

The Virgin Islands Consortium

Senators Hear Testimony From Mapp Administration Team On Hotel Development At Yacht Haven Grande

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Senators on Tuesday heard hours of testimony from a number of players in the proposed 110-room hotel development project at Yacht Haven Grande, which seeks a \$10 million investment from the government to move forward. The funds would come from the \$70 million closing payment from the Limetree Bay oil refining agreement, which was ratified by the Senate and signed into law by Governor Kenneth Mapp.

The public-private partnership between the Government of the Virgin Islands and Island Global Yachting (I.G.Y.) anticipates cost of the hotel project to be \$38 million, with \$10 million in a secured low-interest loan with equity features being provided by the government, \$20 million from the Polcom Group, which specializes in providing

construction solutions for hotels, resorts, restaurants, apartments, student and key worker accommodation, and \$8 million from I.G.Y., the owners of Yacht Haven Grande.

Testifiers on Tuesday on behalf of the government included Department of Finance Commissioner Valdamier Collens, Attorney General Claude Walker, Department of Tourism Commissioner Beverly Nicholson-Doty, WICO CEO Clifford Graham, USVI Hotel and Tourism Association President Lisa Hamilton, Polcom Group CEO Lukasz Slominski and Island Global Yachting CEO Thomas Mukamal.

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

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

Asked by Senate President Myron Jackson if the 110-room hotel development would add value to the territory's tourism product, Mrs. Nicholson-Doty said there were 4,000 hotel rooms available before the hurricanes. "Presently it is 25 percent. The additional rooms are significant with increasing air capacity. The new hotel rooms justify the transportation of three flights a day to the territory," she said.

Additional financial benefits of the deal include the local government receiving \$3.6 million in interest payments during the term of the loan, an estimated \$8 million from the Hotel Occupancy Tax within the first 10 years, income tax revenues from new employees, and the benefits of Gross Receipt Tax on hotel guests spending on retail and other services, according to testifiers.

A vote on the agreement should be scheduled soon.