

# The Virgin Islands Consortium

## Like Marriott, Sugar Bay Will Have Option To Raise Occupancy Tax Above 12.5 Percent For Reconstruction Purposes

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Ernice Gilbert **October 27, 2018**



ST. THOMAS -- Governor Kenneth Mapp and officials of the 300-room Sugar Bay Resort in St. Thomas, held an event at the resort on Friday [similar to a press conference held on October 3](#) at the Frenchman's Reef & Morning Star Beach Resort. During the October 3 event, the governor along with Marriott officials announced a partnership that sees the resort receiving federal dollars to harden certain portions of the facility to be used as public shelters in case of future storms.

The same was announced on Friday at Sugar Bay. The resort has been closed for public use since the 2017 storms, and it has been housing FEMA relief workers ever since.

Sugar Bay, even before Hurricanes Irma and Maria, faced a number of challenges -- from [laying off a slew of employees](#) while others who remained at times [saw delays in receiving their checks](#), among other problems. But the owners intend to spend roughly \$35 million to rebuild the facility, and are projecting a 2020 reopening, though no solid date was provided.

During the press event Friday, Mr. Mapp said the government was interested in partnering with the major hotels because of their "robust infrastructure, rooms, beds, hot water, power generation systems, kitchens, the ability to feed families, to take care of folks and to make sure that they're comfortable."

"It is important to know that the designation of shelters, whether at Diamond Rock's property at Frenchman's Reef or here at Sugar Bay, none of the property owners or the property operators get to select who utilizes the shelter," Mr. Mapp said.

Another incentive for the owners to spend large sums of money to reconstruct Sugar Bay, is Mr. Mapp's proposed measure that allows damaged hotels in the territory to voluntarily impose what is being called an Economic Recovery Fee on guests, in order to raise money to rebuild or expand.

The measure, which must face Senate ratification, allows hotels to raise the overnight occupancy tax up to 20 percent, with anything above the government-mandated 12.5 percent being returned to the hotel to help fund and recoup rebuilding costs. Importantly, the measure does not obligate government resources; instead, hotels would take the risk of raising the occupancy tax above the 12.5 percent.

Still not clear was why the additional tax to recoup losses were being levied if these facilities were insured. And if they were, why would guests foot the bill for the cost to rebuild and expand is another unanswered question. Also unclear is whether Virgin Islanders, who themselves are recovering from the devastating storms, would be exempted from this additional tax — and whether the new tax comes with an expiration date.

There was also no indication that if the measure failed in the Senate, that Sugar Bay -- or Marriott for that matter -- would not reopen.

Even so, Mr. Mapp billed the new tax as a positive action to help the territory's biggest hotels rebuild and reopen.

Department of Tourism Commissioner Beverly Nicholson-Doty backed this notion, and spoke of the importance of having the major hotels online.

"This is an exciting moment for us," the commissioner said. "Sugar Bay, being the second largest hotel in the territory, is extremely important in several aspects of our tourism industry -- not the least of which is the meetings and incentive segment, and also the wedding segment." She said there were 750 weddings in the territory this year. "We know that we can triple that number when we have our product back online," Mrs. Nicholson-Doty said. The commissioner said she was assured by the hotel's owners that

once it reopens, Sugar Bay will rival their properties in New York.

The territory's occupancy tax is already [among the highest in the Caribbean](#), with some of the USVI's closest tourism competitors, including St. Maarten, St. Kitts and Nevis, Bahamas and Barbados, having room taxes considerably lower than the territory's, according to Trip Savvy, a travel site written by experts, which is also a top-10 travel information site as measured by ComScore.

St. Maarten, for example, has a hotel occupancy tax of 5 percent, while the Bahamas's levy is 7.5 percent. Puerto Rico, the territory's closest neighbor, is at 9 percent.

The comparison becomes much starker when the USVI's occupancy tax is compared to U.S. mainland states. According to the [National Conference of State Legislators](#), among the 50 states, the District Columbia and Puerto Rico, only 3 jurisdictions have higher occupancy tax rates than the U.S. Virgin Islands: Connecticut with 15 percent, Hawaii with 13.25 percent, and the District of Columbia with 14.8 percent.