

**CHANGES IN U.S. AND CUBA: THE IMPACT
ON FLORIDA
GRAY ROBINSON AND CUBANEWS**

OCTOBER 13, 2011

**INVESTMENT OPPORTUNITIES
UNDER U.S. FEDERAL REGULATIONS
IN CUBAN REAL ESTATE**

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Before looking at the opportunities for investments in Cuba in Real Estate we have to answer three questions:

1. Is the Cuban government actually promoting an economic opening some- what similar to the market opening in Vietnam?

The answer is “yes” and the evidence is in the laws already approved, the “lineamientos”, the Party Congress, the lease of land for agricultural development, the commission working on the new laws and regulations, etc.

2. Are the people in Cuba in “tune” with the market opening and the changes taking place?

The answer is “yes” at least for those that are part of capitalist Cuba. There are two Cubas: The Socialist Cuba of the Cuban peso, the subsidies, free health-care, free housing, etc., but with various small real income, and a Capitalist Cuba that has U.S. dollars and/or Cuban CUCs, employment by foreign entities, receiving remittances, that have profitable businesses, work in tourism, etc. Socialist Cuba is about 60% of the population and Capitalist Cuba about 40%.

3. Are foreign investors and Cubans living abroad in the United States and other countries in “tune” with the economic changes and opening of the Cuban market? The answer is “yes”. In the case of foreign investors this conclusion is based on meetings and interviews with representatives of the foreign companies proposing residential projects with golf and marinas. In the case of Cubans living abroad the facts are that about 400,000 will visit Cuba this year and last year about 2 billion U.S. dollars were sent by Cubans living abroad to the Island. Most of the visitors and the money comes from the United States but there are significant amounts also coming from Spain, Canada, Mexico, Venezuela, Russia, Eastern Europe, etc.

I have been visiting Cuba regularly for the last 15 years mostly doing professional research on foreign investment and real estate. What I have seen on my trips to Cuba this year has really impressed me:

1. A fellow passenger, on a return flight from Havana, told me about the house, tractor, agricultural implements that he purchased for the “family farm” close to Havana.
2. A University of Havana professor told me that he is in the process of getting clear title to his deceased mother’s property on the beach in order to build a vacation home.
3. A Cuban attorney told me about a month ago that his law firm is devoting about 80% of its time to real estate matters, specially registration of titles.

4. A Cuban-American from Miami telling me that he is trying to buy a house that his family used to own in Playas del Este from the Cuban company that now owns the property. He actually filed an application.

5. A Cuban renting his home in Miramar/Playa for U.S. \$3,000 per month to a Portuguese/Venezuelan to open a restaurant in Havana including a bed and breakfast operation.

6. A Cuban-American from Miami invited me to dinner a few weeks ago at the “paladar” that he has recently opened with his relatives in Havana. In terms of food, service and physical set-up, this paladar could fit perfectly well on Miracle Mile, Coral Gables.

Then, there is the article about housing in Granma of July 1, 2011. The article mentions that sale of houses no longer require the approval of the Housing Authorities and that “permutas” no longer will be required to be of equal value. Therefore, compensation for “permutas” of different value is now permitted. Last but not least, properties can now be donated to whom ever the owner decides. Cuban real estate brokers must be having a field day with this.

The examples mentioned above represent the micro part of the real estate investment picture, but there is a macro part to the Cuban real estate situation.

About five years ago foreign investors were encouraged to present residential developments with golf and marinas to Cuban companies and the Ministries of Tourism and Foreign Investment.

Developers from Spain, England, Canada, Vietnam and other countries responded presenting several projects.

In May, 2010, during the International Tourism Fair in Havana, the Cuban Minister of Tourism said that the concept of real estate residential sales in golf and marina projects had been approved. Last July, President Raul Castro signed a law authorizing the sale of 99 year leases of residential units in golf and marina developments. These leases can be sold, transferred by inheritance, mortgage and sub-lease.

One project already under construction is Marina Gaviota in Varadero. There are four other projects ready for approval:

Loma Linda, Guardalavaca, Holguin
(Canada)

Carbonera, Varadero (British) CubaNews
4/11

Bello Monte, Guanabo (British) CubaNews
7/11

La Altura, Pinar del Rio (British/Spanish)
CubaNews 12/10

There are five additional projects where Spaniards are the principal developers. One of these, Bacunayagua, is also close to approval. CubaNews 11/10.

There are two projects where the Vietnamese are the leading developers and another large project by Canadians. This is Jibacoa, Leisure Canada, CubaNews 2/11.

In all about 30,000 residential units and hotel rooms, more than 20 golf courses and about 10 marinas will be built.

United States citizens in personal or corporate form can legally make indirect investments in Cuba in a number of ways. **First**, investing in a U.S. based investment fund that invests in companies that will benefit from an opening in Cuba's economy. For instance, the Herzfeld Caribbean Basin Fund which trades on the Nasdaq capital market. Herzfeld Fund invests in companies that have no business in Cuba at present such as Lennar Corp and Mastec, Inc. and in companies that have business in Cuba such as Copa Airlines and Cemex.

Second, there is also the possibility of investment in foreign investments funds and public companies that do business in Cuba. This is a complicated proposition but there is evidence that Leisure Canada had U.S. investors in 2002.

Third, there is also the possibility for U.S. individuals and corporations to invest in what is some times called a 49/49 investment. This is based on a ruling from the Office of Foreign Asset Control (OFAC) in 1994 which has been reaffirmed several times. The ruling is as follows:

“A U.S. individual or corporation can legally make a secondary market investment in a third country company, not U.S., not Cuba, that does business in Cuba, provided that the investment is not controlling and more than 50% of the company’s income originates outside of Cuba.”

There is also another condition which is that the third country company cannot have Cuban shareholders. However, that company can have a joint venture with a Cuban company.

