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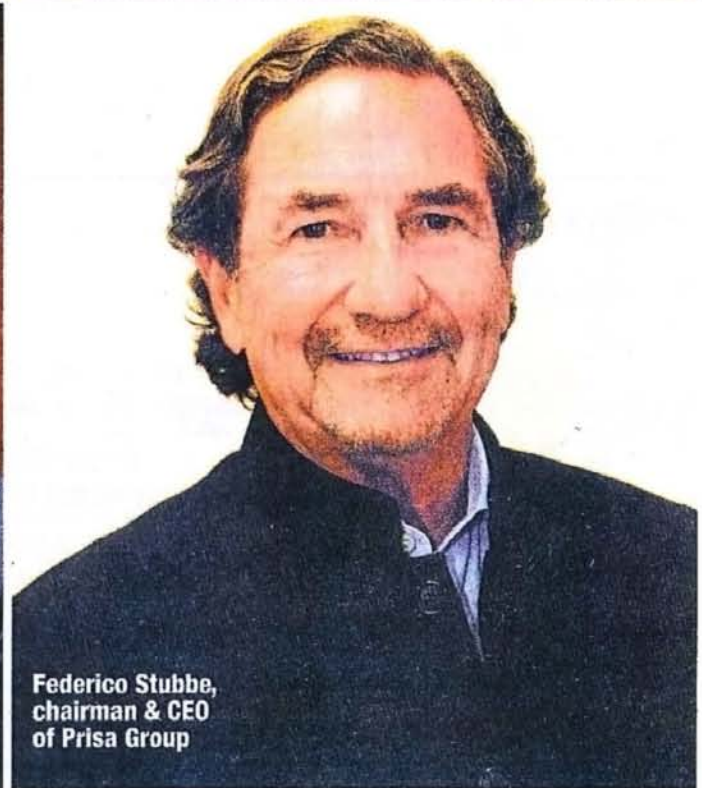
## Person of the Year Public Sector 2012



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## Federico Stubbe 2012 Private Sector Person of the Year



*"We have to think big."  
—Federico M. "Friedel" Stubbe  
Chairman & CEO of Prisa Group*

BY DENNIS COSTA  
dennisc@caribbeanbusiness.pr

When CARIBBEAN BUSINESS recently met with Federico M. Stubbe—"Friedel" to his loved ones, friends and associates—he had just taken over a golf cart and was driving up an incline at one of his many resort-development projects, seemingly squeezing every available horsepower out of the small cart. "Part of the reason I called the company Prisa Group is because we're with *prisa* [in a hurry] all the time," he said later with a chuckle.

The developer has certainly moved quickly in 2012, putting the finishing touches on arguably one of the most ambitious residential-tourism project Puerto Rico has seen in decades, the

Dorado Beach, a Ritz-Carlton Reserve (Dorado Ritz-Carlton), in time for its soft opening Dec. 12. With its 100 rooms, 14 suites and 13 residential villas, the Dorado Ritz-Carlton represents the next chapter of the fabled resort, one with heights expected to surpass its 1950s heyday.

This was the time when Laurance Rockefeller turned the former plantation into one of the first ecotourism hotels in the world, attracting the likes of Mickey Mantle, Joe DiMaggio, Joan Crawford, Ava Gardner, Dwight Eisenhower and John F. Kennedy, among many other luminaries. The golf courses were considered among the best globally, with legends such as Jack Nicklaus singing their praises.

The project is but the first phase of a \$2.2 billion master plan in tourism and

residential development (CB July 22) that will include, among other things, a \$214 million, 400-room luxury resort on the site of the former Cerromar Hotel. On the more immediate front, Stubbe is pushing ahead with a second phase that will entail the construction of an additional 32 luxury residential units at an investment of \$55 million (CB Mar. 1), out of which 13 have already been finished.

Simply put, the Dorado Ritz-Carlton represents the biggest story in private development in Puerto Rico this year, and because of his drive and pursuit to see such an ambitious dream finally come to fruition, Stubbe has earned the distinction of being voted the CARIBBEAN BUSINESS 2012 Private Sector Person of the Year.

