



# The Business Sector Perspective & New Government Strategies – Opportunity Zones in PR

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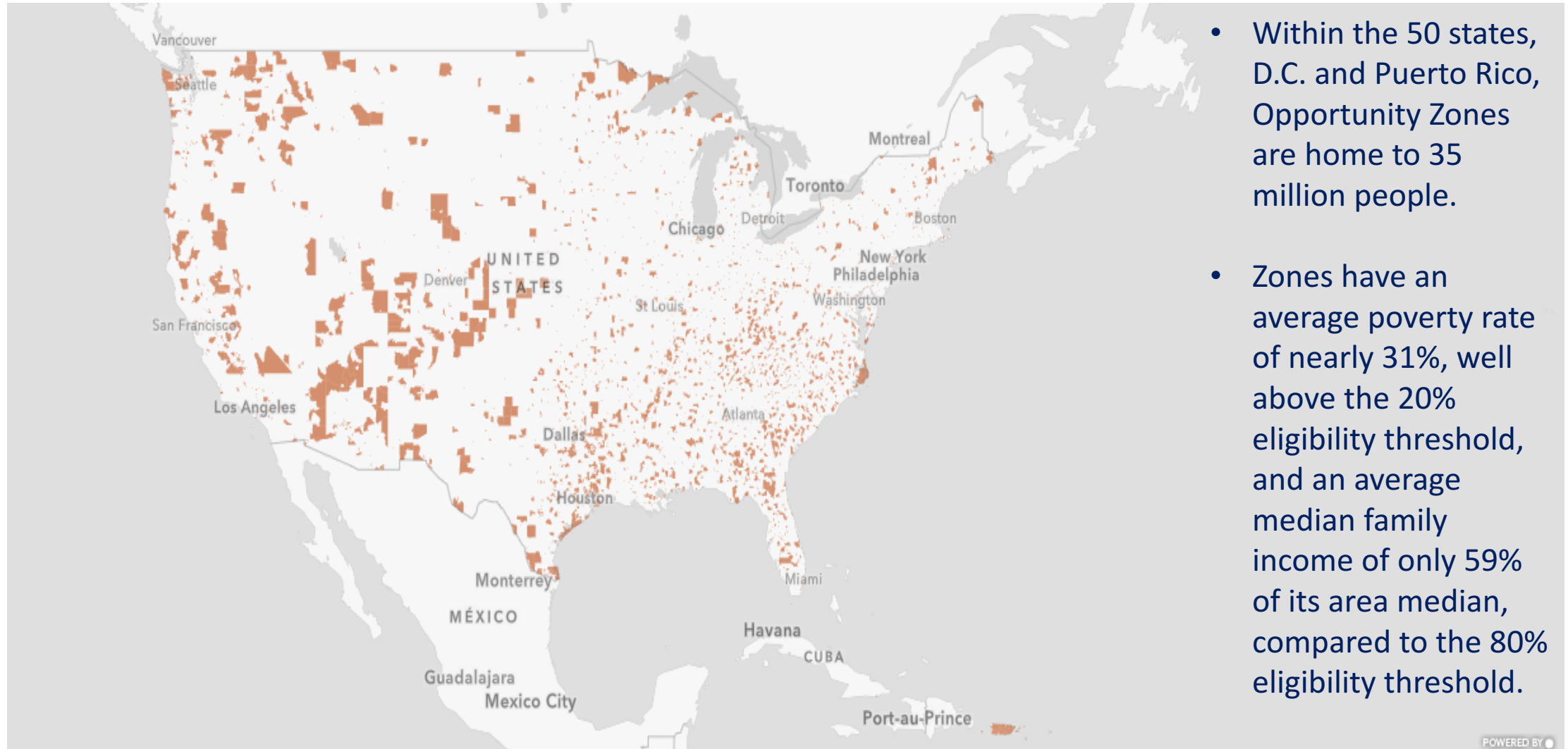
# Overview – Opportunity Zones