Examples from published reports and the book by Paolo Spadoni, “Failed Sanctions”, University Press of Florida, 2010, are:

Hoteltur/Spain Carnival Corp.	Four hotels in Cuba	26%
Fiat Group 20% General Motors	Vehicle Importers	
LG Electronics Goldman Sachs	Appliance Importers	6.6%
Repsol/Spain 21.7% JP Morgan	Oil Explorations	
Copa Airlines Continental Airlines	Airline and Courier	40%
Nestle/Swiss 32.7% Various U.S. Investors	Plants in Cuba	
Imbev/Anheuser Busch Multiple U.S. Investors	Plant in Cuba	10%

The previous examples are just a few of many cases of 49/49 investments by Americans in foreign companies from Europe and Latin American that do business in Cuba.

All of these companies are public companies; 49/49 also applies to private companies. However, these investments are usually not reported and remain secret. It is difficult, therefore, to estimate how many private European and Latin American companies are doing business in Cuba with U.S. investors. I personally know of several negotiations but have no information on actual investments. The number of these types of investment is probably not very high but once Cuba moves forward with its economic opening it is expected that there will be a significant increase in 49/49 investments.

Foreign developers of residential golf and marina projects welcome U.S. investors for several reasons:

1. The U.S. investments is by definition a minority non-controlling investment.
2. 49/49 type investments have very few strings attached, the non-U.S. partners are in complete control.
3. The U.S. minority partners, however, provide a very important element, which is knowledge of the U.S. market and what Americans like.
4. In the final analysis, it will be American buyers, 4 or 5 years down the road that could make the developments extremely successful.

The micro investment part on real estate development in Cuba, which involves paladares, bed and breakfasts, fixing houses for sale, etc. is very open to Cuban-Americans.

The April 13, 2009 initiative of President Obama formally made part of the Cuban Asset Control Regulations (CACR) on September 3, 2009 states:

“Persons subject to the jurisdiction of the United States may send remittances to close relatives who are nationals of Cuba. There is no limit on the amount of such remittances, there is no limit on the frequency with which persons subject to the jurisdiction of the United States may send such remittances.”

There are some limits to remittances not imposed by U.S. regulations. For instance, Western Union has limits on the amounts of money that can be sent per person and per remittance. There are also U.S. regulations that limit the amount of money that a person traveling to Cuba can take with them, which is \$3,000; and Cuba also has a limit of \$5,000 per person entering the country. Of course, Cubans living abroad but not in the U.S., have little or no restrictions on remittances to Cuba.

It should be noted that the Cuban government recently eliminated the 10% penalty on U.S. dollars conversion to Cuban CUC.

Conclusions:

1. Investments in micro projects are already taking place. Investments in macro projects must wait for approval for specific projects.
2. Investment interest is very high for micro projects and moderate for macro projects at this time.
3. Interest in investment opportunities in macro projects will be very high once developments break ground.
4. Interest will be sky-high when clear and fair laws and regulations are enacted and publicized as part of the market opening of the Cuban economy.

TOURISM

Canadian Indians plan golf resort on Guardalavaca beach

BY LARRY LUXNER

One of the most luxurious resorts now on the drawing board in Cuba is being financed by a group of Canadian Indians who, until relatively recently, were paupers in their native land.

Standing Feather International — an Ottawa-based company formed by the Mohawk and Dene tribes — plans to sink \$455 million into an upscale residential golfing community in eastern Cuba's Holguín province.

The unusual partnership is the brainchild of SFI's president, Vincent McComber, who grew up on the Kahnawake Mohawk reserve outside Montreal and ran a licensed tobacco retail outlet on a native reserve for years.

"The Cubans and first nations people view things in the same light," McComber recently told Canada's *Globe & Mail*. "We're do-it-yourselfers. Life is hard, but not impossible."

Chris Nicolas, the managing director of Standing Feather, said his first business contracts with the Cubans followed Fidel Castro's 1992 speech about native rights on the 500th anniversary of Christopher Columbus' "exter-

This is the 7th and last in a series of special reports on proposed golf and marina projects in Cuba. Previous articles have profiled Bacunayagua, La Altura, Leisure Canada, Carbonera and Bellomonte. Details: Standing Feather International, 18 Byward Market Street, Ottawa, Ontario K1N 7A1. Tel: (613) 751-3420. Fax: (613) 237-1945. Email: info@standing-feather.ca.

mination" of the Indians. He secured a deal to sell the Castro government native-made computer software, and eventually was asked if he knew anything about developing golf courses.

Nicolas and McComber got in touch with Graham Cooke, a well-known Montreal architect who has designed several championship courses on native land across Canada.

The result is Estancias de Golf Loma Linda, a \$455 million project sitting on a 211-hectare (520-acre) tract of land along Guardalavaca beach in the eastern province of Holguín.

How a group of once-impoverished indigenous people ended up bankrolling what could become Cuba's ritziest golfing community is a story without precedent on this island.

"Unlike the United States, up until 1962, it was illegal for Canada's Indians to actually go to court to ask for payment for [confiscated] lands," Nicolas told *CubaNews* in a telephone interview from Ottawa.

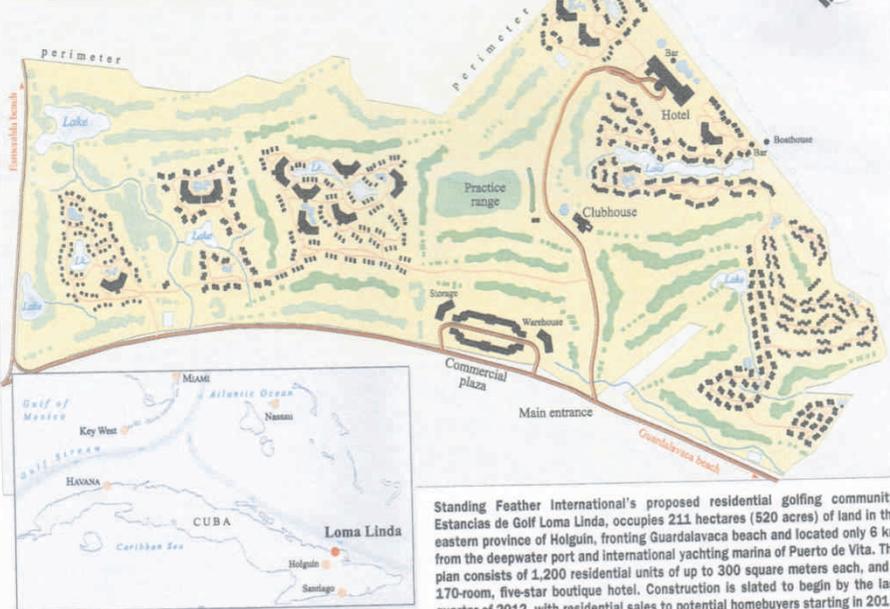
"Since 1962, when Indians were finally declared human beings here in Canada, we've had the right to do that. Canadian Indians are now sitting on over \$15 billion in funds, and have partial or complete control of 2.5 million square miles, or one-third of Canada's land mass. So the Indian nations in Canada are building a lot of economic muscle," he said.

