

The Virgin Islands Consortium

Mapp Thanks Lawmakers For Approval Of Limetree Bay Oil Refining Deal, Urges Quick Action On GERS, Hotel Development Measures

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ST. CROIX -- Governor Kenneth Mapp in a release issued Thursday thanked the members of the 32nd Legislature for [the ratification of an agreement](#) which will allow oil refining to resume on St. Croix, bringing hundreds of new jobs and millions in new revenues to the U.S. Virgin Islands.

"This is a good day for the people of the Virgin Islands as we have signified to the outside world that following two Category 5 hurricanes, we are truly open for business and private sector investment in our community," the governor said. "I deeply appreciate the

Legislature's efforts to thoroughly vet this agreement and would like to thank the senators that supported it. I am also, of course, extraordinarily grateful for the hard work that our team put into negotiating this landmark deal."

According to the Government House release, Mr. Mapp said that much work lies ahead as senators did not act on the proposal in its entirety and that he remains particularly concerned about provisions being removed that would directly enhance the solvency of the Government Employees Retirement System (GERS). The governor's original proposal called for GERS to receive half of the \$615 million to be generated by the refinery over the next ten years.

"I look forward to working with the Legislature to bring some peace of mind to our retirees," he said.

Senators did not consider the portion of the proposal that calls for the acquisition of Havensight Mall from GERS and the lease of the Port of Sale property facility by the Virgin Islands Public Finance Authority. Senators shared a number of concerns, among them the question as to why GERS should sell a property that is making a profit.

"If given the approval by the Legislature, we can then redevelop these areas and give GERS 50 percent of the net revenues in perpetuity," the governor persisted. "Additionally, senators did not act on a \$10 million equity loan to Island Global Yachting for the construction of a new 110-room hotel at Yacht Haven Grande."

The former HOVENSA refinery had been shuttered for nearly five years when Governor Mapp assumed office in 2015 and its closure had virtually destroyed St. Croix's economy, Government House said. It added that the Mapp administration made reopening the facility among its highest priorities and through the governor's assertive efforts, the Government of the Virgin Islands eventually assumed ownership of the refinery, selling a large portion of it to ArcLight Capital for oil storage.

Under the new agreement with ArcLight Capital, ratified early Thursday morning, the owners of what is now called Limetree Bay Terminals, will invest approximately \$1.4 billion to refurbish the existing refinery. More than 1,300 local construction jobs are anticipated for the building phase. Once refining operations commence at the end of 2019, as many as 700 permanent jobs will be created. The new jobs will be in addition to the more than 750 jobs now at the terminal storage facility.

The governor said housing and meals will be provided to St. Thomas and St. John residents who are hired to work at the refinery.

Upon the closing of the transaction, ArcLight Capital will make a \$70 million payment to the GVI. The payment includes \$30 million for the purchase from the government of approximately 225 acres of land and 122 homes. This property was acquired as part of the government's settlement of claims against the refinery's former owners. The Virgin Islands Government will retain the vocational school and the more than 350 acres of land it had received in the 2016 settlement. The closing payment also includes a \$40 million prepayment of taxes by a new refinery entity created by ArcLight Capital to operate the facility.

After crediting the \$40 million of prepaid taxes with interest of roughly \$8 million, ArcLight Capital will make annual payments to the government in lieu of taxes at a base rate of \$22.5 million a year. With market adjustments based on the refinery's performance, this could increase to as much as \$70 million per year, but will not be less than \$14 million a year, Government House said (if refining drops below 10,000 barrels per day, however, the minimum payment to the government is zero). The initial refining operations will provide for the processing of approximately 200,000 barrels of crude oil per day, Government House said.

According to industry experts and consultants Gaffney, Cline & Associates, the U.S. Virgin Islands anticipates more than \$600 million over the first 10 years of the restart of the refining operations. This income is in addition to the \$11.5 million currently flowing to the government from the oil storage terminal each year.