Although the completion of the

Dorado master plan is tentatively scheduled for 2020, Stubbe swiftly put those estimates to rest. "There's easily more than 10 years' worth of work left to do here," he said.

There is already a decade's worth of work done, not only concerning the Dorado Ritz-Carlton, but also several communities in and around Dorado. Apart from the Dorado Beach East residential community, there is Sabanera de Dorado, an 842-acre, 800-unit, \$304 million ongoing development by Stubbe. There is also the Tasis (The American School in Switzerland) School, which opened in 2002 and has 600 students. Only two other Tasis schools exist in the world: one in Lugano, Switzerland, and the other in London.

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*Many of the rooms at the Dorado Beach Ritz-Carlton Reserve feature their own private pool and garden, with easy access just steps away from three miles of pristine beaches.*



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When pressed by CARIBBEAN BUSINESS, Stubbe remained tight-lipped about any further developments in the area that may go beyond the tourism or residential realm.

Stubbe is also overseeing the construction of three more hotels on the island, those being two Hyatt Places (a \$50 million 156-room hotel in Bayamón and a \$38 million, 104-room hotel in Manatí) and a 126-room Hyatt House in the Puerto Rico Convention Center District in San Juan, expected to open in late-2014 (CB Nov. 1).

In a year when economic recovery has been anemic at best; when the housing sector has found itself almost totally dependent on government incentive programs; when most construction projects were in government infrastructure works during the election season; and when tourism has been hard-hit by significant setbacks, such as American Eagle's departure, to name one, the development of the Ritz-Carlton Reserve stands as a shining light of entrepreneurship and groundbreaking development even in the most austere of times.

"In tourism, he has been the driving force behind some of the most important projects that are putting our island on the map, such as the Ritz-Carlton Reserve that we just inaugurated," said Puerto Rico Gov.

Luis Fortuño. "Friedel shares our belief that we must continue to strive to reach our maximum potential as a tourism destination. He believes it's not enough to just feel proud of who we are, but we must put that pride to work so that the whole world can appreciate it."

Perhaps even more impressively, Stubbe stands apart as a developer who has smoothly transitioned from the residential to the tourism markets without missing a beat. His professional trajectory serves as an example of adaptability in tough times, of associating with the right people, of constructing a grand vision and risking it all to see it come through; in other words, of thinking big and going for it.

#### ENTERING DORADO BEACH

The 80-acre resort is but the beginning of a master plan that makes up 1,400 acres of beachside property in Dorado, on the northern coast of the island, not far from San Juan. The resort sets new standards for luxury, enough to warrant its own six-star rating as well as the Ritz-Carlton Reserve brand, a recent extension of Marriott International's luxury division. The only other Ritz-Carlton Reserve in existence is half a world away, in Phulay Bay, Thailand. Additional resorts under the brand are planned for Los Cabos, Mexico;

Muscat, Oman; West Caicos in the northern Caribbean region; and Tamuda Bay, in Morocco. However, because no two Reserve resorts are alike, the Dorado Ritz-Carlton offers a one-of-a-kind experience.

There's the landscaping, designed by Bangkok-based firm Bensley Design Studios; the 72 holes' worth of golf courses designed by Robert Trent Jones Jr.; the contemporary architecture of its open-plan lobby, designed by San Francisco-based firm SB Architects, showing a hint of Frank Lloyd Wright and inspired by the Rockefeller days; the infinity pool, seemingly merging with the tranquil beachside; and the waves crashing against the rocks serving as a breakwater about a hundred meters farther out. Local architects and designers were hired as well to give the hotel a top-of-its-class look and feel.

The guest rooms are grouped in 11 buildings, with many of the rooms featuring their own private pool and garden, and just steps away from three miles of pristine beaches.

The six-star rating of the Dorado Ritz-Carlton deserves special mention as well, especially when taking into consideration that four-star hotels include all manner of perks and amenities, while five-star hotels take it further with 24-hour concierge service; it's like being treated at your

own luxurious home. The Dorado Ritz-Carlton goes beyond that in terms of luxury and service.