"Land claims are being settled by this new conservative government, which has set a minimum of \$150 million in land claims per year over the next five years. Many Indian tribes are putting their money completely in trusts, with investment for future generations. They're rarely used for immediate needs."

Looking for lucrative places to park their money, the Mohawk — which originate in southern Quebec and Ontario, and the Dene, originally from Canada's Northwest Territor-

See *Loma Linda*, page 7

ESTANCIAS DE GOLF LOMA LINDA Guardalavaca, Holguín province



Standing Feather International's proposed residential golfing community, Estancias de Golf Loma Linda, occupies 211 hectares (520 acres) of land in the eastern province of Holguín, fronting Guardalavaca beach and located only 6 km from the deepwater port and international yachting marina of Puerto de Vita. The plan consists of 1,200 residential units of up to 300 square meters each, and a 170-room, five-star boutique hotel. Construction is slated to begin by the last quarter of 2012, with residential sales to potential homebuyers starting in 2015.

Loma Linda —FROM PAGE 6

ies and northern prairie provinces — incorporated SFI specifically to invest in Cuba.

"The monies are from private individuals who are members, not from the nations themselves," Nicolas explained. "If Canadians were ever to invest in a high-risk venture, which I doubt, they'd be welcome, but Canadians are notorious for wanting to invest only in blue-chip companies or commodities. SFI was formed solely for this joint venture. That's all it was formed to do."

Nicolas said that for most of its existence, his team has intentionally flown under the radar.

"We started negotiations in 2002 with Rumbos, before they became Palmares. Initially it was supposed to be two driving ranges," explained Nicolas, who manages a family trust.

"We kept a very low profile until this past May, when we finally decided to go to press. Unlike many of the people we've met in Cuba doing similar developments, we felt it's not right to put something on the table unless you actually have it, and we wanted to make sure we had it before we went public with it."



SFI's Vincent McComber

HOME OWNERSHIP IN PERPETUITY

What makes this project unique, he says, is that Standing Feather has permission to sell this property with the title in perpetuity.

"Forget about 99-year leases. The Cuban government has gone one better than China or Vietnam. Law Decree #273, which passed on Aug. 13, 2010, changed two articles in the Código Civil," Nicolas told *CubaNews*.

"All the press attention was focused on Article 222.1, which dealt with leaseholds to 99 years. The press did not notice that Article 222.3 permits the government to give a state-controlled company the right to sell in perpetuity," he said. "By ceding 1% of ownership and having the Cubans control 51% instead of a 50-50 split, we qualify for the right to sell in perpetuity. That was confirmed to us in Havana earlier this month."

Nicolas said he hopes construction will begin by the last quarter of 2012.

"Right now, we're just trying to get the contract signed, and we hope that will happen in September or October of this year," he said.

The resort itself is being billed as a residential community boasting with 1,200 private houses measuring up to 300 square meters, as well as a 170-room boutique five-star hotel.

"The pricing is being calculated right now, but we're looking at the \$400,000 to \$700,000 range, and this is the low end," he said. "These homes will be fully furnished, with a computer in every home linked to the Internet so that people can reserve their tables and tee times, and even order Canadian

groceries delivered to their door."

Nicolas said his team originally evaluated 15 sites across Cuba for both Rumbos and Cubanacán, "and we rejected all but three. When this site was offered to us, we jumped at it."

Asked why his project is located so far from the others being planned by rival developers, Nicolas said that's one of its strong points.

"The Varadero/Havana corridor is pretty saturated and we didn't feel that the land in

life. This site will be declared a *Zona Especial de Desarrollo* [special development zone], meaning we'll be allowed to sell imported dairy, meat and produce delivered right to the door. Property taxes will be relatively low, and nothing will be all-inclusive. Everything is *a la carte* [except for the hotel]. You will get a discreet bill at the end of each month."

The project is adjacent to the Paradisus Río de Oro and the Luna y Mares, both managed



LARRY LUXNER

Sun-worshippers enjoy Guardalavaca beach, close to where SFI plans to build its Loma Linda golf resort.

"We'll distinguish ourselves in terms of experience. Many of the other projects in much higher-volume areas will rely on transient traffic.

We aim to build a five-star-plus community where people will feel at home and enjoy superlative services never before seen in Cuba."

— CHRIS NICOLAS, MANAGING DIRECTOR OF STANDING FEATHER INTERNATIONAL INC.

that Varadero corridor was suitable for golf courses," he said. "Our evaluation was to shy away from that corridor. We felt it was too pedestrian. It's no different than Miami, and for that special cache of Cuba, we feel the client and homebuyer is going to be much more at ease in a foreign setting that won't seem like Disneyland."

NOTHING ALL-INCLUSIVE IN THIS COMMUNITY

He added: "In the same way we've got the geographical distance, we can distance ourselves in terms of experience. Many of the other projects in much-higher volume areas will rely on transient traffic. We are aiming to build a five-star-plus community where people will feel at home and enjoy superlative services never before seen in Cuba."

Nicolas explained that "this will be first and foremost a residential development. We're building a real community, with a 'bit of resort' in the neighborhood — a very finely crafted, superbly distinctive resort with top-notch quality services and amenities."

