

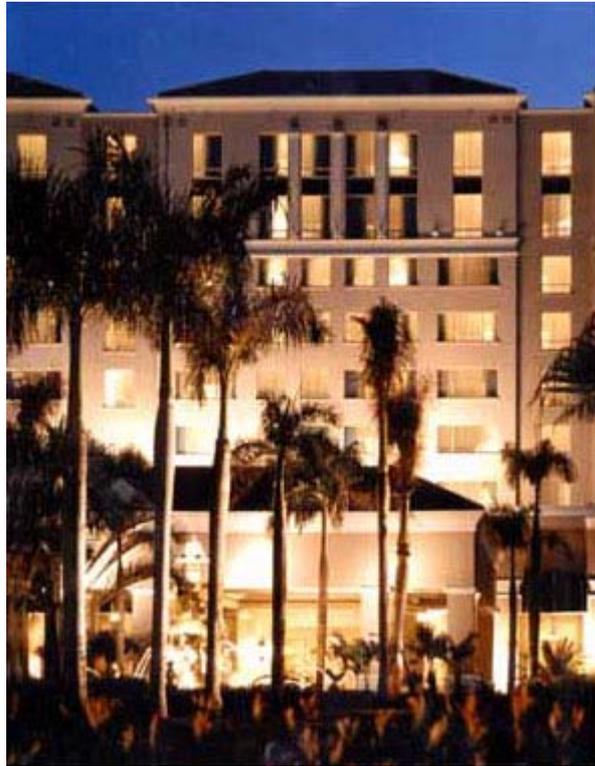
Ritz-Carlton San Juan

San Juan, Puerto Rico

Project Type:
Commercial/Industrial

Case No:
C029002

Year:
1999



SUMMARY

A 419-room, luxury, urban resort hotel on the beach in Isla Verde, a hotel district in San Juan, Puerto Rico. The Ritz-Carlton San Juan has set a new standard of quality in the tourism industry, targeting both high-end business and vacation travelers. It is the first Ritz-Carlton to feature a casino or a Sonomatherapy™ Spa.

FEATURES

- Government financing
- Latin American artwork collection
- Modification of off-site roadways to improve access and visibility
- Attenuation of sound from nearby international airport
- Seismic engineering

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SPECIAL FEATURES

- Government financing
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- Attenuation of sound from nearby international airport
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DEVELOPER

JH Anderson Holdings
450 East Las Olas Boulevard
Suite 700
Fort Lauderdale, Florida 33301

OPERATOR

Ritz-Carlton Hotel Co.
3414 Peachtree Rd., N.E.
Suite 300
Atlanta, Georgia 30326

ARCHITECT

Nichols Brosch Sandoval & Associates
161 Almeria Avenue
Coral Gables, Florida 33134

INTERIORS

Hirsch Bedner Associates
309 Peachtree Street
Atlanta, Georgia 30309

LANDSCAPE ARCHITECTS

EDSA
1512 East Broward Boulevard
Suite 110
Fort Lauderdale, Florida 33301

GENERAL DESCRIPTION

After suffering an extended period of no growth as a tourist destination, Puerto Rico began an aggressive program to stimulate investment in tourism. The establishment of the Ritz-Carlton San Juan at the gateway to Isla Verde, San Juan's premier tourist destination, provided an opportunity to create a new dimension in hotel quality in San Juan and to support Puerto Rico's new tourism initiative. The site is within five minutes of the San Juan airport, an important hub for the whole Caribbean. Located on a broad, sheltered beach, the hotel is only ten minutes from Old San Juan, one of the three United Nations-designated heritage cities in the western hemisphere.

Ritz-Carlton had been interested in Puerto Rico as a venue for several years and was able to obtain the support of the island's governor for the project, which resulted in the private/public funding necessary for it to be realized quickly. Despite strong industry unions, complex permitting requirements, and severe weather conditions during construction, the hotel was opened on time and within budget. Since the hotel opened, Hurricane Georges has confirmed its design and construction standards; the building suffered only minor cosmetic damage.

In its first year of operation, the hotel has run at a profit, with a 68 percent occupancy rate and an average daily room rate of \$206. The casino has run at a loss, reflecting the decline in gaming in Puerto Rico over the past few years. Recent changes in gaming laws that raise betting limits and allow gaming around the clock may improve the current situation. Nearly 30 licensed gaming facilities have been developed on the island in the last ten years.

PLANNING AND DESIGN

The footprint and floor plans were determined by the site. The eight-acre area, which forms an elongated L, was subject to maritime zone and height restrictions, airport flight pattern restrictions, and beach shading restrictions; those limitations, plus a total building space of more than 14 acres, left little room for choice. The architects employed a computer program to determine solar position and the setback needed to comply with beach shading codes; they then developed the minimum footprint needed to meet space requirements. Limited areas were left for the pool, tennis courts, function areas, and landscaping. A protected beach along the entire shore frontage ameliorated the site's other limitations.

