Renewing a stagnant casino industry
- Increasing and diversifying airlift to and from the island
- Strengthening efforts to jump-start

2012 to get efforts underway to establish a Puerto Rico DMO.

"This administration supports the creation of a DMO that provides a proper mechanism for the private sector to be integrally involved in Puerto Rico's marketing strategies, and which can provide the continuity and impact needed to bring people to Puerto Rico for business and leisure, and to send a strong signal regarding the wonderful opportunities that Puerto Rico offers," Pérez-Riera said. "The different industry stakeholders know how to market Puerto Rico best. That is why a Puerto Rico DMO will pool resources and incorporate input in a way that allows us to keep what works, and fix that which doesn't. Moreover, it will be designed to receive the ongoing support and commitment of the PRTC and the DDEC."

FILM INCENTIVES PAYING OFF

This year is shaping up to be a great year for the local film industry, with more than \$18 million in qualified spending already confirmed for the first four months of 2012.

The notable hike in activity in this sector is largely due to the attractive incentives law that was approved in 2011, and which has been recognized as the most aggressive in the U.S. at a time when states are cutting back on their film incentives programs, explained Mariella Pérez, executive director of the Puerto Rico Film Commission.

"In 2012, we should see the commencement of the construction of Puerto Rico's first world-class soundstage," Pérez-Riera said.

The facility will enable the local film industry to secure a significantly larger percentage of the total spending of high-budget films, including indoor shots and post production.

"We are also working on an innovative insurance program, specifically designed for the film industry, which will reduce the risk and cost of filming in Puerto Rico during the hurricane season, while adding an incentive for bringing people to our hotels during the low season," Pérez-Riera added.

RETAIL SALES UP, BANKRUPTCY FILINGS DOWN

Retail sales from January to October 2011 totaled \$28.8 billion, a 2.7% increase when compared with the same 2010 period. As first projected by CARIBBEAN BUSINESS, retail sales are projected to have increased by 3.3% on a year-to-year basis during the holiday season, keeping total industry sales at the \$35 billion mark.

A recent survey conducted by the United Retailers Center shows that a majority of small retailers were satisfied with 2011 holiday sales, 55% of them posting sales increases.

Similarly, in the first nine months of 2011, auto sales totaled 63,124 units, a 1.5% increase when compared to the same 2010 period. New product arrivals, coupled with the latest trend in mega-auto shows, are expected to help the local auto industry maintain that momentum in 2012.

In November 2011, bankruptcy filings decreased by 19.2% on a year-over-year basis, making it eight consecutive months of year-over-year decreases in bankruptcy filings. From January to November 2011, there was an 8.6% decline in bankruptcy filings on a year-over-year basis. ■

Strategic projects to watch for long-term growth

BY FRANCES RYAN
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A number of large-scale projects that are central to the long-term economic-development plans of the administration of Gov. Luis Fortuño are slated to continue moving forward in 2012.

CARIBBEAN RIVIERA

Pérez-Riera said 2012 will be a watershed year for the Caribbean Riviera strategic project that will convert key sections of the former U.S. Naval Station at Roosevelt Roads in eastern Puerto Rico into a world-class tourism complex.

“We expect to finalize a bulk land conveyance from the U.S. Navy early in the year, which will be instrumental for appropriately marketing the land and for the incredible incentives that we have put in place, thus creating the necessary conditions to attract the type of investor that has the know-how and the financial wherewithal to develop a project of this magnitude,” the DDEC chief said.

A formal request-for-proposal (RFP) process involving primary industry sectors that will operate within the Caribbean Riviera—namely gaming, hospitality, lodging, entertainment, ecotourism and infrastructure—is also scheduled for 2012.

“This project will transform the entire eastern seaboard of Puerto Rico into an economic driver for the whole region, helping create thousands of jobs in the process,” Pérez-Riera said. “For the first time, the island municipalities of Vieques and Culebra have been included in Puerto Rico’s economic-development initiatives as part of the Green Triangle strategy stated in Act 118 of 2010.”

PORT OF THE AMERICAS

“It is an important priority for 2012 to work hand-in-hand with the municipality of Ponce on the implementation of Act 240, enacted on Dec. 12, 2011,” Pérez-Riera said.

Act 240 established the Ponce Port Authority (PPA) as a public



Bahía Urbana

corporation, spearheaded by Ponce and the Port of the Americas Authority.

It is expected that the existing Ponce port franchise will be transferred to the PPA, which is responsible for selecting and negotiating the terms and conditions of the contracts and agreements with the potential operator for the Port of the Americas Rafael Cordero Santiago.

The PPA will also lead the coordination and supervision of the financing, operation, maintenance and administration of the port.

BAHÍA URBANA

Construction also continues on Pier 6, the westernmost component of the Bahía Urbana project in San Juan. In addition, the government commenced construction of the principal component of the project’s first phase, Piers 7 & 8, a unique recreational space that will integrate a number of amenities for visitors and locals alike.

“Last year was important for Bahía Urbana,” Pérez-Riera told CARIBBEAN BUSINESS. “After nearly two decades in the planning phase, with little more to show than plans and sketches, the project continued in earnest with the construction of its first phase, which began in 2010 with the remediation and demolition of various structures on

the eastern edge of the nearly 90-acre project site, as well as improvements to Fernández Juncos Avenue.”

These improvements complement a major investment on the part of the local Department of Transportation & Public Works along Intersection 5, culminating with the inauguration of the newly renovated Dos Hermanos Bridge at the entrance of Condado.

“Next, we expect delivery of all components of the first phase, including Pier 6, 7 and 8 by the late summer of 2012,” Gov. Fortuño said. “Work will also be completed on the improvements to Fernández Juncos Avenue. These unique recreational spaces, along the water’s edge, will transform the experience of visitors, particularly cruiseship passengers.

The government also plans to commence construction on the final component of the first phase, the project’s Eastern Gateway, contiguous to Club Náutico.

“This project, which is expected to commence in February, will be ready by October 2012,” the governor noted.

The government will also begin a major cleanup and demolition effort along nine properties throughout the project site, bringing down a number of eyesores along Fernández Juncos Avenue.

“The year 2012 will culminate with the commencement of construction of Pier 9, the first portion of the second phase of Bahía Urbana, incorporating a major retail component and restaurants,” Pérez-Riera added.

SCIENCE DISTRICT

In 2012, several development efforts will help get the new Science District underway (as established by Law 208 of 2011), including groundbreaking construction on the Comprehensive Cancer Center (CCC) on the district’s main road, known as Science Boulevard, with funding facilitated by the Science, Technology & Research Trust.

The Science District, to be developed over a 70-acre expanse of land in Río Piedras formerly occupied by the Oso Blanco penitentiary building, will be developed over a 20-year period and will include the CCC, the Biomolecular Sciences Building and the Biotechnology Development & Training Center, among other medical and science research facilities—topping a combined one million square feet in laboratory and scientific research space.

Also this year, demolition will begin on a number of existing structures in the areas surrounding Science City to make way for future infrastructure development. ■