He said "our distinction will be quality of

by Spain's Grupo Sol Meliá.

Interestingly, SFI's primary market is split between Canadians and South Americans — primarily Argentines, Brazilians, Venezuelans and Colombians with discretionary income.

"There's a five-year construction cycle, and we'll begin to sell real estate halfway through this. We're looking at 2015, by which time the South American market will be giving North America a run for its money," he said. "We expect to break even between Year 6 and Year 7, and returns will be over 20%."

Nicolas said Holguín's Frank País International Airport receives 46 overseas flights per week. Last year, the airport welcomed one million visitors, and the government hopes to double the number of available hotel rooms in the province by 2016.

"Our project will provide a truly unique immersion in Cuba," Nicolas assured us. "The Guardalavaca district and Holguín province as a whole is absolutely beautiful, and we believe homeowners will pick up on that." □

Maryland-based journalist and photographer Larry Luxner is the longtime editor of CubaNews.

TOURISM

Esencia plans luxury Carbonera golf resort near Varadero

BY LARRY LUXNER

The 2011 Esencia & Montecristo Cup golf tournaments — to be held Apr. 15-16 in Varadero — will attract top-ranked golfers from many countries including Great Britain, Canada, Spain, China, Vietnam and South Korea.

The event is being hosted by the Varadero Golf Club and Palmares SA together with Esencia Hotels & Resorts, whose planned \$300 million Carbonera Country Club aims to become Cuba's premier golfing destination.

The new resort will be located about 15 minutes west of the existing Varadero Golf Club, currently Cuba's only 18-hole professional golf course.

"We've been working on this for over three years, and the project is now in the final stages of approval," Esencia's CEO, Andrew Macdonald, said by phone from Spain. "We've been told informally that the Ministry of Tourism will approve four projects in the first wave, and that we're one of the four."

Esencia's oceanfront project encompasses 170 hectares and includes not only a 70-hectare PGA championship 18-hole golf course

This is the 5th in a series of special reports on golf and marina projects in Cuba. For more information, contact Johnny Considine, marketing manager, Esencia Hotels & Resorts, Provident House, Suite #7, Havilland Street, St. Peter Port, Guernsey GY1 2QE, United Kingdom. Tel: +44 1481 714898. Email: info@esenciagroup.com.

but also 650 mixed villas and apartments.

There will also be a luxurious 120-bed, five-star boutique hotel "and quite a lot of restaurants, not only for the residents but also for other tourists and people coming from Havana to spend the day," said Macdonald.

The 45-year-old Scottish entrepreneur told us he's been coming to Cuba for the last eight years. Among other ventures, his company owns the brand license for the Floridita, a popular restaurant in London patterned after its famous namesake in Old Havana.

"We had a very successful restaurant in Madrid, but had to close it because of the economic downturn. We also had one in Dublin, but sadly our partners there — TRG, one of Ireland's biggest restaurant and pub companies — went bankrupt," he told *CubaNews*.

"Today, the only one left is London. It's been very successful," Macdonald told us. "That's what we've been doing while we were developing relationships in Cuba."

Esencia's 50-50 joint venture with Palmares focuses on golf, he explained, "because of Cuba's desire to attract a more discerning, higher level of tourist. Obviously, we have a lot of experience in golf, being a British sport. In Scotland alone, we have 650 golf courses and only five million people."

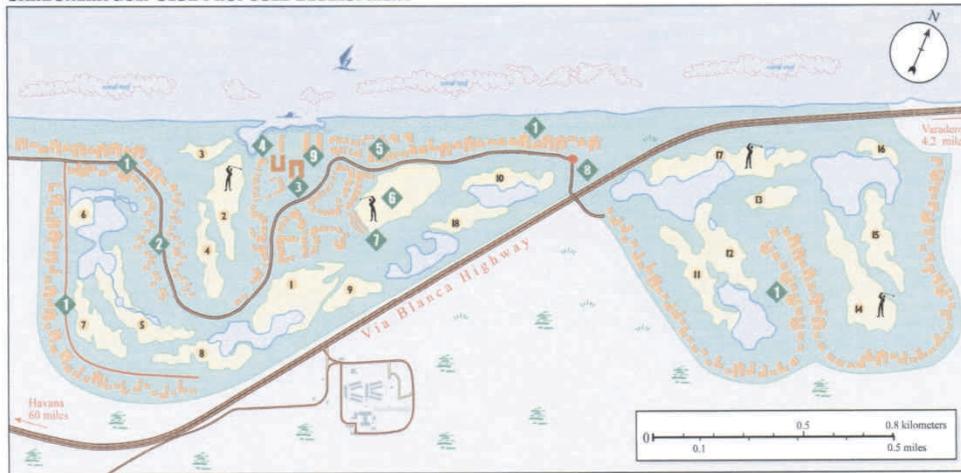
U.K. IS WORLD'S TOP SOURCE OF GOLF TOURISM

Despite the lack of substantial trade between the two countries, the fact is that Great Britain is the second-largest source of tourism to Cuba after Canada. It also sends more golf tourists abroad (six million last year) than any country in the world.

"So that combination of factors represents an interesting possibility," Macdonald said. Due to Europe's lingering economic crisis, he told *CubaNews*, "we're not going to see exponential, huge growth in British tourism to Cuba this year, but our fingers are crossed

See *Carbonera*, page 7

CARBONERA GOLF CLUB PROPOSED DEVELOPMENT



PROJECTED FACILITIES

- | | | | |
|---------------------|--------------------|-------------------|---------------------|
| 1 Luxury villas | 4 Lagoon and beach | 7 Clubhouse | 7 Golf course holes |
| 2 Conran residences | 5 Spanish village | 8 Secure entrance | Villas |
| 3 Hotel & spa | 6 Driving range | 9 Country club | Hotels |



Carbonera — FROM PAGE 6

that the worst is over."

