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## New Frenchman's Reef Property Set to Reopen by December; Lawmakers Approve Tax Concession

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An aerial shot of the Westin Resort & Spa at Frenchman's Reef and the new Autograph Collection Resort located on the southern shore of St. Thomas on April 6, 2022. By. ERNICE GILBERT/ V.I. CONSORTIUM

In three months the new owners of Frenchman's Reef — one of the largest resort properties on St. Thomas — will open its doors to accommodate thousands of visitors.

Lawmakers also approved a tax concession that allows the resort's owners to recoup hundreds of millions of dollars invested to rebuild the property following damage suffered by Hurricanes Irma and Maria in 2017.

CREF3 USVI Hotel Owner, Inc. is the owner of the Westin Resort & Spa at Frenchman's Reef and the new Autograph Collection Resort located on the southern shore of St. Thomas, which is widely known as The Frenchman's Reef. In April 2021, Fortress acquired the former Marriott property and renamed that entity CREF3.

The St. Thomas hotel is set to reopen on December 1, 2022 and will hire more than 400 full-time employees as it prepares for a grand opening in the first quarter of 2023.

Joe Gould, managing director of Hotel Asset Management at Fortress Investment Group said mock drills and acceptance of paid guests will start during the soft opening in December, as a way to prepare for the grand opening next year.

"We'll be inviting people in as we start mixing in true paying guests as they make reservations. We've chosen certain thresholds on certain floors of how many rooms will be open on any given time so as not to overwhelm our staff," he said.

The territory will have the first ever Autograph Collection, a re-envisioned Westin Resort, new dining venues, considerable event space, and an additional 400 rooms to its hotel product.

Hotel and resort management company, Aimbridge Hospitality has been hired to manage the resort's day-to-day operations and will be in charge of staff recruitment. The hotel promises to offer competitive wages, fairly priced healthcare plans, access to a 401(k)-retirement plan, paid vacation days and holidays, and opportunities for tuition reimbursement and management training programs. Former employees of Marriott Frenchman's Reef will be given preference when they apply.

Peter Brogan, vice president of Hotel Asset Management at Fortress Investment Group said while it is a new resort with a new owner and a new hotel management company, all former Marriott employees are welcome to apply to positions with Aimbridge at the new Westin and Autograph Collection Resorts, subject to Aimbridge's standard application process and background checks.

"Aimbridge is expected to start filling open positions in late September, up through the Resort's re-opening in December, and beyond into 2023 as business increases," he shared.

Once the resort reopens, the Westin will feature guest rooms including 28 suites, and the Autograph will feature 94 beachside guest rooms including 2 suites. The combined Resort will feature 486 total guest rooms and suites, 10 distinct food and beverage outlets, four different pool experiences including a children's "splash pad", a kid's club activity center, outdoor pickleball courts, two fitness centers, over 60,000 square feet of indoor and outdoor meeting and event space, a state-of-the-art wellness spa with 13 treatment rooms, 2 retail boutiques, and a newly constructed dock which will be home to a custom built catamaran and a starting point for guest excursions.

The new owners said they have also prepared for untimely disasters, rebuilding stronger with requirements based on Miami Dade County building standards. As a result, the resort has been fitted with hurricane-proof glass, and closures and doors have all been upgraded, according to Mr. Gould. "We've taken every precaution as a matter of safety and as a matter of good business to preserve the asset," he remarked.

"The windows that we've installed are able to withstand 170 miles an hour winds and that is actually tested by throwing a 4x2 at 170 miles into the window," chimed Ali Elam, managing director of Hotel Acquisitions at Fortress Investment Group

Peter Brogan, vice president of Hotel Asset Management at Fortress Investment Group said that the hotel is expected to bring \$1.1 billion into the territory and \$182 million in revenue over the next 10 years. He explained that this was based on data collected by Tourism Economics - a third-party independent research firm, whose report was previously provided to the EDA.

Mr. Brogan explained that “In the last full year of operations before the hurricanes hit, 2016, Frenchman’s Reef hosted 14.6 percent of all hotel rooms nights in the U.S. Virgin Islands, paid 15.9 percent of all hotel room taxes, and accounted for 1.7 percent of total U.S. Virgin Islands government tax revenue.”

“Once Frenchman’s Reef reopens, the Resort is once again expected to be a major tourism, economic, and employment driver for the U.S. Virgin Islands. Between direct and local jobs, Tourism Economics estimates that the Resort will create over 900 jobs annually in the USVI and will generate \$1.1 billion dollars in spending in the territory over the next 10 years. The spend generated by the resort is expected to lead to \$182 million in government tax revenue over that same 10-year period – an average of \$18 million in tax revenue per year.”

The managing director of Hotel Acquisitions said since acquiring the resort in April 2021, Fortress has invested \$191.9 million into the project, with an additional estimated \$78.9 million remaining to complete construction and reopen the resort.

“Upon completion, including the prior owner’s investment, the total reinvestment into Frenchman’s Reef is projected to be \$428 million,” he noted.

In September 2021, CREF3 submitted an application to the Economic Development Authority (EDA) and was approved to be reimbursed for money it spent redeveloping The Frenchman’s Reef. Once the resort opens, it will benefit from 50 percent of revenue derived from the Hotel Occupancy Tax as well as an economic recovery fee (ERF) of 2.5 percent to finance, fund or cover the costs incurred for renovation, reconstruction, construction, improvement and development of hotel properties and related facilities or infrastructure.

### **Tax Concession**

All 15 senators in the Committee on Whole voted to ratify The Frenchman’s Reef Redevelopment Agreement on Tuesday night.

The agreement is supported by the Hotel Development Act (HDA), which underwent changes in 2019 to include an amendment that allows existing hotels to receive up to 50 percent of the revenue generated from its hotel room occupancy tax for development, construction, reconstruction and renovation of facilities. The Act is administered by the EDA. The agreement will continue for thirty years after it has been made official or until the developers are reimbursed \$244.9 million.

The measure will now be forwarded to Governor Albert. Bryan for his consideration.