

The Virgin Islands Consortium

Refining Deal Will Lead To First New Hotel Built In Territory In Over 38 Years, Mapp Says

Business / **Published On July 03, 2018 08:12 AM /**

Wyndi **July 03, 2018**



ST. THOMAS -- Revenue generated from a new deal between the Virgin Islands Government and ArcLight Capital will lead to the development of an upscale hotel at Yacht Haven Grande, Governor Kenneth Mapp announced Monday.

The news came via a press conference held at Government House on St. Croix.

The Deal in a Nutshell

The unratified agreement provides for the processing of about 200,000 barrels of crude oil feed stock per day at facilities that were formerly Hovensa's on St. Croix.

ArcLight, the parent company of Limetree Bay Terminals, will invest about \$1.4 billion to renovate the existing refinery over the next year and a half. After refurbishing the facility, the Mapp administration is hoping that there'll be actual refined product on the market by January 2020.

The governor quoted industry consultants Gaffney-Cline and Associates when projecting a government revenue of more than \$600 million during the first 10 years of refining operations. This income will be added to the \$11.5 million that the government already collects annually from Limetree's oil storage operations.

Should the deal with ArcLight become law, the company will make a \$70 million closing payment to the government – \$30 million in exchange for 225 acres of land and 122 homes that the government acquired from Hovensa and \$40 million in prepaid taxes.

The First, New Hotel Built in More Than 38 Years

Out of [the \\$70 million from the closing payment](#), the deal says that \$10 million should be used as an equity investment for a new 110-room hotel at Yacht Haven Grande in St. Thomas. This will represent a private-public partnership between the government and the developers of Yacht Haven Grande – Island Global Yachting (IGY).

One of the requirements of the deal is that the hotel would be branded as a Hilton, Hyatt, or Intercontinental. The governor said the idea behind this was to diversify the types of loyalty programs represented in the territory, attracting new visitors loyal to certain brands.

According to Mr. Mapp, this will be the first new hotel constructed in the territory in more than 38 years.

However, The Fred, a 14-room beachfront hotel in downtown Frederiksted on St. Croix, had its soft opening in December 2017. According to one of its owners, Christopher "Topher" Swanson, it's the first hotel to open on St. Croix since Carambola in 1986. So while the proposed 110-room hotel may be the first hotel of such a large capacity to open in the last four decades, it would be the second newest hotel overall to open within the territory during that time frame.

In exchange for investing in the hotel, the government will receive a number of benefits including the following:

- A security interest in the hotel and land underneath it
- Interest payments for 10 years
- Five percent of the hotel's cash flow
- Seven percent carrying interest in the net proceeds if the hotel is ever sold

Half of the cash flow that the government receives from the hotel will go towards aiding the [Government Employees' Retirement System](#), which has been projected to go bankrupt in the next five years.

What's the Timeline for Construction?

The legislature has to approve the agreement before the hotel can be constructed, Mr. Mapp said at Monday's press conference.

He's [called a special session](#) for July 25 where senators will review the refinery deal upon which the hotel deal hinges. If senators approve the deal, then a construction timeline can be developed, the governor said, but there are hopes to have the hotel open by next fall.

According to IGY Chief Executive Officer Thomas Mukamal, the hotel project started more than a decade ago at the conception of Yacht Haven, but there have been financial hurdles.

"Several times we've tried to make this project work," Mr. Mukamal said at Monday. "This had proven difficult – if not impossible – to finance privately, which is really the reason why we haven't seen any movement in it over a number of years."

Mr. Mukamal gave the Mapp administration credit for finding a creative way get the project started.

"Governor Mapp came to our organization shortly after he was elected. When things were looking very bleak for the territory, and he asked us to look again – so we did," he said.

The \$10 million investment from the government coupled with about \$30 million in private funds will help the project to move quickly, according to Mr. Mukamal.

The IGY CEO said the project is "virtually shovel-ready" since resources including the Yacht Haven infrastructure and design planning that had been done long ago were already in place. He said that since Yacht Haven's conception, they'd been issued phase two permits for a hotel. Those permits have been submitted to be modified for a larger facility.

Mr. Mapp said that the refinery deal, including partners such as ArcLight and IGY, represented a "fair exchange of value" that could benefit Virgin Islanders.

"We want to distinguish ourselves – the lieutenant governor and I. We believe that the public private partnerships are founded in the reality that the people of the Virgin Islands must benefit and have some value. It must be a fair exchange of value," he said. "And the folks that are here with us today – ArcLight Capital, Island Global Yachting – we've been able to do that for both our sides."

July 3, 2018

This article was last updated at 11:47 a.m.