Tourists staying at the Carbonera Country Club — named after a nearby village that's currently home to 90 people — will obviously be well-heeled. While Macdonald didn't specify how much rooms at the boutique hotel will cost per night, he did say that Club Havana charges foreigners living in Cuba around \$2,500 a year to use its facilities, and that "we'll be above that."

In fact, he said, "one of the things we want to create is a colonial, art-deco feel. You might think Carbonera Country Club has been here for the last 60 years. You won't see modern designs in this project."

According to Esencia's website, the luxury villas by Rafael de La-Hoz will boast "traditional colonial architecture, stunning airy interiors, sleek fixtures and stylish decor."

Homes will include two-story, three-bedroom properties ranging from 180 to 220 square meters, arranged in small clusters with individual shared pools. Four- and five-bedroom villas will range from 300 to 500 square meters, some with private pools.

Apartments will be available in one, two and three bedrooms, duplexes and penthouses forming a traditional Spanish village with integrated shops, bars, restaurants and pools.

Separately, the Conran Residences — situated in their own community within the Carbonera Club — will consist of clusters of three or four three-story buildings around a shared courtyard pool.

Two, three and four-bedroom apartments

PGA objects to Cuba deal

Leisure Canada Inc. and the Professional Golfers' Association Ltd. of the United Kingdom on Mar. 14 unveiled an exclusive agreement to develop golf facilities in Cuba.

Leisure Canada has three luxury resort projects under various stages of development in Havana, Jibacoa and Cayo Largo (see *CubaNews*, February 2011, page 6-7).

"The PGA looks forward to working with Leisure Canada and their Cuban partners to bring world-class golf facilities to Cuba," said Guy Moran, the PGA's head of property and development. "Working with the government and the people of Cuba, we hope to further develop the game of golf for the benefit of tourist and Cubans alike."

But PGA of America objects to the deal, saying it never authorized use of the PGA mark and that "we intend to pursue all legal avenues to prevent the use of this mark for this project in Cuba."

In a Mar. 18 press statement, it declared that "PGA of America adheres to the policies of the United States ... which limits American businesses from conducting business with Cuban interests."

Details: J.J. Jennex, Investor Relations Dir., Leisure Canada Inc., Vancouver, BC. Tel: (888) 600-8687. URL: www.leisurecanada.com.

will be distributed over the site; with ground-floor apartments (covering 148 square meters) enjoying access to their own walled garden space.

Carbonera is "quite small" compared to Cap Cana in the Dominican Republic, said Macdonald. "Maybe it's because we're quite conservative. But we feel very comfortable with the size. It's small and manageable."

ESENCIA HOPES TO BREAK EVEN IN 3-4 YEARS

Macdonald estimated Esencia's investment in the \$300 million project at around \$100 million. He expects to recoup that investment within three or four years, and hopes to break ground sometime this year. Once that happens, buildout will take another 28 months.

"Everybody is overwhelmed by the level of technical understanding. Our experience is among equals," he said when asked about Esencia's venture with Palmares. "In terms of doing business with Cuba, once there's a relationship of trust, doing business is enjoyable and fairly swift."

Macdonald also has interests in Cuba's potential for renewable energy. The company's chairman is a former member of parliament, Brian Wilson. Scotland is seen as a European center of research into renewable energy, particularly biomass — and a Scottish-Cuban

energy partnership is now in the works, thanks to Wilson's efforts.

It goes without saying that Carbonera will utilize the latest in renewable energy technology, said Macdonald.

"With such a big development, it would be unethical not to make it as environmentally friendly as possible," he told *CubaNews*. "All the buildings, villas and apartments will have their own solar panels. And the golf courses will be irrigated by seawater."

Esencia's partners include Galeon, a property asset management boutique focusing on the Spanish and Latin markets; One Works, a leading Italian architecture, infrastructure and urban engineering practice, and PGA Design Consulting, which serves the 7,000-member PGA of Great Britain and Ireland.

Also involved are global real-estate service Savills, the architectural and interior design studio Conran & Partners, and Madrid-based Rafael de La-Hoz architectural studio.

"This is one of the most exciting projects we have been involved with for some time," said Sir Terence Conran, founder of Conran & Partners. "It is something new for Cuba and something new for us as architects and designers. I look forward to being able to smoke a few cigars on my balcony with a glass of fine Cuban rum." □

Big hotels threaten Varadero's charm

BY DALIA ACOSTA / INTER PRESS SERVICE

Important architectural works from the modern movement are expected to be demolished as a result of the expansion of massive hotel complexes, which will replace the original landscape in Varadero, Cuba's most famous beach resort.

The alert was first sounded in 2010 when rumors began to spread about the demolition of the Hotel Internacional and the Hotel Club Cabañas del Sol, two 1950s structures located in Varadero, 140 km east of Havana in the province of Matanzas.

Two statements issued by ICOMOS, the Cuban branch of the International Council on Monuments and Sites, have received no response, architect Jorge Fornés told IPS.

Fornés is chair of the National Committee of ICOMOS, an independent NGO that works closely with UNESCO and is dedicated to conserving the world's historic monuments and sites.

"Independently of any decisions, I have no doubt as an architect that it is not necessary to eliminate something valuable to build something new. If there is interest in preserving a valuable piece of heritage, there is always a way to do so," he added, citing cases like the conservation of colonial fortifications in Old Havana.

Nor have demands from intellectuals and academics, mainly circulated by email, received an official public response from the Tourism Ministry or Cuban media. An employee at the Hotel Internacional told IPS,

"The decision has already been reached."

"There are contradictory versions," Roberto Fernández García, a poet who lives in Varadero, said in an email message that sums up the results of his inquiries and those of others interested in the case.

Fernández García said officials told him that the Hotel Internacional, which opened on Dec. 24, 1950, "is very old, small and old-fashioned, with few rooms, and no longer meets the requirements of today's tourism."

He said the 161-room hotel would be demolished to build, on the same site, a modern 800-room structure. Cabañas del Sol, other tourist installations from the first half of the 20th century — when architects of the modern movement were seeking a fresh expression of the Cuban identity — and buildings in the old city in Varadero also apparently face the same fate.

