THE UNITED STATES VIRGIN ISLANDS
OFFICE OF THE GOVERNOR
GOVERNMENT HOUSE
Charlotte Amalie, V.I. 00802
340-774-0001

February 5, 2016

Via Messenger

The Honorable Neville James
Senate President
31st Legislature of the Virgin Islands
Legislature of the Virgin Islands
Capitol Building
St. Thomas, U.S. Virgin Islands 00802

Re: Governor's Proposed Legislation

Dear Mr. President:

Enclosed is legislation for review and approval by the 31st Legislature of the Virgin Islands:

1. A bill to reprogram funds from the Hess Litigation appropriation to allow for professional services, studies, and expenses related to the development and financing of a first-class luxury, full service branded hotel resort for the island of St. Croix.

Hurricane Hugo will forever be etched in the minds of all who lived through it or had family who lived through that very devastating storm. Hurricane Hugo ravished the Territory, but particularly St. Croix. As a result of Hurricane Hugo, St. Croix's hotel industry took a massive hit and lost roughly half of its dated guestroom inventory that was in place prior to the storm. For approximately two decades prior to Hurricane Hugo, St. Croix had already experienced serious decline in its tourism product and hotel industry.[1]

In 2003, the Virgin Islands Public Finance Authority commissioned a destination study relating to the absence of and the viability of attracting branded upscale or upper upscale hotel lodgings to St. Croix. The study determined that a branded hotel in St. Croix would be beneficial to the economy and the tourism product of the island.

[1]HVS International, Destination Study, July 9, 2003,HVS ref# 2003240019

Since the study was completed, nothing has occurred and meaningful private capital to construct upscale hotel facilities in the region has been challenging. In fact, the Government Employees Retirement System (GERS) loaned approximately $15 million to a private entity to improve and brand an existing hotel facility on St. Croix. The loan subsequently fell into default, and the (GERS) now owns and is operating that facility.

St. Croix remains without the infrastructure of larger resort hotels necessary to provide sufficient rooms to support strong airlift to the island for an appropriate base of tourism visitation. Moreover, there continues to be no significant meeting capability on St. Croix to meet the demands of conference business travellers. While there has been a notable and growing increase in hotel occupancy on the island, there has been no tangible plans for a concomitant increase in upscale hotel lodging facilities. In 2003, the Destination Study advised the government that, "change is critically needed in order to save what is left of St. Croix's tourism industry and begin a trend towards recovery rather than decline". In thirteen years, we have done nothing to address this reality. Now we are at a point where we must proceed to address the lack of first class upscale hotel resorts to boost the St. Croix tourism economy and take advantage of the expanding and growing US economy. It is clear that the vacationing American traveller is preferring to vacation closer to and within the United States. Let us act to seize upon this opportunity.

As you know, the 31st Legislature through Act No. 7730 authorized the use of one million dollars for the expenses of litigation with Hess Corporation. Fortunately, the Government was able to resolve the litigation issues without spending any of these funds. Today, I am asking the 31st Legislature to reprogram these monies to the Virgin Islands Public Finance Authority to allow the government to acquire professional services, studies, and expenses related to creation, development, and financing of a St. Croix Brand Hotel Project.

It is the intent of my administration to pursue a development arrangement with one of the top nationally recognized names in the hotel industry to develop, build and operate a first class, full service luxury resort with a minimum of 250 rooms. This upscale lodging facility will include appropriate ancillary facilities with food and beverage outlets, meeting rooms and recreational amenities. The $1 million I am asking you to reprogram, will not build the resort, but it will allow us the resources to upgrade the destination study, create the plans and program strategy, acquire the professional and legal services, and generate the necessary business partnership for the project. Once this is complete, I hope to forward a package to the legislature to advance such a project. I am convinced that if we are successful, an upscale luxury resort for St. Croix would be in the best interest of the people of the Virgin Islands, and will spur economic recovery on the island. Without a doubt, this project would bring much needed jobs, visitors, additional airlift capacity and new revenues into our economy.

