The Virgin Islands Consortium

Mapp Announces Plan And Partnership To Transform Horse Racing Industry In USVI

Business / **Published On October 27, 2016 11:02 PM /**

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ST. THOMAS -- From the onset of his administration, Governor Kenneth Mapp has had sports tourism at the forefront of his vision. He's spoken about making St. Croix the horse racing mecca of the Caribbean, but his plans has since expanded, including St. Thomas in a vision that sees the rebranding and, importantly, rebuilding of the territory's two aging horse racing facilities to international professional standards.

Today at a press conference held at Government House, Mr. Mapp -- joined by administration officials to include Attorney General Claude Walker, Property and Procurement Commissioner Randolph Bennett, Public Works Commissioner Gustav James, Department of Finance Commissioner Valdamier Collens, among others --

announced a partnership with VIGL Operations LLC, a Virgin Islands firm and operator of the Caravelle Hotel and Casino in Christiansted.

Mr. Mapp said VIGL's parent company plans, designs, and operates casinos and other entertainment venues in Illinois and Louisiana. He said VIGL has enlisted a team of highly credentialed and experienced horse racing and betting experts to ensure that the two race tracks are built, renovated and operated to meet the highest standards of the racing industry. And he contended that the end result would be added revenue into the territory's coffers through taxes and other related revenues; although an estimated figure was not given.

The plan, the governor said, aims to unify both islands' horse racing communities, including combining the horse racing commission into one, with four members from St. Croix, four from the St. Thomas-St. John district, and the ninth member being the commissioner of Sports, Parks and Recreation. Commission members would be selected by the governor; and their stipend, for each live race, would increase to $500.

RDJ Racetrack East Elevati

Randall "Doc" James Racetrack rendering. Provided by the GVI.

The new unified commission comes as part of legislation Mr. Mapp introduced this morning that would amend the Horse Racing Assistance Act of 2010, which he said would give the industry more economic value, and making it "a source of pride to the people and to the government." The bill would also increase casino fees from 19 1/4 to 25 percent, which would be paid into a separate fund dubbed the "Horse Racetrack Casino Fund".

The governor, using his authority, called the Senate into special session on November 28, to consider and ratify the new agreement with VIGL and the amended legislation.

"The race tracks on St. Croix and St. Thomas are both in a state of serious disrepair," Mr. Mapp said, going further and calling the St. Thomas facility "deplorable." He also revealed that he once left the St. Thomas facility because of its poor state.

"That day I made a commitment that we're going to do something and change the condition and the facilities under which the people of the territory could enjoy horse racing, and which can be a significant boon to the economy of the U.S. Virgin Islands, drawing visitors, horses and others alike to our shores," Mr. Mapp said.

The Deal *(See full franchise agreement here, and transmittal letter to Senate President Neville James here)*

The agreement sees VIGL leasing both racetracks for a period of 20 years.

It requires a large upfront investment of not less than $27 million, of which $14 million will be used to rebuild the St. Croix facility, and $12 million for the St. Thomas race track.

While VIGL will be responsible for purchasing an additional 12 acres of land (costing $2 million) in St. Thomas, the government, once the lease is up, retains the property. Another $1 million will be held in a reserve fund.

Clinton Phipps Racetrack rendering. (Courtesy Government House)

Taxes, Fees and Payments

VIGL must pay full taxes and all permits and other fees. VIGL is also obligated to pay statutory casino fees, which will be increased under the amended legislation that Mr. Mapp will present to the 31st Legislature.

VIGL must also make a variety of payments for the duration of its 20-year lease, to include an annual license fee of $20,000, franchise fees that begin at $10,000 for the first three years and increase to $25,000 for the fifth and sixth years, and to $50,000 annually thereafter. The firm will also pay maintenance fees of 4 percent of annual racino gross revenues, and under separate lease agreements, rents of $108,000 annually for the St. Croix race track, and $24,000 annual for the St. Thomas race track.

Racing and Purse Requirements

For the first three years, VIGL must host a minimum of 18 live races, and a minimum of a combined 24 live races thereafter between the St. Thomas and St. Croix facilities.

The purse for each race day at each track will be at least $100,000, making for a combined minimum of $200,000 each race day, which totals to a minimum of $2 million annually for years 1-3; $2.5 million annually for years 4-6; and $3 million annually thereafter. Additionally, whenever the purse exceeds the minimum amount, VIGL must increase the following year's purse by the excess. For example, the minimum purse amount for years 1-3 is $2 million. If the purse reaches $2.6 million, the following year's purse must be increased by $600,000.

Charitable Donations

VIGL must make three $1,000 donations for the first three years on each race day to select charitable organizations; an annual total of $54,000. The total increases to $74,000 in the fourth year. Thereafter, the minimum charitable donations will rise by 10 percent, and will be capped at $150,000 annually.

Termination of Traxco Lease

Traxco, currently enthralled in litigation with the government, has arrived to an agreement with the government and VIGL, which will see Traxco renouncing any claim to operate the St. Croix racetrack, in exchange for the right, through its parent company Treasure Bay VI Corp., to operate a racino on the St. Croix premises until VIGL executes its agreement with the government. The agreement also sees a reduction in Traxco's gross receipt taxes from 12 percent to 8 percent, and Traxco will receive what the agreement describes as "certain payments" from VIGL.

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