Designers had to overcome several obstacles. The site is close to the airport, where aircraft sound levels exceed 120 decibels; it also is in a hurricane zone and a designated seismic zone. In addition, a preliminary geotechnical survey revealed unstable silt strata at about 12 feet below grade that would liquefy in the event of seismic activity. Foundations finally were formed with precast piles driven to some 70 feet; a series of caps and connecting beams form a structural base built in compliance with the South Florida Building Code to withstand hurricane forces of up to 155 miles per hour.

Particular attention was given to attenuating noise from the busy international airport nearby, where 242 aircraft take off and land daily and noise from military jets can exceed 120 decibels. The final specification for window glass allowed for two layers of hardened, laminated glass with a separation of 4.5 inches; that reduced sound by 55 decibels and also was a cost-effective way to provide hurricane protection.

Access to the site initially was difficult and impractical. In conjunction with the highway authority, the adjacent traffic junction was modified, providing direct access to the hotel and improving the aesthetics of the roadway leading to it. In essence, the roadway improvements created a gateway to Isla Verde, the premier resort hotel district of San Juan, as well as to the Ritz-Carlton.

Site and landscape features include an entrance highlighted by an imported Italian fountain; a similar fountain is a key piece of the garden area, together with selected artifacts from various Latin American countries. The formally configured pool area has dining and special function areas, including a gazebo. A perimeter fence safeguards the site, and a passageway runs from the lobby to the beach. Lawn areas give a spacious feeling to a tight site in a cost-effective manner, and there are exterior function areas with special lighting and fountains and access to the garden.

The hotel has a distinctively tropical character, with light colors and finishes and large expanses of glass in public areas. At the entry, a two-story window wall provides a panoramic view of the gardens, pool, beach, and Atlantic Ocean. The tower heights (maximum ten stories) and configuration evolved from an operational analysis designed to maximize space economies and guest comfort.

The casino, originally designed to conform to regulations then in effect, was developed to anticipate the changes in the laws that occurred during construction. A second-story extension and entertainment facility was added during construction, making the casino now the largest in Puerto Rico. The casino has a separate exterior entrance as well as internal access from the hotel and a covered cloister providing pedestrian access from the parking garage.

A 12,000-square foot ballroom is the showpiece of the function areas. Prefunction areas include an expansive hallway with views of the gardens and the Atlantic Ocean. A series of meeting rooms of various sizes complements the

facilities; many of the rooms have balcony areas that also face the gardens and ocean.

Food and beverage facilities include a fine dining restaurant, a restaurant that serves three meals a day, a cigar bar, and a lobby bar. A small gourmet coffee shop set in the hotel gallery also serves the garden cloister. Snacks and beverages are served in the casino lounge, with wait service in the gaming area. The Pool Bar, a food and beverage facility in the pool area, also provides wait service to the beach.

The project also features a 12,000-square foot Sonomatherapy Spa™ that offers a full range of health treatments in 12 multipurpose rooms, in addition to traditional exercise and pampering facilities. Developed in Sonoma, California, Sonomatherapy blends eastern and western philosophies in a holistic approach to mental and physical revitalization.

Interiors feature tropical and Puerto Rican accents, and fine art by Latin American artists from 13 countries is incorporated in the interior and exterior spaces. A curator was retained to assemble the collection, which includes artwork loaned from other collections and artists.

CONSTRUCTION

Construction followed a fast-track program based on a guaranteed maximum price contract that required all areas under construction to progress concurrently, a feat made more difficult by the small size of the site and its limited access. A critical path program anticipated most problems, and the contractor was able to finish the project on schedule, even with one tropical storm and the backlash of a near-miss hurricane.

Because of a succession of lengthy blackouts on the main power grid, standby power provisions were doubled during construction. Apart from a failure of one power unit, which reduced capacity temporarily, the hotel remained continuously in operation during the near-miss hurricane in 1998.

MARKETING

Ritz-Carlton had long been interested in Puerto Rico, studying possible sites at Palmas del Mar and Bahia Beach over a period of years. At the same time, JH Anderson Holdings was looking into development in the Caribbean, and from its base in Florida, Puerto Rico was a logical location. The company had developed several highly successful hotels under the Marriott flag. With Marriott's new ownership of Ritz Carlton and the developer's long-standing relationship with Marriott, a natural alliance was formed.

The Puerto Rico Tourism Company, funded by general revenues, spends more than \$25 million each year promoting the island. Its marketing campaign is the strongest in the Caribbean, especially among residents of the highly populated and wintry northeast United States. Its target—as opposed to that of the Dominican Republic and Jamaica, which promote group and tour programs—is high-end tourism. Individual travelers as well as high-level corporate management meetings are the primary targets; business travel augments occupancy during the slower seasons for tourism.

The combination of Ritz-Carlton, JH Anderson Holdings, and the government of Puerto Rico has proven to be a strong team.

EXPERIENCE GAINED

- It is important for developers working with operators for the first time to be sure that development and operations staff are both involved in programming and design and that both sign off on design drawings.
- A successful fast-track program requires a competent cost study to bring the project in on budget.
- Puerto Rican gaming laws are somewhat restrictive with respect to taxation and operating issues. This has handicapped the casino and led to operating losses in the first year.

