The Virgin Islands Consortium

G.E.R.S. Confirms $10.4 Million Sale Of Carambola

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ST. CROIX -- The Government Employees' Retirement System (GERS) confirmed in a release issued Monday that on July 5 it closed on the sale of the 157 guestroom Renaissance Carambola Beach Resort & Spa on St. Croix.

As already reported, the new owner of the hotel is Davis Bay, LLC, a subsidiary of Rubicon Holdings, LLC, a hotel and real estate investment firm with experience in turning around troubled properties. Davis Bay will continue the hotel as an internationally branded Marriott hotel with the same management team selected by GERS, led by Caribbean Hotel USVI Services Corp., a subsidiary of Aimbridge Hospitality and with the employees who are members of the Virgin Islands Labor Union, G.E.R.S. said.

On December 8, 2009, G.E.R.S. closed on a $15 million loan with Carambola Northwest, LLC for a term of five years with an initial funding of $8.2 million of which $6.5 million was used for the purchase of Carambola. The borrower defaulted on the loan and a disposition agreement was executed with Carambola Northwest LLC on November 2, 2012, in which the hotel ownership was transferred to G.E.R.S.

In 2016, The Consortium reported on an Office of the Inspector General audit of G.E.R.S. According to the audit, after the $15 million loan, G.E.R.S. made numerous additional disbursements directly to the hotel or on behalf of it totaling more than $12 million, expending in total more than $27 million for Carambola (a $15 million loan and $12 million in additional funding), as of June 2015. And the pension system continued to spend money on a resort that it would rather not be in control of, and a industry it would rather not be in.

According to the G.E.R.S. release, in September 2017, Carambola sustained heavy damages due to Hurricanes Irma and Maria. A total of $17.1 million was received by G.E.R.S. from insurance settlement proceeds as a result of the hurricane damages. In the sale agreement with Davis Bay, G.E.R.S. keeps the insurance proceeds, therefore, with the sale price received earlier this month of $10.4 million, the post hurricane revenues received, as well as the insurance settlement, G.E.R.S. said it realized more than $27 million for Carambola, which it said was appraised immediately prior to the hurricanes at $15 million.