

The Virgin Islands Consortium

With A Major Water Island Hotel Project On The Line, Senators Sweeten Deal For Developers

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ST. THOMAS -- Attorney George Dudley was at the Senate here on Monday in a Committee on Economic Development and Agriculture hearing, lobbying for the owners of a hotel development project on Water Island, testifying in favor of two bills sponsored by Senator Kurt Vialet, whose aim is to amend the current Hotel Development Act and Tax Increment Financing Act (TIF) laws, to ease the financial burden of development projects on developers, and place some of the load on the government.

Essentially, tax increment financing is a public financing method that is used as a subsidy for redevelopment, infrastructure, and other community-improvement projects. Through the use of TIF, local governments typically divert future property tax revenue increases

from a defined area toward an economic development project or public improvement project in the community.

[Bill 32-0137](#), which amends the TIF Act, inserts language that says the revenues will not only come from property taxes, but also from the gross receipt tax, if applicable the designated casino tax on gross revenues, as well as the designated hotel occupancy tax. Funds from these sources, already strained, pay for many public services.

The changes to the Hotel Development Act in the form of [Bill No. 32-0136](#) are many, however one of the most standout changes removes the current language that allows only the Public Finance Authority to issue revenue bonds to real estate developers.

And though the agreement seeks a partnership with the government, the sharing of costs does not appear to be equal. The hotel project on Water Island is expected to cost "in the excess of \$430 million," according to Mr. Dudley. Out of that total, however, roughly \$325 million is expected to be paid through TIF-supported bonds, while just over \$100 million in development would be supported from revenue bonds issued by the developer.

But lawmakers, who wholly praised the bills and forwarded them to the Committee on Rules and Judiciary for further vetting, wagered that the benefits of the Water Island hotel project and future potential development throughout the territory, would be enough compensation for the sharing of risk, unbalanced as it is.

The potential benefits of the project sound enticing. It comes with 100 hotel rooms and 124 permanent homes to include mix-income and veteran offerings. The development, to be built on about 40 acres of land, would create 600 construction jobs during development and about 300 permanent jobs. Additionally, about 1,000 people stand to receive part-time work. A water treatment plant and marina are also planned, according to Mr. Dudley.

Senators pointed to other Caribbean islands that have maneuvered in a variety of ways to attract hotel development. According to Mr. Dudley, there are currently 300 new hotel projects being built around the Caribbean with an estimated total investment of \$45 billion. "Each of those projects enjoy the active support of the governments of the jurisdictions in which those projects are located," Mr. Dudley said.

Senators praised the bills, although Nereida Rivera-O'Reilly was skeptical that much would come out of it, pointing to Governor Kenneth Mapp's promised hotel development on St. Croix, which the Senate provided \$1 million for.

"Nothing has happened," Mrs. Rivera-O'Reilly noted. She then questioned Mr. Dudley on the legitimacy of the project, to which the attorney said he was basing his reputation in the community on it.

Even so, lawmakers saw the measure as potentially transforming the landscape relative to hotel development in the territory -- at least as it relates to investment and the government's commitment to share the cost.

Whether the Mapp administration is in support of the measures remains unclear. Dept. of Finance Commissioner and PFA Director, Valdamier Collens, who was invited to testify but could not attend because of a previously scheduled engagement, did not appear to

lean one way or another in a letter forwarded to the Senate. And Marvin Pickering, Bureau of Internal Revenue director, only testified that the measure would not add burden to B.I.R.

The bills were approved by all members the committee, to include Tregenza Roach, Neville James, Mr. Violet, Mrs. Rivera-O'Reilly, Positive Nelson, Brian Smith, Dwayne DeGraff, Sammuel Sanes and Marvin Blyden.

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