WHY FLORIDA BUSINESSES SHOULD KEEP THEIR EYE ON PUERTO RICO

October 10, 2016

By: Jordi Guso

In addition to their geographic proximity to one another, Florida and Puerto Rico have many connections. According to the Puerto Rican Chamber of Commerce of Florida, there are nearly 1 million Puerto Ricans living in Florida. The chamber reports that Puerto Ricans are the fastest growing Spanish-speaking group in Florida. The influx of Puerto Ricans presents new opportunities for businesses that cater to the Puerto Rican community. From restaurants, to grocery stores, to the financial services sector, the influx of Puerto Ricans has created greater economic demand particularly in Florida's I-4 corridor connecting Tampa and Daytona Beach where there is a large concentration of Puerto Ricans.

The growth of the Puerto Rican community in Florida is due in large part to the economic crisis enveloping the island. As has been widely reported, Puerto Rico has been defaulting on debt since August 2015 and in July missed nearly $1 billion of principal and interest, marking the largest payment failure in the $3.8 trillion municipal-bond market according to Bloomberg. The economic crisis has fostered external migration, mostly to Florida. In June, President Obama signed the Puerto Rico Oversight, Management and Economic Stability Act ("Promesa"). The law aims to tackle Puerto Rico's approximately $70 billion debt through a series of initiatives including the creation of a fiscal control board. The fiscal control board is comprised of seven members empowered to force the government of the commonwealth both to balance its budget and negotiate a restructuring with its bondholders. The board was selected by the White House from a list provided by congressional leaders from both parties. Last week, the board selected Jose Carrion III as chairman. Carrion resides in Puerto Rico and is the founder of an insurance brokerage business. The board is already at work. Last week it set an October 14 deadline for Governor Garcia Padilla and his office to submit the administration's proposed fiscal adjustment plan. The board plans to meet next week and again in mid-November to discuss the plan.

Does the prospect of economic recovery bode well for Florida? Will it impact current migration patterns? Perhaps, but Florida's businesses should keep an eye on these developments for other reasons. While signs of an economic recovery may impact migration patterns, equally important, economic recovery may also present on-island opportunities for Florida-based businesses. Any sound economic plan for the island must include job creation principally through infrastructure improvement. This summer, a subsidiary of Jacksonville-based Crowley Holdings announced that it had executed a $21 million construction contract for improvements and upgrades at the Isla Grande port terminal in San Juan from where it already operates. Crowley already is the number one ocean carrier between Puerto Rico and mainland U.S. It is betting on the future of Puerto Rico. For this additional investment in the market it selected a Puerto Rico-based construction company which, according to Crowley, is projected to create private sector jobs.

Like Crowley, we are smart to keep an eye on Puerto Rico. It not only presents opportunities for in-state economic growth, but a viable recovery plan is likely to produce on-island opportunities for Florida-based companies.

For more information on this topic, please contact the author, Jordi Guso, on the firm's Business Reorganization Team.

Related Practices

Construction

Real Estate

State & Local Government Law

Related Practice Teams

Business Reorganization

Related Team Member(s)

Jordi Guso