

PASEO CARIBE DEVELOPERS' GAMBLE WITH EL MERCADO PAYS OFF

CONSTRUCTION OF ONE-OF-A-KIND FOOD HALL AN EXAMPLE OF TEAM-BASED, DETAIL-FOCUSED DEVELOPMENT

BY DENNIS COSTA

It was sometime in late 2014, and construction on Paseo Caribe—a one-million-square-foot mixed-use luxury development featuring a retail center and three residential condo towers right at the entrance to San Juan's Condado area—was on the verge of being completed. It represented the end of an arduous, decade-long development process for the project's owner, CPG Real Estate (CPG), a U.S.-based private equity real estate firm with several assets in Latin America and the Caribbean.

However, there was still one big question mark surrounding the whole project, namely a huge 19,000-square-foot space on the complex's second floor, with enviable views all around and an airy, 40-foot ceiling.

The CPG team on the island—led by the firm's chief operating officer, Samuel Kirschner, among other principals—brainstormed about what type of side project could be done. "We must have looked at several dozen retail and commercial uses for the space," Edward Stutz, vice president of asset management at CPG, told Caribbean Business in an exclusive interview. "It was a terrific space in terms of our varied ceiling heights and the window-to-interior ratio afforded us a tremendous number of options."

The budgeting for the Paseo Caribe complex was already accounted for, and developing a concept in this space required an additional investment that was not part of the original plan. In other words, it would be a gamble. In all, the overall investment in the new

concept would range from \$8 million to \$10 million, according to company statements.

The team eventually settled on the idea of developing a food market, which Kirschner later helped nurture and evolve into a more well-defined concept that was dubbed simply as El Mercado, which means the marketplace. "We were very committed to ensuring that it's not just another food hall type of concept," Stutz noted. "It needed to be specific to Puerto Rico from a design, philosophical and culinary perspective. Basically, it needed to be a concept that could only take shape in Puerto Rico and specifically in San Juan."

As it would turn out, the design, development and construction process of the culinary hall, which took place over a two-year period and employ local firm Caribbean Construction Partners as its general contractor, would be as far away from the apparent simplicity of the concept as it could be. It would also be among the most rewarding for everyone involved. "In my 29 years in this industry, I have never been a part of such a comprehensive, team-based effort to get a project done, and this is coming from someone who has participated in the construction of several million-square-foot mixed-use facilities in the [mainland U.S.]," Stutz said. "Truthfully, none of them compare to what was required to pull this particular project off."

To underline the challenges surrounding the project, there was first the nature of El Mercado itself: upward of a dozen different food establishments all operating together under a single roof, with design elements slated to elevate the concept far beyond those of your run-of-the-mill food courts. "We effectively constructed 11 individual kitchens," Stutz explained. "It wasn't necessarily as simple as formulating individual restaurants; these were very sophisticated, effectively open-air kitchens. Also, most of the processes of each individual kiosk are front-and-center to the public. There is no back of the house."

Another technical challenge, from a construction perspective, involved literally having to daisy-chain each one of the kitchens together as part of a singular exhaust/ventilation system. "We had to ensure that all of that mechanical work was secondary to the detail and design elements of El Mercado and making sure they were subordinate to the aesthetics," noted Stutz, whose team at PMI Management was responsible not only for the day-to-day management of the project, but also all property management functions of Paseo Caribe's mixed use components, construction management at El Mercado, the administration of invoicing for all suppliers and contractors and the formulation of operational protocols for the marketplace.

Apart from the CPG principals in charge of the project, all the construction and development at the site was carried out by Puerto Rican workers and professionals, generating about 250 jobs in direct and indirect employment. Once it began operations, El Mercado would go on to generate an additional 300 permanent positions.

However, when it came to the materials involved in El Mercado's development, 90% to 95% of it was sourced from abroad. "This added a whole subset of challenges in terms of not only identifying off-island vendors, but also formulating the physical logistics of bringing those materials to Puerto Rico not only in a timely, but also cost-efficient fashion," the CPG exec said.

In all, materials were secured from some 20 different suppliers in 10 countries such as Spain, Israel, Italy, India, China and Pakistan. These included nearly 100

different types of tile including wall mosaics, marble, granite and onyx. More than 10 different gradients of concrete were also used, as well as almost 30 different types and grades of metal used for structural and accent applications. When it came to materials obtained on the island, about 50 local suppliers were tapped.

One of the central design elements of El Mercado is a central bar area that features an imposing upper steel structure that rises to the locale's 40-foot ceiling, housing hundreds of wine bottles and other assorted liquors. "That was one of the last components that were completed, and clearly a dominant feature of El Mercado," Stutz said. "It serves both an aesthetic and structural purpose, allowing us to occupy a tremendous amount of airspace but have it be a substantive element as well."

For the bar structure alone, some 17,000 pounds of steel were used, most of it installed by workers from Junco Steel, an island-based subcontractor. Further adding to the complexity of the task, the structure did not come pre-assembled and later put together in modules, as happens in many other instances; instead, all the steel elements were assembled on site. A huge exterior canopy, which extends El Mercado's footprint to a sizable outdoor area, required an additional 36,000 pounds of steel. In all, the locale seats more than 325 customers.

The attention to detail that would exemplify the development process of El Mercado is perhaps no more apparent than in the design of another of the central bar's noteworthy features, namely its onyx bar top. The plans for the bar, revised by Stutz, called for light fixtures that would show through the more translucent parts of the onyx. It would turn out to be a job easier said than done.

"We spent some 63 hours on that particular project, and this was within a week of the Mercado being scheduled to open," Stutz recalled. "Because of the way the bar itself was designed, we had to consider multiple different approaches to getting light up through the onyx, to the point where we had to physically deconstruct the bar top no less than four times." Eventually, Stutz enlisted the help of Apex Global, a local firm specializing in LED (light-emitting diode) lighting solutions. "Apex has a very special LED tape that is as thin as a dollar bill," Stutz went on to explain. "We had to come up with a new lighting methodology, in which we essentially had to trace the translucent elements of the onyx with the LED tape, and every single piece of onyx was different. When we put the bar top back in place and saw the result, it was one of the most satisfying feelings I've had in my career," he added.

Then there's the visual aspect of El Mercado itself, topped with a series of murals intended to depict the working men and women of the island. These comprise four giant walls, starting at 20 feet up and going up to 40 feet, and about 1,000 square feet each. Acclaimed New York-based muralist Tom Christopher, who specializes in depicting urban landscapes, was commissioned to paint El Mercado's murals with the assistance of local art students.

The CPG vice president went on to highlight the team-based effort that underlined the whole Paseo Caribe project and, to an even greater extent, El Mercado, singling out the vision and support of CPG's Kirschner as well as founder and co-Chairman Barry Breeman, co-Chairman and Chief Executive Officer Mark Lipschutz, CPG principal Michael Lefkowitz, and Chief Financial Officer Stanley Zippin, as well as all of the suppliers, contractors and workers involved in such a monumental project. "The coordination of all the suppliers and contractors who participated in El Mercado's development, especially considering that the myriad of processes took place during the everyday management of the rest of Paseo Caribe simultaneously, was absolutely remarkable."



EDWARD STUTZ AND STAFF
- PASEO CARIBE