Impact on the area's ecology has been minimized through the use of raised walkways and buildings constructed around ancient trees and following the LEED (Leadership in Energy & Environmental Design) Silver standard, obtained by fewer than 50 hotels worldwide. The resort's Botanical Spa incorporates tree houses, and a nearby attraction titled Jean-Michel Cousteau's Ambassadors of the Environment adds to the ecological awareness of the project.

One other architectural influence comes from the days when Alfred T. Livingston and, afterward, his daughter, Clara, owned the property, since 1905, turning it into a coconut and grapefruit plantation. In 1928, Clara Livingston, an avid pilot and friend of Amelia Earhart, built a five-bedroom hacienda, nowadays called Su Casa Plantation House, which was restored as part of the Ritz-Carlton Reserve project.

In 1955, Clara Livingston sold the property to Rockefeller, who in 1958 turned it into the first version of the Dorado Beach Hotel. Over time, the hotel grounds were sold to the Pritzker family. By the 1980s, there were

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*Above: The Dorado Ritz-Carlton reserve boasts an LEED (Leadership in Energy & Environmental Design) Silver certification from the U.S. Green Building Council. This certification, which has only been given to about 50 hotels worldwide, requires a close harmony with natural surroundings.*

*Bottom: Dallas-based Wilson Associates, one of the world's top interior designers, designed the Dorado Ritz-Carlton Reserve interiors. Rooms at the six-star resort start at \$1,200 per night.*

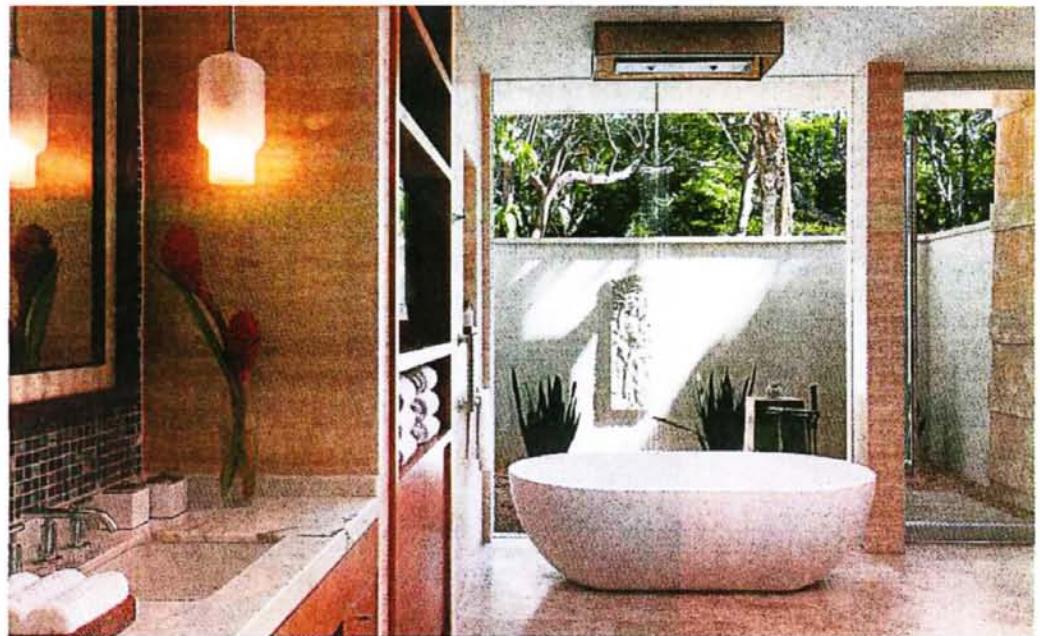
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two hotels, the Cerromar and the Hyatt Dorado Beach, but by 2006, both had closed.

The legacy and the expectations associated with the famed Dorado Beach Hotel weigh heavily on Stubbe's shoulders. "I think it's a more challenging prospect than what Rockefeller faced back in the 1950s, because the standards as to what defines luxury have changed. For example, a modern-day Volkswagen Beetle has more luxury now than a top-of-the-line Cadillac had back then," he said.

