

The Virgin Islands Consortium

Bryan Signs Expansion of Hotel Development Act to Boost New Investments and Aid Existing Hotels to Rebuild After 2017 Storms

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The Government of the Virgin Islands took a leap forward Monday in its strategic plan to lure new hotel projects and boost up resorts still recovering from the 2017 hurricane season.

Surrounded by key lawmakers and his economic development leaders, Gov. Albert Bryan Jr. signed into law a revised version of the Hotel Development Act.

"This piece of legislation represents our efforts not only to attract new investments in the Virgin Islands, but to ensure that the hotels that are here have an opportunity to refresh their product continually," Mr. Bryan said during the ceremonial signing in St. Thomas of an amended Hotel Development Act. "It is another piece of the puzzle in making sure that the economic recovery does better than just what happens after the hurricanes."

With few new hotels being built in the territory in recent decades, changes to the Hotel Development Act are integral to the administration's three-part economic development plan, which includes: "No.1, stabilizing the government and restoring the trust of the residents; No. 2, making sure that the recovery does not miss a step, and No. 3, making sure that we have economic development beyond the recovery period," the territory's leader said.

Among other things, the refined Hotel Development Act allows existing hotels and resorts in the territory to add a new charge of up to 7.5 percent to guests' bills. This Economic Recovery Fee is separate and distinct from the hotel occupancy tax, which will not change under the new law.

Hotels use Economic Recovery Fee monies to leverage financing for property repairs, to make property improvements or to recover a portion of original spending on repairs.

The legislation was sponsored by Senator Kurt Vialet, who worked closely with Governor Bryan and his legal staff on the bill's development. "This is a joint piece of legislation," Mr. Bryan said. "It is what happens when Democrats work together."

Most of the territory's hotels are open and operating at or near capacity. But there are several high-profile exceptions.

St. Thomas's Marriott Frenchman's Reef was the territory's largest hotel with nearly 500 rooms before Hurricane Irma. It is not expected to reopen until late 2020, tourism officials have said. Owners DiamondRock Hospitality announced earlier this year that it had spent \$60 million on renovations and expected to spend another \$200 million. Sugar Bay resort, also on St. Thomas, rents some of its rooms to relief workers on-island to help the recovery effort.

- St. Croix's Carambola and Divi Carina resorts have not reopened since the passage of Hurricane Maria two years ago.
- St. John's Caneel Bay resort remains closed in the midst of a bitter land dispute.

The territory is on the cusp of new hotel development with discussions reportedly underway for projects in the Havensight area of St. Thomas and on Water Island, officials have said.

The amended Hotel Development Act does not create across-the-board increases in the hotel room occupancy taxes, but instead allows hotels to implement their own Economic Recovery Fee, the administration said.

Generally speaking, under the new law, existing hotels where less than 70 percent of rooms are closed due to hurricane-related damages, half of the revenue generated from the business's hotel room occupancy tax and 100 percent of the gross revenue generated from the Economic Recovery Fee could be allocated to repairs and upgrade

projects.

In other instances, the Act helps hotels that need major reconstruction and renovation. In those instances, 100 percent of the revenue generated from the Economic Recovery Fee would be allocated to the recovery fund. None of the hotel occupancy tax revenues would be allocated to and deposited into the recovery fund.

Kamal Latham, the Chief Executive Officer of the VI Economic Development Authority, said the agency would largely be responsible for implementing the Act. Hotels and developers must petition a committee of the Economic Development Authority to tap into benefits. The committee would make a recommendation to the Economic Development Authority Board for final approvals.

While the development Act provides a seemingly clear financial incentive to hotel and resort developers, the benefits to any particular hotelier or developer is a case-by-case matter.

“The objective is that this encourages investors and hotel developers to take a new look at something concrete that the territory has to offer,” said Dept. of Tourism Commissioner Joseph Boschulte.

Mr. Vialet said conversations with proprietors of a major hotel prompted lawmakers to examine how the government could assist existing hotels redevelop.