Early Warning System

IDBI-12382-01

Fairfield Alajuela

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Quick Facts

Countries	Costa Rica
Financial Institutions	IDB Invest (IDBI)
Status	Proposed
Bank Risk Rating	B
Voting Date	2018-12-07
Borrower	Inversiones Hoteleras CH de Alajuela S.A.
Sectors	Construction, Infrastructure
Investment Type(s)	Loan
Investment Amount (USD)	$ 7.50 million
Project Cost (USD)	$ 7.50 million

Project Description

According to the bank, Inversiones Hoteleras CH de Alajuela S.A. (the "Borrower") is a special purpose vehicle established for the development, construction and operation of a 120-room hotel in Alajuela, Costa Rica (hereinafter called the "Project" or "Fairfield Alajuela" or the "Hotel").

This proposed hotel will be developed by Caribe Hospitality S.A., owner of the Courtyard Alajuela hotels in Costa Rica and the Courtyard Kingston in Jamaica (these high-reputation hotels have taken IDB investment loans). Caribe Hospitality is an experienced developer with a solid track record, having developed twelve properties (all under the Marriott brand) in Costa Rica, the Dominican Republic, Barbados, Trinidad and Tobago, El Salvador, Mexico and Jamaica, since 2000.

The proposed hotel will be operated by Marriott International and marketed under the Fairfield Inn brand. This Hotel will be located next to the 127-room Courtyard Alajuela and will be within a short distance of the Juan Santamaria International Airport, customs-free zones, logistics and shared services providers, and the recently inaugurated Convention Center.

The total cost of the Project will amount to up to US$ 14.5 million and will be financed with a combination of the sponsor's share capital, and loans from IDB Invest and a co-lender. IDB Invest will provide a loan of up to US$ 5 million and leverage US$ 2.5 million from a co-lender. The proposed loan will be structured as a secured senior loan with a term of 12 years.

The proposed financing project is aligned with IDB Invest's mandate, as it contemplates sustainable tourism activity in a previously developed urban area, on vacant greenfield land, contributing to the economic development of Alajuela and San Jose through the generation of direct and indirect jobs, the positioning of the area as an emerging destination for corporate and convention centers, and the integration of local SMEs in the tourism value chain. Finally, the Project will seek LEED Silver certification, further promoting sustainable hospitality in Central America.

People Affected By This Project

1. Overview and Perspectives on the Scope of IDB Invest's Environmental and Social Review

Based on the information provided by Caribe Hospitality ("CH"), the Project entails the construction, operation and maintenance of Fairfield Alajuela, a 120-room hotel, under the Marriott International limited service brand. The Fairfield Alajuela Hotel will be built next to the Courtyard Alajuela, which is located in the Mango Park horizontal condominium, in the Rio Segundo District, Alajuela Canton, in the Alajuela Province. The location of the Fairfield Alajuela Hotel will allow operational synergies with the existing Courtyard; the properties will share some resources, including the general manager and room oversight staff, engineering, sales and marketing personnel, the food and beverage ("F&B") and human resources ("HR") departments, as well as scale economy and cost efficiency benefits. Finally, the Project will seek the LEED Silver v4 BD+C certification[1], further promoting sustainable hospitality in Central America.

The scope of IDB Invest's environmental and social review included the analysis of the Project's environmental permits and construction/operation licenses, as well as meetings and conference calls with representatives of the sponsor (Caribe Hospitality). IDB Invest's environmental and social experts carried out an environmental and social due diligence (ESDD) visit on October 12th and 13th, 2018, in San Jose, Costa Rica, which included the following activities: (i) meeting with Caribbean Hospitality staff; (ii) visiting the site for the Fairfield Alajuela Hotel's construction, including the existing Hotel Courtyard's facilities and the surrounding area of influence (the San Luis estate, etc.); and (iii) meeting with the head of security, health and environment of the Project's main Contractor, Constructora Volio & Trejos Asociados, S.A.[2]. At the end of this ESDD visit, documents associated with manuals, procedures, and operation reports, among others, were reviewed.

2. Environmental and Social Categorization, and its Foundations

This is aCategory BProject, in accordance with IDB Invest's Environmental and Social Sustainability Policy, since overall its environmental and social risks are expected to be reversible and capable of being mitigated through currently available technologies.During the construction stage of the hotel, possible environmental and social impacts and risks will be: (i) the production of hazardous and non-hazardous waste; (ii) polluting atmospheric emissions (mainly combustion gases from machinery and equipment); (iii) wastewater generation; (iv) acoustic pollution; (v) earthworks; (vi) removal of secondary vegetation (mainly grasses and weeds); (vii) ground vibrations; (viii) occupational health and safety risks for workers, and (ix) community health and safety concerns regarding the increase of vehicular traffic. During the hotel's operation and maintenance (O&M), environmental impacts and risks are mainly related to: (i) worker health and safety; (ii) the generation of solid waste (non-hazardous) and liquid waste (mainly domestic wastewater), and (iii) the use of resources, such as energy (public network) and water sources (municipal aqueduct). Natural disasters, such as earthquakes, fires, floods and hurricanes, do not represent a significant risk for the Fairfield Alajuela Hotel, both in terms of the damage they could cause to the physical infrastructure, and possible loss of business.

Based on the ESDD visit, it is expected that this Project will have an impact on the following IFC Performance Standards (PS) [3]:

The application of PS-5, Land Acquisition and Involuntary Resettlement, is not envisaged, since the Project will be developed on owned land, within the Mango Park horizontal condominium. The application of PS-6, Conservation of Biodiversity and Sustainable Management of Living Natural Resources, is not envisaged, because the project will be developed on previously used yet currently vacant urban terrain, with regenerative vegetation (grasses and weeds) and little ecological value. PS-7, Indigenous Peoples, does not apply, since they do not exist in the project's area of development, and neither does PS-8, Cultural Heritage, since, as mentioned above, it is owned land, previously used yet currently vacant, within a commercial area.

3. Environmental and Social Context

Investment Description

- IDB Invest (IDBI)

Private Actor 1	Private Actor 1 Role	Private Actor 1 Sector	Relation	Private Actor 2	Private Actor 2 Role	Private Actor 2 Sector
-	-	-	-	Inversiones Hoteleras Holding SpA	Client	-

Contact Information

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For inquiries and comments to IDB Invest, please contact: IDB Invest Communications Group. E-mail: divulgaC&Snpublica@iadb.org

For Project inquiries, including questions on environmental and social issues related to IDB Invest investments, please contact the Client or IDB Invest using the contact information provided above.

As a last resort, communities affected by the Project have access to IDB Invest's Independent Consultation and Investigation Mechanism (http://www.iic.org/en/who-we-are/integrity-and-transparency). Tel: +1 (202) 623-3952. Fax: +1 (202) 312-4057. Address: 1300 New York Ave. NW Washington, DC United States. 20577. E-mail: mecanismo@iadb.org or MICI@iadb.org

Bank Documents

- Fairfield Alajuela-Environmental and Social Action Plan.pdf [Original Source]

Campaign Documents

- Company Overview of Inversiones Hoteleras Holding SpA