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- **Basic Purpose.** Opportunity Zone program was enacted in the Tax Cuts and Jobs Act (26 U.S.C. §1400Z-1 and §1400Z-2, December 2017) to spur investment of unrealized capital gains from real estate, stocks, mutual funds, etc., held by U.S. taxpayers, in economically distressed communities.
- **Market:** ~\$6 trillion market held by US households and corporations
- **Potential Investment Pool.** Congress seeks to unlock a tremendous volume of unrealized capital gains, estimated to be as high as \$6 trillion in value, to be redeployed in distressed communities.
- **Opportunity Zone Designations.** In June 2018, U.S. Treasury designated over 8,000 Opportunity Zones as low Income Communities (“LICs”) across the country – including PR, which is almost 95% OZ qualified.
- **Puerto Rico Opportunities:** Multi-Use Sectors (Bahia Urbana, Santurce); Ports, Hospitalities, Museums, Airports, Small & Medium Businesses, etc.
- **Potential Investors:** (1) real estate developers, (2) Private Equity Funds, (3) Philanthropic Ventures, (4) family offices etc.



# Overview – Opportunity Zones



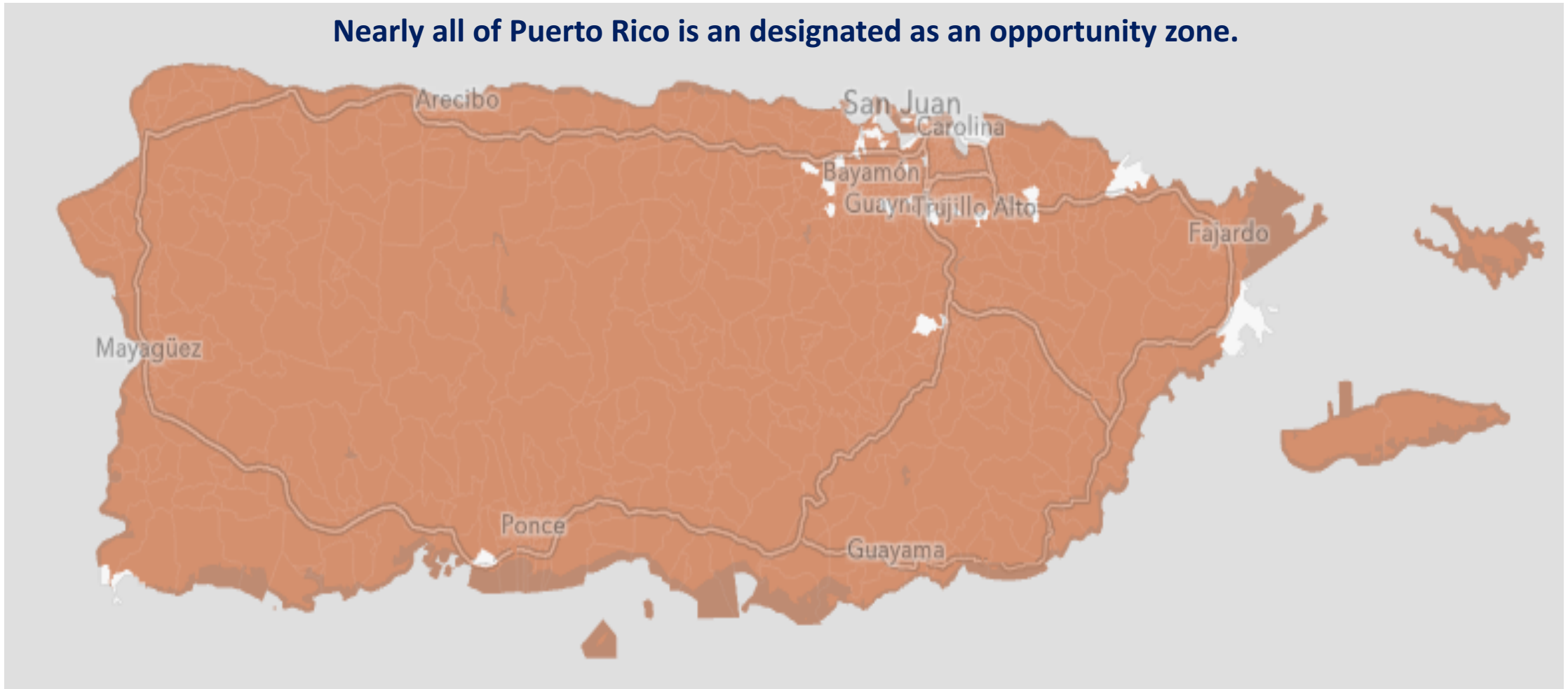
- Within the 50 states, D.C. and Puerto Rico, Opportunity Zones are home to 35 million people.
- Zones have an average poverty rate of nearly 31%, well above the 20% eligibility threshold, and an average median family income of only 59% of its area median, compared to the 80% eligibility threshold.

