The Virgin Islands Consortium

Five Years Ago, The Developer of a Proposed $13 Million 'Boutique' Hotel in Estate Bakkeroe Faced 10 Years in Prison For Helping Rig Gov't Real Estate Auctions

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Rendering of proposed hotel **By. VI LEGISLATURE**

ST. THOMAS — Behind the plan to turn a storm-ravaged guesthouse in Estate Bakkeroe into a funky, $13 million boutique hotel is a St. Thomas developer who, two years ago, pleaded guilty to playing a key role in a scheme to defraud the government through rigged public auctions.

Isolar Morningstar LLC, a Virgin Islands company, is seeking zoning approval from the Legislature to transform a 15-room rental house shattered by hurricanes Irma and Maria into an "upscale," 32-room hotel in the picturesque hills of Bakkeroe on the south side of St. Thomas.

The $13 million Isolar Morningstar project – if it comes to fruition – would be the territory's first hotel in more than two decades, the company's flack, former Sen. Roosevelt David, told Committee of the Whole members during a Friday zoning hearing. Mr. David assured lawmakers that, if approved, the hotel would bring dozens of jobs and the economic shot-in-the-arm new hotel projects tend to deliver.

But unspoken in the mix of testimony was who, exactly, are the corporate and individual figures pushing the project. Following the Senate hearing, the Consortium reviewed a dozen corporations, zoning and other public records regarding the Isolar Morningstar development.

Our analysis found developer Paul Sabers is the guiding hand behind the proposed multimillion-dollar project. Mr. Sabers, along with relative Jonathan K. Sabers, are identified in various documents as the managing members and organizers of Isolara Morningstar LLC and MMS LLC, a second V.I. company involved in redeveloping the combined one-acre parcel.

In 2015, Virgin Islands Department of Justice charged Paul Sabers and three other men with conspiracy, embezzlement, grand larceny and other crimes related to a scheme to manipulate public auctions of tax delinquent properties.

Two years later, Mr. Sabers pleaded guilty to reduced civil charges, and paid a $500,000 fine imposed under the Criminally Influenced and Corrupt Organizations (CICO) statute. He received a suspended jail sentence of 90 days, supervised probation for a year and 100 hours of community service.

As part of the plea agreement, Mr. Sabers also agreed to refrain from "personally participating or associating with any real estate agent, broker or other person for purposes of participating in any property auction" conducted by the V.I. government.

The Sabers, through their LLCs, need the Senate's stamp of approval to rezone two contiguous, half-acre parcels from the R1 residential zoning to the higher density R3 zoning category. The plan entails retrofitting two buildings that were damaged in the 2017 storms, and transforming them into "an upscale boutique hotel," Mr. David, the developers' representative, told lawmakers. The development would also bring a restaurant, pool, bar and, possibly, an in-house laundry.

The $13 million project would be financed through the "personal equity" of those behind the Isolar Morningstar project, with bank financing for the difference, according to Mr. David.

Nearby Bakkeroe residents are deeply opposed to the notion of a hotel, regardless how "upscale" or "boutique." Back in October, 27 property owners in the immediate vicinity of the Isolar Morningstar land voiced opposition, in person or in writing, at the Department of Planning and Natural Resources hearing on the rezoning request.

Opponents to the project said the hotel would devalue nearby homes by bringing trash, health and safety concerns, late-night traffic and bars, and a permanent change to the character of the tight-knit community.

Wilbur K. Callender, a 34-year-resident of Bakkeroe, claimed the property had been used as a multi-unit rental, despite the property's low-density R1 Zoning. In a letter to Senate President Novelle Francis, Mr. Callender said rezoning the property for a 30-room hotel would be a "slap to the face of Bakkeroe homeowners, and Virgin Islanders in general."

Local attorney Leigh F. Goldman backed the Isolar Morningstar project. "I have no objection to the request for an upscale boutique hotel proposed by Isola," he said. Mr. Goldman said he purchased two parcels of land across the street from the proposed hotel site, and said he made the purchases in anticipation of the development.

Sen. Francis said the Legislature has a duty to balance economic development and the concerns of residents. "Once viable solutions are achieved, then moving forward should not be an issue," he said. Mr. Francis also tasked the Department of Planning and Natural Resources with responsibility for "ensuring that all rules, regulations, and policies are enforced."

Rules and Regulations Went Out the Window in Big Rigging Scandal

Then-Attorney General Claude Walker called Mr. Sabers's role in the manipulation of public auctions "deeply disturbing" because the conspiracy involved the homes of Virgin Islanders. " … A person's home is usually his most valuable asset that is acquired after years of hard work and saving." Mr. Walker called the $500,000 fine paid by Mr. Sabers "an unprecedented civil settlement under CICO (Criminally Influenced and Corrupt Organizations act)."

Mr. Sabers and three co-conspirators were arrested in November 2015 on a series of criminal charges involving the rigging of auction bids between 2012 and 2013. Also charged were Ed McKenzie, former Chief Enforcement Office for the Tax Assessor, Calford O. "Cappy" Charleswell, and Sylvester Warner of the Waste Management Authority.

In 2011, there were 1,400 properties in the territory that were 10 or more years delinquent on property taxes. More than 150 of the properties on St. Thomas and St. Croix were sold at auction in 2012 and 2013. The Office of the Lieutenant Governor oversaw the auctions.

An Inspector General's Office audit released in 2014 cited "highly irregular and questionable practices" at auctions in the St. Thomas-St. John District. The report outlined a scheme to manipulate the bidding process, shut out legitimate bidders, transfer properties at undervalued prices and involved collusion by at least two bidders.

According to the audit, winning bidders had to pay 10 percent of the sales price at the close of the auction and the balance within 30 days. Auditors found that 15 sales in St. Thomas were not awarded to the highest bidder, but to the second or even third prospective buyer.

The sale of 105 properties were officially voided, authorities said at the time.

The Justice Department alleged that Sabers, McKenzie, Charleswell and Warner conspired to inflate the price to ensure that Mr. Sabers received property after the highest bidder was unable to make the down payment.

Mr. Sabers and the three others ultimately pleaded guilty.