The Virgin Islands Consortium

Senate Approves 99-Year Water Island Lease for Hotel, Marina and Residential Development

Eleven senators approved an amended 99-year lease allowing Bluewater Global Advisors to develop about 180 acres on Water Island, despite objections over affordable-housing laws, federal covenants, fixed rent, public infrastructure and the project's scale.

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Eleven of the 14 senators present during Tuesday's legislative session approved an amended 99-year lease allowing Bluewater Global Advisors to pursue a hotel, marina and residential development across approximately 180 acres of government-owned land on Water Island.

The measure passed despite continued objections from residents over the project's scale, its treatment of land previously reserved for affordable housing and veterans, federal restrictions affecting several parcels, the absence of an appraisal before the annual rent was set and the inclusion of public infrastructure within the leased property.

Bill 36-0340 had previously been considered during a June meeting of the Committee of the Whole, where Bluewater representatives and Water Island residents placed their positions on the record. Residents expressed significant opposition to the earlier version of the agreement.

Stakeholders returned to the Legislature on Tuesday to discuss a version amended July 8. Water Island residents said the changes did not resolve several of their concerns, including what they described as conflicts with two existing laws addressing the use of government property on the island.

Twenty Condos Offered in Place of 60-Acre Transfer

The federal government deeded approximately 200 acres on Water Island to the Government of the Virgin Islands.

Under Act 6751, 60 acres are to be vested in the Virgin Islands Housing Finance Authority. Act 7321 reserves 15 percent of those lands exclusively for veterans.

The proposed lease makes approximately 180 of the 200 government-owned acres available to Bluewater, leaving insufficient acreage to transfer 60 acres to VIHFA as directed under Act 6751.

In place of that transfer, the developers have offered to construct 20 condominium-style properties. Ten would be reserved for veterans and the remaining 10 for middle-income buyers. Each would be sold for $250,000.

Legislative counsel later confirmed that the properties would remain reserved for those groups for a two-year marketing period beginning after certificates of occupancy are attached to the units.

After that period, any properties that remain unsold could be offered on the open market or used to house resort employees.

Questions about whether the condominiums constitute a substitute for transferring the 60 acres to VIHFA continued throughout Tuesday's discussion.

Legislative counsel Nandi Sekou cited Section 9.20 of the agreement, which states in part that "in lieu of conveying property, the lessee shall, at its sole cost and expense, construct 20 condominium units in Tract K."

Each unit would contain "approximately 768 square feet of living space."

Residents Call for Smaller Development

Water Island Civic Association President Chuck Nestrud argued that the proposed arrangement would permanently surrender land reserved for housing in return for a temporary opportunity to purchase the condominiums.

“The Legislature should not permanently exchange 60 acres of publicly owned land – reserved by statute for affordable housing – for a 2-year window…” he said.

Nestrud urged lawmakers to remove the 60 acres from the lease and transfer the property to VIHFA.

He also argued that the project did not need to occupy nearly 180 acres. His preferred compromise would allow the developer to use the approximately 35 acres where a hotel formerly stood to construct a new hotel and marina.

“Do not be persuaded that this project must include a massive luxury residential component to be feasible,” Nestrud told lawmakers.

Sen. Dwayne DeGraff also called for the project to be reduced in scale.

Regarding the 20 units reserved for veterans and middle-income buyers, DeGraff said he would not “turn it down,” but maintained that Bluewater should not be permitted to develop as much as 180 acres.

“You cannot lease 180 acres. You’re infringing on Act 6751. It’s as simple as that,” he said.

DeGraff nevertheless voted in favor of the amended lease.

Lawmakers Debate Price and Resale Restrictions

Sen. Kurt Vialet appeared to support constructing the 20 units instead of transferring the 60 acres.

He said each unit would cost substantially more to construct than the $250,000 maximum sales price established under the agreement.

“That’s their problem,” he said, referring to the loss the developers would absorb on those properties.

Vialet suggested an amendment to ensure that the units are specifically reserved for Virgin Islands veterans and that restrictions are placed on their resale.

He supported the full lease and emphasized that the agreement had been amended since its initial appearance before the Legislature in June.

Sen. Marvin Blyden similarly described the $250,000 price as “nothing” compared with the cost of Water Island property. He welcomed the possibility that veterans and middle-income residents could “own a piece of the rock.”

Water Island resident Stephan Bitterwolf remained unconvinced, arguing that allowing the properties to be placed on the open market after two years creates a “loophole to privatize local housing mandates.”

Act 7321, enacted in 2005, states that the land designated for veterans must be reserved for sale to veterans of the United States Armed Services “for a period of two years from the Authority’s initial offering of sale.”

The land has never previously been offered for sale.

Bitterwolf urged lawmakers to “not let yourselves be blinded by a dangling $440 million carrot. Any cool-headed, community-minded person can see that this lease is nothing more than a land grab designed for wealthy clientele at the expense of Virgin Islands families…”

Blyden, however, pointed to the project’s potential to attract “high-scale individuals.”

He said high-net-worth individuals have left the territory, “which have assisted in eroding our tax base.”

Federal Covenants Remain an Obstacle

Questions also remained over restrictive covenants placed on several tracts by the federal government when the land was transferred to the Virgin Islands government.

Those covenants contain nondevelopment requirements and could prohibit elements of Bluewater’s proposal, including the sale of residential properties.

Residents who opposed the amended lease argued that the planned development activities are not permitted under the existing restrictions.

Sekou clarified that any departure from the federal restrictions is “expressly contingent upon approval of the Department of the Interior.”

Bluewater attorney George Dudley acknowledged that approval would be required but said the government and developer could enter the lease before the Interior Department approves the intended use of the affected tracts.

“We’re not here trying to pull the wool over anybody’s eyes. We’re simply talking about enforcing the law the way it was written,” Dudley said.

Without Interior Department approval, Bluewater would be unable to proceed with the residential properties, including the units reserved for veterans.

Sen. Angel Bolques Jr. said the department has “already said that they are willing to entertain the looseness or flexibility of such covenants in this case.”

Nestrud said he did not believe federal approval would be granted.

Additional Approvals Would Be Required

Sen. Carla Joseph reminded opponents that the project’s scale, the proposed marina and the need for Coastal Zone Management approval mean the developers would be required to return to the Legislature for additional approvals.

“Trust the process,” she said.

Sen. Kenneth Gittens said his duty was “to ensure that economic development, especially at this magnitude, does not come at the expense of the public’s long-term interest.”

The Department of Property and Procurement confirmed in response to Gittens that the leased property includes parcels containing the Water Island firehouse and other public infrastructure.

Bluewater has committed to redeveloping several public facilities on the island, including roads and waste services.

Lawmakers also raised concerns about a $3 million performance bond that declines over time and the lack of an appraisal before the annual rent was set at $120,000.

Lease Passes 11-3

The senators voting in favor were Marvin Blyden, Angel Bolques Jr., Franklin Johnson, Hubert Frederick, Carla Joseph, Novelle Francis Jr., Clifford Joseph Sr., Kurt Vialet, Avery Lewis, Dwayne DeGraff and Milton Potter.

Sens. Alma Francis Heyliger, Ray Fonseca and Kenneth Gittens voted against the measure.

Sen. Marise James was absent from Tuesday’s meeting