The transformation of the grounds into a Ritz-Carlton Reserve has certainly made quite an impression. Barron's, a national business publication, called the restoration a "stunning" makeover. There is even a Dorado Beach app, free to download on the iPad tablet, showcasing the resort. Rooms at the resort start at \$1,200 a night, while the Su Casa hacienda commands a \$30,000 fee a night, Dorado Ritz-Carlton General Manager Alejandro Helbing told specialty publication *Elite Traveler*.

Although the global recession has made a dent in the pockets of the wealthy and less wealthy alike, Stubbe nevertheless feels confident the project will be a success. A good indicator has come from the residential aspect of the project; all 13 of the residences constructed as part of the project's first phase have already



been picked up by buyers, most of them coming from the New York area and across the rest of the eastern seaboard of the mainland U.S. Those residences go for \$2.5 million to \$7.5 million.

"The global recession has certainly cut back on the number of wealthy people, but we believe there's still a market out there," Stubbe said, adding that they're primarily going after the second-home market through their residential offerings. The top 1% of household incomes in the mainland U.S. number about 1.2 million, according to a Bloomberg article.

"Ten years ago, the [Tourism Co.] people didn't want anything to do with us because they were focused exclusively on hotel rooms. But as it turns out, the residential aspect can be as beneficial as, or even more so, than hotel rooms. Once someone invests \$7 million in a residence here, there's going to be more money coming here every month, that's how it works, and it could turn into a very important component of Puerto Rico's tourism," he said.

At one point, up to 1,000 people were working on the project's construction, although that number has

decreased since then. Taking up the slack are the resort's 700 employees, most of whom received intense training by Ritz-Carlton officials right up to mere days before the resort's opening. By the time the resort begins operating in full, it is estimated that it will create some 509 direct jobs at the hotel, 474 jobs at the golf and beach club, and an additional 1,067 indirect jobs (CB July 22).

**A COLLABORATIVE PROCESS**  
Stubbe is the first to tell you that no

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man is an island. "Part of our success has been finding the right partners with whom to form winning teams and carry out world-class projects," he said. "We [Puerto Ricans] should be more aggressive in that respect. In order to compete globally nowadays, we need to operate on a bigger scale, with many more resources, and the best way to achieve that is through strategic alliances."

In Stubbe's case, his partners certainly fit the bill. The majority owner, New York-based Caribbean Property Group (CPG), became partners with Stubbe's Prisa Group to form DBR Development Management LLC, to develop the project properly. CPG invested \$120 million out of \$150 million, while Stubbe invested the remaining \$30 million.

Stubbe had already been involved with Dorado Beach since 1989, when he became partners with the Pritzker family, then owners of the property, after a mutual acquaintance became impressed with Stubbe's previous residential projects. In the late 1990s, the Pritzkers had a falling out and everyone involved had to divest their assets in the property, Stubbe included. "As it turned out, the group that was buying the assets demanded that I would keep my part of the investment, so as soon as I sold my part, I invested it again and we began the planning process of what is now the Ritz Reserve," Stubbe said.

Additional partners were needed. That is when the government and banking sectors stepped in, primarily through a financing guarantee by the Puerto Rico Tourism Development Fund (TDF), a wholly owned subsidiary of the Government Development Bank for Puerto Rico (GDB). The financing guaranteed by the TDF totaled \$231 million, which included \$50 million from FirstBank Puerto Rico, \$166 million from the UBS Family of Funds, \$15 million from the GDB itself, and \$10 million from the Puerto Rico Investors Family of Funds (CB July 22).

#### 'THINK BIG'

When asked about his vision for Puerto Rico's economic development, Stubbe minced no words, particularly when it came to Puerto Rico's untapped potential. "Puerto Rico could be the center of Hispanic



*One of the many entrances to the Su Casa plantation house. The building that was once Clara Livingston's hacienda was completely renovated as part of the Dorado Ritz-Carlton Reserve development.*

power and influence in the world. We could become like Davos in Switzerland, a business and financial force on the global stage. The island is undervalued, absolutely. Latin Americans should invest in Puerto Rico rather than in Miami."