But the Matanzas office of the historian offered a different explanation.

According to a message circulated by the Cofradía de la Negritud, a NGO representing black people, in this case the response was that "the hotel's plumbing system is in a state of collapse, so it is more economical to demolish it and build from scratch, than to repair it."

But tourism authorities did not mention poor structural condition to the hotel's employees. "They told us the hotel would be demolished because of environmental regulations, and that it was useless to turn

See *Varadero*, page 15

TOURISM

Havana's Bellomonte golf resort aims for high-end market

BY LARRY LUXNER

The quaint little fishing town of Guanabo, located 25 minutes east of Old Havana along the four-lane Via Blanca, is about to get a flashy new neighbor: the Bellomonte Golf & Country Club.

The megaresort — a 50-50 venture between Britain's Coral Capital Ltd. and Cuba's Grupo Palmares SA — involves total investment of around \$500 million, including \$120 million in the first phase alone.

When completed, it will encompass 1,100 villas and apartments, an 18-hole championship golf course with a clubhouse, a 160-room beachfront hotel, a country club and spa, and 30,000 square meters of commercial space.

Stephen Purvis, 50, is Coral Capital's chief operating officer and one of its founding partners. A chartered architect, Purvis jokes that he's probably the only member of the Royal Institute of British Architects based in Cuba.

"We have invested a huge amount of time and effort in this, working with Palmares for the past five to six years," he told us in a

This is the sixth in a series of special reports on proposed golf and marina projects in Cuba. Previous articles have profiled Bacunayagua, La Altura, Leisure Canada and Carbonera. For more detail on Bellomonte, contact Coral Capital (UK) Ltd., 28 Battersea Square, London SW11 3RA, England. Tel: +44 207 799-2885. Fax: +44 207 222-5664. Email: office@coral-capital.com.

lengthy phone interview from Havana. "This is the second site we've advanced on."

The first site, near Tarará, had to be abandoned when geologists found oil; a drilling rig now operates there.

The concept behind Bellomonte is simple: to create a "home away from home" in a luxurious beachfront community built to the highest international standards, but with easy access to Havana, which Purvis calls "the sexiest, most interesting and diverse city in the Caribbean."

About half the units at Montebello will be luxury villas, and the other half apartments. Purvis said the villas will be priced "in excess

of \$500,000," though he declined to be more specific, while room rates at the property's hotel will run at least \$200 a night.

That's somewhat comparable to the 96-room Hotel Saratoga, which Coral Capital has managed in a joint venture with Habaguanex SA since 1997.

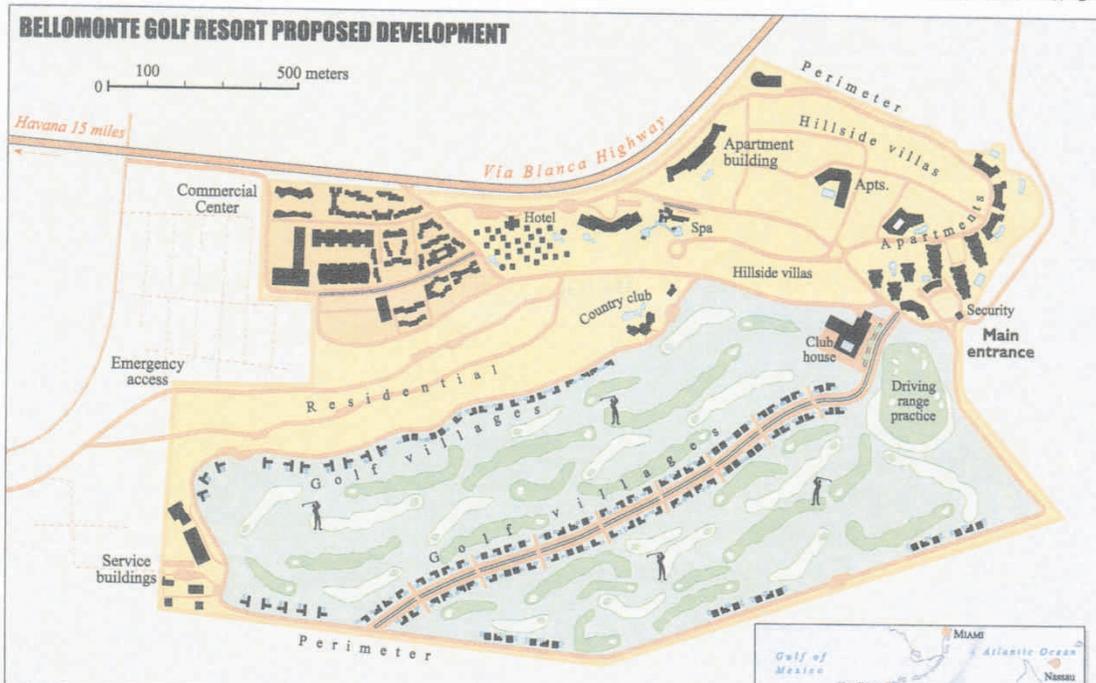
Frequently named as one of the world's top 100 luxury hotels by *Condé Nast* magazine, the boutique property in Old Havana currently boasts the highest ADR of any hotel in Cuba. Rack rates there, depending on season, vary from \$220 all the way up to \$900 a night.

Even so, the average guest stay at the Saratoga is only two or three days.

"This is an extraordinary statistic for a long-haul Caribbean destination, and guest surveys indicate that this is entirely due to a lack of appropriate tourism facilities for the discerning tourist. Basically after having the cultural experience, they run out of things to do," he said.

"Against this background, the key to the

See *Bellomonte*, page 7



The Bellomonte project, estimated at \$500 million, sits along Cuba's northern shore facing the Florida Straits. It is located just 15 miles east of downtown Havana, and two miles southeast of Santa María del Mar beach. Perched atop a steep coastal hill ranging in height from 120 to 260 feet above the sea level, the 254-hectare site offers striking views both of the shoreline and the inland valleys. Even with abundant water on site in the form of an aquifer and streams, and annual rainfall of over 1,000 mm, the project — a joint venture between Coral Capital and state-run Palmares SA — will utilize best practices in terms of water recycling and waste treatment and storage to minimize its impact on the environment.