PROJECT DATA**LAND USE INFORMATION**

Site area: 8 acres
 Gross building area: 640,487 square feet
 Hotel footprint: 99,246 square feet
 Garage footprint: 31,104 square feet
 Parking spaces: 790

BUILDING USE INFORMATION

Hotel	Square Feet
Guest rooms and corridors	248,686
Public areas	5,200
Retail	2,300
Front desk	3,205
Guest amenities/spa	9,552
Food and beverage areas	12,285
Function areas	16,775
Function support	10,610
Administrative offices	13,857
Back of house	34,698
Circulation	22,441
Total	379,609
Casino	41,878
Garage	219,000
Total	640,487

GUEST ROOM INFORMATION

Number of rooms: 419
 Standard room: 430 square feet
 Luxury room: 645 square feet
 Executive/hospitality suite: 860 square feet
 Presidential suite: 1,650 square feet

DEVELOPMENT COST INFORMATION

Land: \$18,576,721
 Site preparation: 624,159
 Indirect fees and charges: 2,678,345
 Building construction: 52,122,542
 Site work: 2,267,874

Landscape/hardscape
 Landscape/irrigation: 976,000
 Walks/decks/terraces: 248,000
 Pool/jacuzzi: 625,000
 Lighting/signage/fountains/artwork: 510,000

Furniture, fixtures, and equipment: 20,501,826
 Professional fees: 4,382,488
 Development, general conditions, and technical services agreement: 5,285,025
 Preopening costs: 10,147,345
 Insurance, taxes, legal and professional fees: 825,299
 Legal, loan, and private placement costs: 6,406,681
 Operating deficit reserve: 3,994,000
 Debt service reserve: 3,824,325
 Capitalized interest and tourist development fund fee: 9,728,356
 Other costs: 626,882
 Total: \$144,350,868

FINANCE INFORMATION

Leasehold value: \$15,350,000
 Cash contribution from partners: 35,688,102
 Principal amount of bond financing: 85,135,000
 Other loans and leases: 7,971,766
 Original issue discount: (394,755)
 Total: \$144,350,113

DEVELOPMENT SCHEDULE

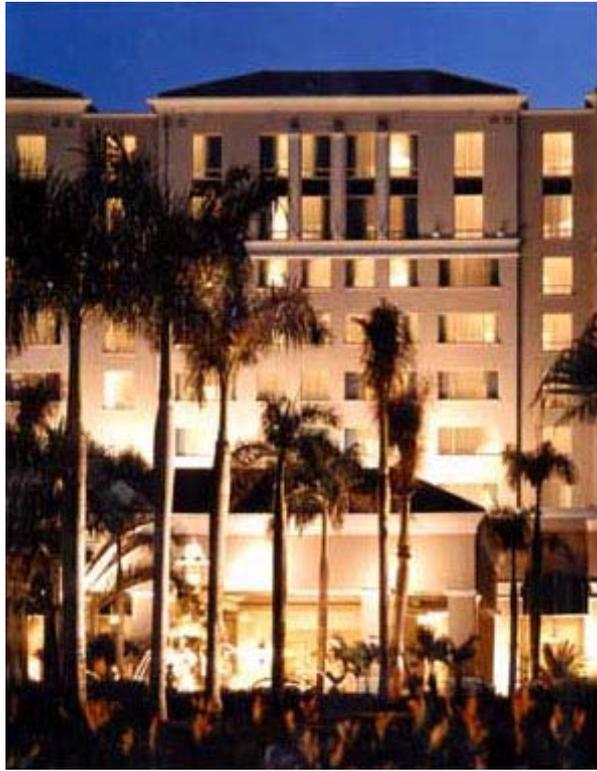
DIRECTIONS

From the Luis Muñoz Marín Airport: Exit to San Juan and immediately exit on the Avenida los Gobernadores (toward Isla Verde). At the first traffic light, the middle set of turning lanes lead to the entrance of the hotel.

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This Development Case Study is intended as a resource for subscribers in improving the quality of future projects. Data contained herein were made available by the project's development team and constitute a report on, not an endorsement of, the project by ULI-the Urban Land Institute.

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The Ritz-Carlton San Juan is the newest addition to Isla Verde, the premier resort hotel district of San Juan. The 419-room luxury hotel is the first of the company's hotels to feature a casino.



Lawn areas and gardens give the tight site a spacious feeling.



The view from the lobby encompasses the pool area and beyond. The hotel was built in compliance with the South Florida Building Code to withstand hurricane forces of up to 155 miles per hour.



The more than 40,000-square-foot casino was designed to anticipate changes in gaming laws during construction. The expanded casino is now the largest of the more than 30 gaming facilities on the island.



The entrance to the hotel is marked by an imported Italian fountain; a similar fountain, along with selected artifacts from Latin American countries, is a key component of the garden area.



Interiors feature tropical and puerto Rican accents. Fine art by Latin American artists from 13 countries is incorporated into the interior and exterior spaces.



Site plan.