One of the chief characteristics of Stubbe's career has been his ability to adapt, as evidenced by his shift from residential developments to more tourism-oriented projects. "It was clear that by 2006, the whole residential market was in a downturn. First, there is the exodus: we've lost at least 350,000 Puerto Rico inhabitants in the past 10 years. Thirty thousand people a year are equivalent to about 10,000 housing units left empty," he said, adding that "you need two drivers to spur growth in the housing market: the creation of new first-home buyers and economic development. Those two drivers are nonexistent at this moment."

He also attributed his change in focus to the rampant speculation that fueled housing price increases and which later caused the bubble to burst. The situation turned so bad in parts of the mainland U.S., such as Florida, that Stubbe himself was affected, having to put the development of Lake Toscana, a 103-residence community in Tampa Bay, Florida, on hiatus.

However, when it comes to tourism, Stubbe believes the development of resorts such as the Dorado Ritz-Carlton is just the beginning. "We should be the Hawaii of the east. They have to deal with enormous energy costs, and still their economy is booming," he said. According to Stubbe, Puerto Rico's competitive region is within a three-hour flight.

"Within this region, the biggest economy is that of Florida. It is a \$750 billion economy. There are other big economies, such as Venezuela,

which is \$390 billion, or Colombia, with \$260 billion. In contrast, Puerto Rico has an economy of only \$60 billion. So if, for example, we're able to take away 5% of market share from Florida, our economy would grow by more than 50%," he said.

He also stressed the importance of knowing who Puerto Rico is competing with in this arena. "We are really competing with Florida. Take the Dominican Republic, for example, their labor costs are a sixth of our own; there's more land there, as well. They have the competitive advantage in those aspects. Meanwhile, we have federal laws and more regulation here; it's more complicated. We have federal laws that pertain to a wealthy country when, in fact, our economy is not that strong. When we compete with other U.S. jurisdictions, that's when we are competing on a more even playing field. The States have the same laws, the same labor costs."

As to the planned public-private partnership (P3) regarding the Luis Muñoz Marín International Airport, although Stubbe has had his reservations in the past concerning some of the terms of the agreement, nowadays he supports it almost wholeheartedly. "Let's face it, the airport is a disaster in its current state. Anything that would help improve its state and operation, I would support." He went further. "We should have our own airline; that possibility should definitely merit an analysis. Just like Singapore Airlines or Japan Airlines."

When asked what piece of wisdom he could offer to entrepreneurs and policymakers on the island, he said, "We have to think big; we have to properly identify our competitors and study them thoroughly. It's about time we stopped fighting for scraps. We have to look to where the real meat is." ■

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# 'Friedel' Stubbe: creator of habitats

BY DENNIS COSTA  
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Federico "Friedel" Stubbe doesn't think much of titles or accolades. He's just focused on getting things done. "I don't pay much attention to those things. Of course, they're nice, but I find more satisfaction by essentially working the land and providing people a sense of happiness," he said. What he does now, with his army of about 800 employees, is to transform the land, "like my dad did, only he did it through agriculture. We play with bigger toys now."

Working the land has long run in Stubbe's family. His grandfather, Johann Diedrich Stubbe, arrived on the island in 1885 from Germany. His brother Friedrich followed him in 1910, and together they founded their own company, General Farm Equipment Co. The brothers married two sisters, Estela and Delia, daughters of then-Bayamón Mayor José Cestero Umpierre. They also established the "Miramontes" farm in Cidra, focused first on growing sugar cane and then on raising cattle.

When Federico "Friedel" Stubbe was born in San Juan in 1948, his father was in charge of the farm in Cidra, and the young Stubbe alternated between the Miramar area of San Juan and his father's farm. "The children of the laborers were my friends. My childhood memories are about enjoying the freedom of the outdoors, living the simple life and thinking green," he said.

By the time he graduated from Colegio San Antonio Abad in Humacao, which Stubbe said was "also known as the prison. It's where they used to send kids who had energy to spare!" the agricultural economy had shifted. "I still wanted to work the land, but my father suggested there was plenty of land to develop, so I decided to study civil engineering, which was the only way to become a developer back then," he said.