TOURISM

La Altura luxury golf resort could rise east of Pinar del Río

BY ARMANDO H. PORTELA

Located on the northern coast of western Cuba in the new province of Artemisa, the projected La Altura golf resort and marina — involving anywhere from \$500 million to \$1 billion in investment — faces both the Strait of Florida and the Gulf of Mexico.

It lies 130 nautical miles southwest of Key West and 225 miles northeast of Cancún, Mexico — making it an attractive midpoint for sailing between these two major destinations.

La Altura sits on a low wavy coastal plain with wild beaches and mangrove belts surrounded by grassy or overgrown vacant lands and sugarcane plantations. This oceanfront area — 96 km west of downtown Havana and only 40 km east of Pinar del Río, capital city of the province with the same name — remains basically undeveloped.

According to a 33-page document drafted by Panama's Planning Group SA, the resort will be developed by a Spanish-British consortium under the direction of London-based

This is the 2nd in a series of articles on golf and marina resorts planned for Cuba. Next month we take a look at the various projects Leisure Canada Inc. is proposing throughout the island.

Foster & Partners, a leading architectural firm that has designed office buildings, hotels and resorts in dozens of countries from Kazakhstan to San Marino.

La Altura will cover 1,066 hectares, of which some 400 hectares will be preserved as mangroves.

The property, which stretches 7 km along Cuba's north coast, will eventually boast a 260-slip marina and three 18-hole golf courses — two covering 55 hectares each, and a smaller 35-hectare course.

Envisioned are 2,022 apartment or time-share units, in clusters of 964 units near the golf courses, 450 near the marina, another 308 adjacent to a lake and another 300 next to a planned golf academy. In addition, 293 single-family homes are planned on parcels of

1,500 to 2,000 square meters each.

Also planned are two five-star hotels — a 300-room oceanfront tower and a 120-room property near the golf courses. In addition, the resort will have its own airstrip, which currently measures 800 meters.

That runway will be extended to between 1,800 and 2,000 meters, large enough to accommodate Boeing 737 or Airbus 320 jets capable of carrying 150-200 passengers each.

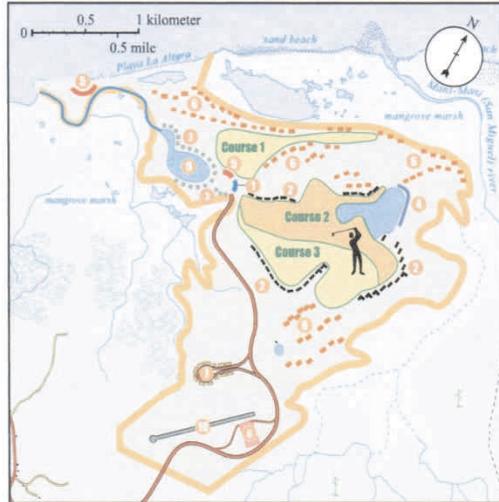
South of La Altura rises the Sierra del Rosario, a low range of sparsely populated, forested mountains, cut by beautiful valleys with clear water streams and peppered with coffee groves. To the north, a loamy beach faces the emerald-blue coastal waters of the Cuban seashelf, with coral reefs, underwater marine terraces and the submarine canyons of the Mani-Mani and the Morrillo rivers.

La Altura itself sits on a piece of land rising an average 40 to 50 feet above sea level, with some places exceeding 70 feet in altitude.

See **La Altura**, page 7



LA ALTURA GOLF RESORT PROPOSED DEVELOPMENT



La Altura —FROM PAGE 6

This is probably enough to protect inland construction from flooding or tidal waves during tropical storms. Close to the mangrove belts or the two rivers, however, construction might be at risk of flooding.

The area appears to have been used in the past for military purposes as some abandoned artillery installations suggest.

The village of El Morrillo stretches along the coast a short distance to the west from La Altura. It's home to 1,000 people who live from fishing and agriculture. The towns of Bahia Honda (17,000 inhabitants) and Harlem (3,400) are located respectively 14 and 10 miles to the southeast.

La Altura is linked to Havana for most of the way by a narrow, potholed zig-zagging two-lane road which is used intensively by loaded trucks during the sugar harvest season (December through April or May). This makes traveling to downtown Havana a two-hour ordeal. □

PROJECTED FACILITIES

1	Golf house	○	Villas
2	Golf apartments	—	Support village
3	Marina apartments and retail	○	Interchange parking
4	Lakeside apartments	○	Marina
5	Hotels	○	Airstrip

GOP —FROM PAGE 1

adding that some of the new tea party lawmakers may share the libertarian streak of GOP Reps. Ron Paul of Utah, Jason Chaffetz of Utah and Jeff Flake of Arizona that will lead them to fight the embargo on the grounds it restricts Americans' rights to travel and trade.

"And there may be more of a willingness for lawmakers from rural districts to oppose the embargo," said the Missouri lawmaker. "I would think they would be looking for any opportunity to create jobs in their districts."

Emerson plans to push for a congressional end to the ban on direct bank-to-bank transactions between the Cuban government and U.S. farmers.

Under current law, Cuba's state food purchasing agency Alimport is required to use 3rd-country banks to pay for U.S. farm products. That adds to the cost of such exports to Cuba.

"We can't be competitive without direct banking," Emerson said.

Because party leaders support the embargo — especially Rep. Ileana Ros-Lehtinen (R-FL), incoming head of the House Committee on Foreign Affairs — Emerson and her GOP colleagues plan to try to get Cuba legislation through the House as amendments to must-pass spending bills.

One drawback is that the legislation would expire at the end of the fiscal year.

"I don't like doing things through the appropriations process because you have to do it again the next year," Emerson said. "But if it's the only way to get things done, it's the only way to get things done."

Emerson may be helped by a new committee assignment next year. She's in line to head the Appropriations Financial Services and General Government subcommittee.

