

## COVER STORY

## Miami Legal Team Arranges Casino Deal in Santo Domingo

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A Mexican corporation that owns and operates hotels throughout Mexico has broken ground on its second Hard Rock Hotel and Casino in the Dominican Republic.

But unlike RCD Resorts' 1,800-room Hard Rock Hotel & Casino in Punta Cana and much of the traditional tourism development in the Dominican Republic, the new 400-room Hard Rock Hotel & Casino isn't destined for beachfront property. It will be in Santo Domingo as hoteliers look beyond the traditional getaways to opportunities in the capital city, home to 2.2 million people.

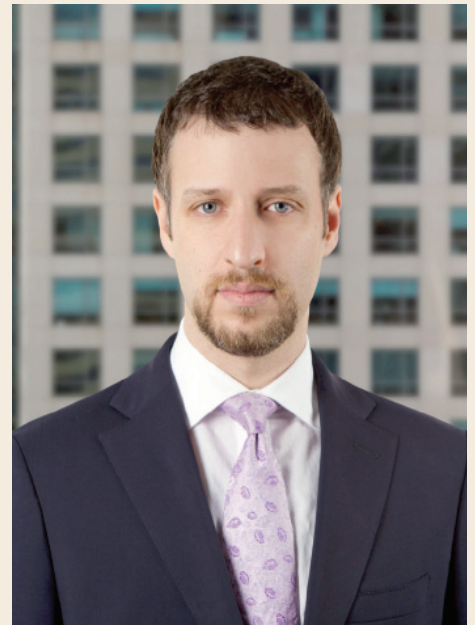
"There's a lot of interest in the country and in Santo Domingo in particular, and in the next five years there is going to be a very pronounced change in the hospitality options in Santo Domingo," said attorney Ari Tenzer, whose law firm Tenzer handled the Hard Rock Hotel & Casino deals in the Dominican Republic and others in Mexico. "Nobody thought Santo Domingo would be able to live up to

its beachfront sisters on the island. People are starting to focus on the capital."

The Dominican Republic — with hotel occupancy rates of close to 90 percent, a reputation for good service and a government welcome to foreign investment — is a hot market for Caribbean hospitality, Tenzer said. He cites Dominican Republic President Danilo Medina's attendance at the Feb. 9 groundbreaking for the Santo Domingo Hard Rock as an example of government support.

In years past, the government has announced a goal of reaching 10 million annual visitors by 2023. In 2014, the country captured about 20 percent of tourism travel to the Caribbean with more than 5.1 million visitors, according to the Dominican Republic Ministry of Tourism. Some analysts say that number grew to 6 million last year. In 2014, about 57 percent of air arrivals came from the U.S. and Canada.

Tenzer points to restaurants and luxury hotels — an award-winning JW Marriott, a soon-to-open



Attorney Ari Tenzer predicts "a very pronounced change in the hospitality options in Santo Domingo."

Intercontinental Hotel — in Santo Domingo as further evidence that the growth in the hospitality industry is not limited to beach resorts. Santo Domingo's historic Ciudad Colonial, the oldest permanent European settlement in the New World, is getting a face-lift and developing new residences and boutique hotels along with cultural activities like reenactments, art

exhibits and live performances. Others have noticed the trajectory as well.

“Tourism here has always been sold as only beach and sun, but recently it has evolved into a more complete tourism that includes more eco-touristic destinations in the heart of the country that involve hiking, rappelling,” said Laura Troncoso Ariza, head of the real estate and tourism department of the consulting firm OMG in Santo Domingo.

The country’s interior was overlooked for a reason, she said. In 2001, the country put tax incentives in place to attract developers to a few of the country’s traditional tourist destinations along the coast such as Punta Cana and Puerto Plata. Incentives include a 15-year-period of no income taxes on anything that relates to the tourism development, no incorporation or real estate transfer taxes, and no taxes on construction imports, Troncoso Ariza said. Similar incentives exist for renewable energy projects, she said.

The incentives worked, and people realized the incentives could benefit other areas as well. About three years ago, the tourism tax incentives were expanded to the rest of the country, Troncoso Ariza said.

As a result, real estate business and tourism projects have picked up. “It’s a good time now for real estate and tourism” in the Dominican Republic, she said.

“When you read about visitation increasing to the Dominican Republic, it’s mainly still a beach thing,” said Robert Karver, Ernst

& Young’s senior manager of real estate and hospitality. He focuses on the Caribbean and Latin America and has done consulting work in the Dominican Republic. But Santo Domingo has the potential to become a popular corporate meeting place, and “the Hard Rock will fill a niche need for this segment.”

As the infrastructure improves connections between the capital and resorts, travel operators are having an easier time selling Santo Domingo as an worthwhile stop, Karver said. The international brand hotels give tourists an additional level of comfort to stop there, he said.

#### **SANTO DOMINGO**

Qualifying for the tax incentives isn’t easy, “but in the end it’s very beneficial,” Troncoso Ariza said. “Our incentives for tourism-related projects provide a very attractive fiscal incentive for anyone who wants to develop or initiate any tourism attraction in the country.”

Even malls can be considered tourism attractions if they comply with all the conditions required by the law, she said.

Tenzer said the RCD Resorts and Hard Rock found the government policies welcoming in Santo Domingo and Punta Cana.

RCD Resorts, which owns and operates luxury resorts throughout Mexico and the Caribbean, manages both hotels under a Hard Rock brand license. The casino will be managed by Hard Rock, said Tenzer, who along with associate Adriana Blanco Maurisset

negotiated the hotel license and casino management agreements. The agreements include protections against possible regulatory changes in the Dominican Republic that may hurt the owner’s gaming license, he said.

Terms of the deal between RCD and Hard Rock were not disclosed beyond that they are long-term and based on the performance of the project. Market sources said land and development costs were in the tens of millions of dollars.

Orlando-based Hard Rock and RCD Resorts figured there was room in Santo Domingo’s nightlife and entertainment scene for restaurants, a screening room and a 23,000-square-foot casino, Tenzer said. Scheduled to open in late 2017, the hotel to be operated by All Inclusive Collection will offer a nightclub that opens to the main pool and 33,000 square feet of meeting space.

More than 40 stories high, the casino hotel will be in the heart of the city on Avenida Abraham Lincoln near the JW Marriott and the Blue Mall.

It’s sister Hard Rock Hotel and Casino in Punta Cana, with a 45,000-square-foot casino, is the largest casino in the country and one of the largest in the Caribbean, Tenzer said.

“The operation in Punta Cana is doing very well,” Tenzer said. “In the Dominican Republic there is a legal framework for gaming, but nobody has taken advantage of it like this group has.”

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