He earned a bachelor's degree from the Georgia Institute of Technology and came back to work, from 1971 to 1977, as project engineer and manager for Rodríguez del Valle, a general building contractor. In the meantime, he had his mind set on developing parts of his father's farming grounds. "I learned a lot about construction, and I studied all of the government rules. It was really difficult to get permits; there was a lot of bureaucracy involved. Government was like a huge obstacle that wouldn't let me get ahead."



At one point, he got fed up with the constant bureaucratic obstacles and sued the government. He won the suit, which brought him to the attention of future Gov. (and later CARIBBEAN BUSINESS columnist) Carlos Romero Barceló. After Romero won the 1976 gubernatorial elections, Stubbe soon got the offer to work as a special adviser, eventually becoming chief of staff for economic development.

When asked whether he achieved everything he set out to do while in government, he smiles. "At that point, you think you'll solve every

problem on planet Earth, but that was from 1977 to 1981, and now you see many of the same problems, and they keep enacting laws to try and solve them. But that's life."

After his stint in government, Stubbe obtained a scholarship from Harvard Business School, where he studied in a program for management development, or a "quickie MBA" as Stubbe put it. "It was really intense but also worthwhile. The program was designed for people who already had some experience, and they essentially crammed two

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years' worth of courses into one semester. It was a tremendous learning experience," he said.

Stubbe returned to Puerto Rico to start his own business "with no money," he said. "My partners were my dad and Alfredo Martínez Álvarez, my first private investor." He worked as a contractor for five years at first, lacking the necessary capital to pursue development full-time.

By 1986, he was ready. Together with a business partner, Stubbe began developing and selling off small tracts of land in his father's farm. Then it was time for his first big project, Sabanera in Cidra.

"There was this bird, called 'paloma sabanera,' that was endangered, and it was able to survive and thrive in my father's property in part because he protected the nearby basins. In that spirit, I developed the residential community with all of the experience and skills I had obtained through my studies, my time in government and my work in the industry. Just like my father, I was focused on making the development as eco-friendly and respectful of the environment as it could possibly be, and the results were very well received," he said.

With Sabanera, a residential brand was born. Other successful projects followed: Sabanera del Río, a 417-household community completed in 2005 (the "Río" stands for the Lofza River that borders the community), as well as the Veredas community in Gurabo; and Dorado Beach East in Dorado, a prestigious community with floor plans ranging from 5,100 square feet to 8,000 square feet per household, to name a few.

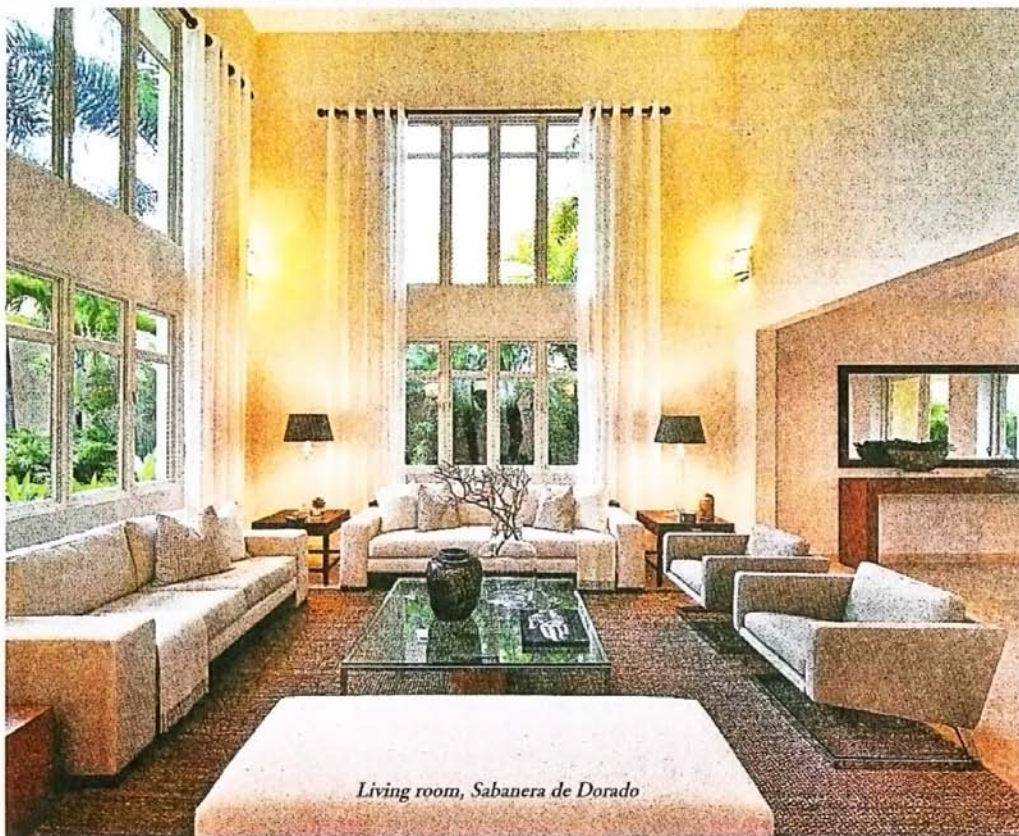
Projects on the Prisa Group pipeline include the 400-room Fairmont Hotel & Resort, also in Dorado and expected to open in 2014, and a fourth Sabanera community, this time in Caguas.