As always, I thank the members of the 31st Legislature and ask for your favorable consideration of this proposal.

Sincerely,

Kenneth E. Mapp
Governor

Enclosures

BILL NO. 31- _____

THIRTY-FIRST LEGISLATURE OF THE VIRGIN ISLANDS OF THE UNITED STATES OF AMERICA

REGULAR SESSION

2016

An Act to reprogram the sum of one million dollars appropriated in Act No. 7730 to the Public Finance Authority for professional services, studies, project development and expenses relating to the St. Croix Brand Hotel Project.

PROPOSED BY THE GOVERNOR

WHEREAS, in 1989, Hurricane Hugo took a massive toll on what was left of St. Croix's hotel industry;

WHEREAS, St. Croix lost roughly half of its dated guestroom inventory that was in place prior to Hurricane Hugo;

WHEREAS, since Hurricane Hugo, St. Croix has had no major hotel brand name development with the recognition and marketing base to draw demand to the island;

WHEREAS, in 2003, the Government of the Virgin Islands commissioned a destination study relating to the absence of and the viability of attracting branded upscale or upper upscale hotel lodgings to St. Croix;

WHEREAS, the 2003 study provided that a branded upscale or upper upscale hotel in St. Croix would be beneficial to the economy and tourism product of St. Croix;

WHEREAS, St. Croix remains without the infrastructure of larger resort hotels necessary to provide the amount of rooms to support strong flight activity and an appropriate base of tourism visitation;

WHEREAS, there continues to be no significant meeting capability on St. Croix, and therefore, regional demand and available conference business is generally not captured by St. Croix;

WHEREAS, while there has been some increase in hotel occupancy and airlift visitors to the island, the capacity for hotel rooms have not increased sufficient to grow the tourism industry;

WHEREAS, in order to save the St. Croix tourism industry and begin a trend towards recovery rather than decline, a first-class luxury, full service branded hotel resort is necessary to generate synergy on the island and attract increased base visitation to support increased flight activity and accessibility to the island;

WHEREAS, the Government of the Virgin Islands, while updating the study through the Public Finance Authority desires to proceed with the planned development, construction and operation of a first-class luxury, full service branded hotel resort of at least 250 rooms for the island of St. Croix;

WHEREAS, the 31st Legislature of the Virgin Islands appropriated the sum of one million dollars in Act No. 7730 to provide for the payments of costs and fees in the Government's litigation involving Hess Oil Corp., HOVENSA, LLC, and PDVSA;

WHEREAS, the litigation between the Government of the Virgin Islands and Hess Oil Corp., HOVENSA, LLC, and PDVSA has been fully resolved;

WHEREAS, the Government of the Virgin Islands has been able to resolve the litigation without expending funds from the sum appropriated by the 31st Legislature through Act No. 7730, and therefore, the sum of one million dollars remains unexpended;

WHEREAS, reprogramming of the funds appropriated in Act No. 7730 to allow for professional services, studies, and expenses related to the planned development and financing of the project deemed the St. Croix Brand Hotel Project is in the best interest of the people of the Virgin Islands and particularly, the people of St. Croix by bringing much needed jobs, visitors to the island, and new revenue into St. Croix's economy;

Now, Therefore, Be It Enacted By The Legislature Of The Virgin Islands:

THAT the sum of one million dollars and zero cents ($1,000,000.00) appropriated in Act. No. 7730 is hereby reprogrammed and appropriated to the VI Public Finance Authority to be used for professional services, studies, and expenses related to the planned development and financing of the St. Croix Brand Hotel Project;

THAT the sum reprogramed for professional services, studies, and expenses related to the St. Croix Brand Hotel Project shall remain available until expended.

BILL SUMMARY

This is an act to authorize the reprogramming of the sum of one million dollars and zero cents ($1,000,000.00) from Act No. 7730 to the VI Public Finance Authority to be used for professional services, studies, and expenses related to the St. Croix Branded Hotel Project.