



INTERNATIONAL ASSOCIATION OF YOUNG LAWYERS

Hotel Projects for the next generation: What are the key factors for foreign investors in order to ensure a successful running hotel business?

Commission in charge of the Workshop:

REAL ESTATE COMMISSION

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National Report from Costa Rica

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NATIONAL REPORT FROM COSTA RICA

Reporter: Lic. Juan José Acuña Leandro

In Costa Rica, tourism and therefore Hotel Industry have been developing since year 2000. Certain typical situations proper of Costa Rica have contributed to that; for example, the fact that Costa Rica is a small Country that limits with the Caribbean Sea to the North, and with the Pacific Ocean to the South. We have volcanos, rain forest, dry forest, cloud forest, beautiful beaches, adventure activities such as whitewater rafting (level three, four, and five), canopy, rappel, and other activities a bit more relaxing – wised, such as perfect scenarios for birdwatching, butterflies farm, horseback riding, trekking, bicycle, atv’s, etcetera. Tourism at the beach, also offers the best spots in the world for snorkeling and diving. We only have two seasons, which are summer and rain season. Those typical conditions make a good natural surrounding for visitors. For example, you can have breakfast in the Caribbean, have lunch in a volcano, and have dinner at the Pacific. Also, Costarican culture tends to be very polite with the tourists, and always respectful. Foreign people who have come to Costa Rica are normally stating phrases like: “I can now die in peace”, or “It is the best place I’ve ever been to”. Somehow, without experience, we were able to satisfy the most exigent desires of expert visitors.

People around the world have discovered that, --I’d say first than us--, and they began massively visiting our country approximately in year 2000, or even before. By then, they realized that prices were extremely cheap including living costs, so that contributed that a lot of foreign people moved to live here when they got retired. Also, Costa Rica has some of the best universities in Latin America, such as “Universidad de Costa Rica”, which means University of Costa Rica.

Without army in Costa Rica since 1948 and established in our Politic Constitution in 1949, Costa Rica has the fifth place in 2012 world’s ranking of Ambiental Development, and the first in America. We also have the third place in security rankings in Latin America Countries. Also, according to



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Konrad Adenauer's International Foundation, Costa Rica is the most democratic country in Latin America.

By the time that tourism began to expand, there were not lots of hotels in Costa Rica, but just some close to the touristic areas. They were normally locally operated by Costarican owners. Approximately by mid-2000's a lot of foreign inversion was put in Costa Rica, and a lot of international hotel chains began to initiate operations in the Country. Nowadays you may find pretty much all of the most recognized and luxurious hotel chains in the world, such as Four Seasons, Marriott, Intercontinental, Hilton, Wyndham, including dozens of many others with international prestige.

However, hotel and tourist development did not help at all to medium and low social class in Costa Rica, as many people who had their small hotel, was soon destroyed by this international hotel chains already mentioned. Soon, we had towers of condos for sale, at prices that were only affordable for foreign people. We also had local people who had to leave their places due to this massive development in regards of tourism and hotel projects. The only people, who had opportunities, were workers who spoke English and had customer service abilities, or those who had lands, and were interested to put them on sale to billionaire investments.

Great controversy and polemic issues generated this situation. Some people agreed this kind of change, stating that it'd definitely help the country to progress, and others said that it'd only help high social class, and they used to state facts like for example tourism is the highest income in Costa Rica. (Most of that tourism comes from the United States, followed by Europeans, and Asians).

My particular opinion, is that in general terms, --overall--, it did contribute to some progress in some areas of our country; but I have to recognize --as said before--, that it has affected some local and low - class people. Actually, to say a bit about legal situation in regards of those projects, it only benefits some lawyers, as the owners of those huge touristic developments, --most of them foreign—in case of any dispute, would go to only two or three recognized firms in the country, and arbitration would be most likely the solution. In regards of contractual law, those developments use to be done through legal figures such as franchise, trust, sale & lease back, and manage agreement.



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Normally, government tries to help this kind of development by reducing tax charges, and making interesting opportunities to foreign capital that moves to Costa Rica to invest, as long as they compromise with renewable energy, as by the way Costa Rica has announced to be the first Neutral Carbon Country in the world in 2021, year on which we would be celebrating two centuries as an independent country. However, going back to the polemic issues, some local people do not support those advantages made by the government to foreign investments, as they say that only contributes to money laundering and tax heaven. Nowadays for instance, foreign people can start a legal company by paying only \$400 tax (which has recently stated as Anti – Constitutional, and is going to be avoided soon), and by presenting their passports to a public notary, and naming at least a President, Secretary, Treasure person, and a supervising person (also named fiscal).

Tourism was developing at a maximum speed, until approximately year 2008, when the financial crisis took place. Before continuing, I have to say that before becoming a Civil and Commercial Lawyer, I was the Travel Concierge at the Hotel Courtyard by Marriott San José, and was in charge of real estate and tourist activities. Oh! What a great memories when everything used to run properly. Nevertheless, soon tourism fell, prices raised up, and some touristic projects were declared in bankruptcy. The solution to that, was that a different segment of tourism began to come. I mean, green tourism. Instead of hosting at huge hotels, they stayed at local houses with authentic Costarican people, where diversity of cultures were mixed, stories were told, experiences were shared, problems were fixed, and friendships were built for a lifetime! That is hotelery and tourism in my opinion!

However, if you are interest to manage or build, or franchise a hotel in Costa Rica; you may still do it. But please keep in mind the fact that Costaricans hate pollution, Costaricans are smart, Costaricans will support your hotel as long as you support Costarican Law and Costarican people, and you give progress to the country, instead of taking tons of money of it. Always be respectful to Costaricans, and then you can do your business! As long as you do it right, the government, and our Laws, and Costa Ricans; will support and appreciate your business!



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It's been a pleasure to write down this report, and even though I might not be able to assist to the annual congress in London 2015, I hope now you have a clearer idea of what the expectations for tourism and hotels are in Costa Rica, and please remember that you are most welcome to visit our country, as already visited by many AIJA's members.

Whatever you need in Costa Rica, you may contact me through the following e-mail address: jacunact@gmail.com Since I might not be able to answer questions in person, please send them over through the mentioned e-mail address, and I promise I will answer them all!

As many people use to say....please receive the kindest regards from paradise!

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