Flake has already discussed the issue of Cuba with some of the freshmen, said the lawmaker's press secretary, Matthew Specht.

For years, Flake sponsored legislation that would strip the U.S. Treasury Department of funding to prosecute Americans who travel to Cuba without permission. "Obviously, for the congressman, it's a matter of freedom," Specht said of Flake's campaign.

While Flake doesn't think the 112th Congress will approve a free-standing bill to end travel sanctions, he may go back to what he used to do — amend spending bills with his Cuba travel legislation, Specht said.

CubaNews changes hands

After more than eight years under the ownership of Luxner News Inc., CubaNews has been acquired for an undisclosed price by a partnership between Miami's Isla Investments LLC, which is owned by Peruvian-born Fernando Donayre and well-known Cuban-American lawyer Antonio Zamora.

The new publishers are committed to maintaining the objectivity and accuracy for which CubaNews is widely respected. They aim to boost the newsletter's subscriber base while dramatically expanding its business coverage and improving the functionality of its website, www.cubanews.com.

Larry Luxner acquired CubaNews from Target Research in May 2002 and has published 93 issues since then. Luxner remains editor of this newsletter, whose network of correspondents will continue as before.

Details: Fernando X. Donayre, Isla Investments LLC, PO Box 566346, Miami, FL 33256-6346. Tel: (305) 393-8760. Fax: (305) 670-2290. Email: info@cubanews.com.

Flake won approval for his travel measures several times, even when the GOP last controlled the House. But the measures never became law because they were always stripped out of final bills, purportedly because former President Bush threatened to veto any legislation that would ease Cuba sanctions.

"The president is not a problem this time," said Specht. "And obviously, [Flake] thinks there are opportunities to find support among the new members."

Rep.-elect Raul Labrador of Idaho may represent one such opportunity. But the Republican freshman "doesn't feel ready to comment on the question of the embargo," said his spokesman, Phil Hardy.

Dozens of moderate and conservative Democrats who supported the embargo and received help from the US-Cuba Democracy PAC were defeated in the tumultuous midterm elections — and in some cases replaced by Republicans like Hartzler who haven't taken a position on Cuba.

Other GOP freshmen agree on the issue of sanctions with the anti-embargo Democrats they're replacing. Republican Rick Crawford, who will represent retiring Democratic Rep. Marion Berry's Arkansas district in the next Congress, shares Berry's belief the embargo should be lifted.

Another Republican freshman in the anti-embargo camp is Tim Huelskamp, who says "we need more access to export markets, including Cuba." He'll replace Rep. Jerry Moran (R-KS), a staunch embargo opponent who won the seat of pro-embargo Sen. (and future Kansas governor) Sam Brownback. □

Washington-based journalist Ana Radelat has been covering Cuba-related issues on Capitol Hill for CubaNews since the newsletter's birth in 1993.

TOURISM

Bacunayagua golf, marina project slated for north coast

BY LARRY LUXNER

One of Cuba's most ambitious golf and marina resort projects could soon take shape along the island's northern coast halfway between Havana and Varadero.

The project is one of a dozen that will benefit from a recently passed law allowing foreign investors 99-year-property leases for the first time (see *CubaNews*, October 2010, page 3).

Officially known as Empresa Mixta Desarrollo Turístico Bacunayagua SA, the joint venture involves Spanish entrepreneurs and state-run Cubanacán SA, and is reportedly worth \$500 million.

It covers 750 hectares of oceanfront land about 50 miles east of Havana and 30 miles west of Varadero Beach, at the point where La Habana (now Mayabeque) and Matanzas provinces meet.

The development of this project was done in collaboration with Empresa de Proyectos de Arquitectura e Ingeniería (EMPAD), a Cuban entity, while consulting work was headed by architect Juan Carlos Piñero Izquierdo of Tenerife in Spain's Canary Islands.

In addition to Spain, Piñero has designed resort projects in Mexico, Saudi Arabia, Egypt and the Dominican Republic. His team

This is the first in a series of short articles on proposed golfing resorts now planned throughout Cuba. Next month, we'll visit La Altura, a major project to be located in Pinar del Rio province.

includes interior designer Rosy Zamorano Sáenz, architect Maricarmen Gil Sarmiento, industrial engineer Fidel Iturrabarria Martín Fernández and landscape designer Boris Hertzberg Diekow.

According to Piñero's website, the project will encompass 2,386 rooms and two 18-hole golf courses built in two stages, as well as a protected area of 3,900 hectares.

Phase I envisions the construction of an 18-hole golf course, a 200-room hotel, an historic port area, a spa, five luxury beachfront villas and 1,285 bedrooms distributed among apartments and villas of varying configurations.

Phase II will see construction of a second 18-hole golf course and another 1,101 rooms in apartments and villas.

Physically, it's hard to beat Bacunayagua's natural beauty. It sits on a striking ocean landscape of high cliffs and bushy flat-top hills deeply cut by the Bacunayagua River canyon.

Vertical limestone cliffs in the shoreline, sometimes 30 to 60 feet high as in Punta Gua-

nos and Punta Guana, yield to the emerald-blue coastal waters of the Straits of Florida, with coral reefs, underwater marine terraces and the submarine channel of the Río Bacunayagua.

Averaging 200 to 300 feet in height, these limestone flat-top hills are all cut by step cliffs. They are covered with shallow poor red soils that offer little chances for agriculture.

Dense shrubs and low xerophytic forests, with guano palms, cactus and hardwood trees cover the hills almost continuously.

Protection of the *Coccothrinax borhidiana*, an endangered palm tree that grows exclusively in this place in the entire world could limit the development of the area. Reportedly only a few dozens of this extremely endangered plant survive in the wild, all in close distance to the future compound.

The coastal heights make buildings safe from any sea surge during tropical storms. However, flash floods of the Bacunayagua River might endanger facilities built in the river's mouth.

Crude oil is pumped from the nearby Punta Guanos oilfield to the east and Puerto Escondido field (off the map limits) to the west. □

BACUNAYAGUA GOLF RESORT AND MARINA

