The Virgin Islands Consortium

EDC Orders Margaritaville to Fix Labor, Procurement, and Reporting Violations or Pay Fines: Incentives Reconsidered for Two Firms

The EDC found Margaritaville Vacation Club out of compliance with 2022 regulations and ordered corrective action or fines. The board also voted to reconsider tax incentive applications from the Historic Area Revitalization Project and SK Venture Group.

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The Economic Development Commission held a decision meeting on Thursday, during which it agreed to reconsider two previously denied applications for benefits, and dealt with a company accused of noncompliance with EDC regulations.

First on the agenda was the request that the EDC reconsider the application for incentives by the Historic Area Revitalization Project joint venture. Despite expressing enthusiasm over the initiative during a public hearing in December, the EDC board denied a grant of incentives to several entities associated with the project a few days later. An amended application was presented to the board on Thursday, and after an executive session discussion, the EDC board agreed to reconsider the joint venture's application, and voted to include in the incentives framework in the portions of the project that are intended to provide moderate income workforce housing rentals and paid parking spaces. Other parts of the project intended to house retail businesses were denied EDC tax benefits, as this would have risked creating an unfair competitive advantage among the large retail industry in downtown Charlotte Amalie.

Another reconsideration request, this time for management consulting agency SK Venture Group LLC, was agreed to by the EDC board. Here, too, the board reversed earlier decisions denying benefits, allowing the company 20 years of tax incentives, with several key exceptions. Services provided to clients resident in the Virgin Islands, along with financial advisory, investment management, private merchant banking, and venture capital services to third party clients, are excluded from benefiting from tax incentives, as are such services provided to family office clients not permitted to be classed as such.

The final item on Thursday's agenda for the EDC was a compliance hearing for the Margaritaville Vacation Club by Wyndham. The board agreed with staff findings that in calendar year 2022, the company failed to comply with several EDC regulations, including those governing the options employees were given to access their pay and the requirement to register vacancies with the Department of Labor. The vacation club was also found to have failed to prove their compliance regulations governing local procurement, the purchase of insurance, and the provision of vacation, sick leave, and paid holiday benefits. They also failed to file monthly hotel occupancy reports as required. The board is requiring Margaritaville Vacation Club to correct the deficiencies – some in as few as 10 days – or pay penalties and fines in the tens of thousands.