POWERED BY



# Overview – Opportunity Zones

Nearly all of Puerto Rico is an designated as an opportunity zone.





# Our Competitive Advantage – Opportunity Zones





# Our Competitive Advantage – Opportunity Zones

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1. Puerto Rico will use \$86.8 billion in expected federal/private investment for “Whole Community” Redevelopment and longer term transformation of economic sectors, communities, regions, infrastructure.
2. Our long term transformation plans are aligned with Opportunity Zone investors’ 10-year investment horizon;
3. Puerto Rico’s opportunistic property values have the potential to support strong IRR;
4. PR strong core fundamentals – US territory, skilled labor force, diverse and developed capital market structure
5. Proposed local bill will enhance tax-free investment appreciation;
6. Puerto Rico’s economic incentives already exceed those in most states and will be adjusted as required to remain competitive. (Example: 30% tourism tax credits are transferrable and can be sold in the secondary market);
7. Puerto Rico has enacted expedited permitting and regulatory approvals
8. Significant long term investor interest already exists in key sectors, including tourism and P3’s



# Our Focus – Opportunity Zones

Some of the investment sectors being evaluated:

 Multi Purpose Development

 Energy Revitalization

 Port Construction

 Hospitality

 Cultural and Tourism

 Public Works

 Commercial

 Entertainment

 Housing

*Given PR's "once in a lifetime opportunity," the possible use of federal funds, a comprehensive local legislation and attractive real estate prices, we believe that PR's IRR could represent 30-50% more than typical opportunity zones in the US.*



# Our Mix – Opportunity Zones

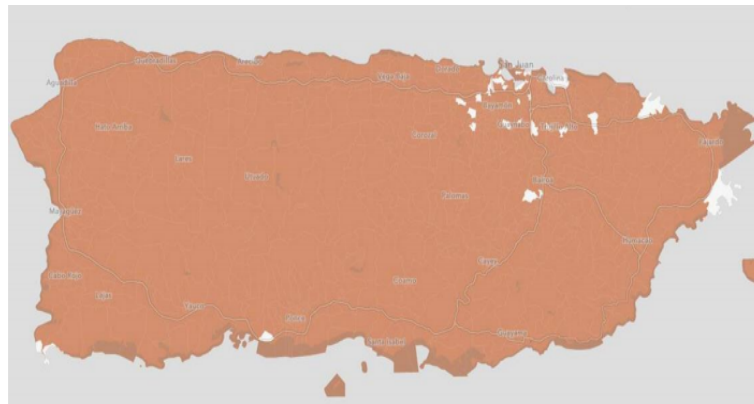
## Government Master Plan:

- The Government and the OCIO are focusing on attracting new investors and reestablishing Puerto Rico’s credibility in the capital market on both sides of the balance sheet.
- Our goal is to leverage on this catalyst to revamp and revitalize PR



Dispersed Opp. Zones

Isolated Boroughs



+  
+  
+

95% Opp. Zones

Tax Incentives

Expedited Permitting

Use of CDBG-DR