At the same time, Stubbe continued his education through programs offered by two organizations Stubbe got heavily involved with, the Urban Land Institute and the National Association of Home Builders. Stubbe also became interested in philosophy and other subjects, giving him a wider range of

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*Model home in Sabanera de Dorado*



*Living room, Sabanera de Dorado*



PRISAGROUP®



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knowledge, which he applied successfully to the development of his residential communities.

"They used to teach me that the best route from point A to point B was always the quickest one. Nowadays, I believe the best route from point A to point B is the more interesting and pleasant path," he said.

Stubbe's children soon got involved in the family business as well, among them, Federico Stubbe, president of Prisa Group, and Hans Moll Stubbe, Prisa's vice president in charge of development.

"My father always says success is 15% luck, or being in the right place at the right time, and 85% hard work," Federico Stubbe Jr. told CARIBBEAN BUSINESS. "He has also reminded me that society will reward you according to the value you bring to society. Thankfully, thousands of residents have found happiness in our communities, and we believe our company's success is only a byproduct of that."

"When I was younger, my father made me work summers, laying pipes and concrete from six in the morning, so I would learn from the ground up and understand the meaning of sacrifice," the younger Stubbe went on. "We have a wonderful working and personal relationship; we're a team. I know when to throw the ball at him and he knows when to throw it back."

Stubbe Sr. has also been active in the realm of social development. He has served as chairman of the Peninsula de Cantera Project, which serves as the redevelopment model for Puerto Rico's Special Communities initiative, for 18 years without charging a penny.

When it comes to relaxation, Stubbe's activity of choice is fishing, a sport that "helps you develop the virtue of patience!" He is also a board member of the National Fish & Wildlife Foundation.

Finally, about those accolades, apart from being the CARIBBEAN BUSINESS Private Sector Person of the Year for 2012, he has been selected as a CB Top 10 Business Leaders of Puerto Rico twice, in 2004 and in 2008. He has been a two-time president of the Puerto Rico chapter of the National Association of Home Builders; a recipient

of the Frank Ramírez de Arellano Homebuilders Award; chairman of Herencia, a nonprofit environmental foundation; and chairman of the Tasis Foundation, a K-12 educational institution; a member of the Georgia Tech Engineering Advisory

Board for the Construction Industry; as well as member of the Governor's Advisory Board for the Construction Industry; and Governor for the Urban Land Institute.

As part of Prisa Group, Stubbe has also received numerous awards,

including Builder Member of the Decade and three Master Planned Community of the Year awards by the National Association of Home Builders Puerto Rico Chapter. Not bad for someone who doesn't think too much about such things. ■

