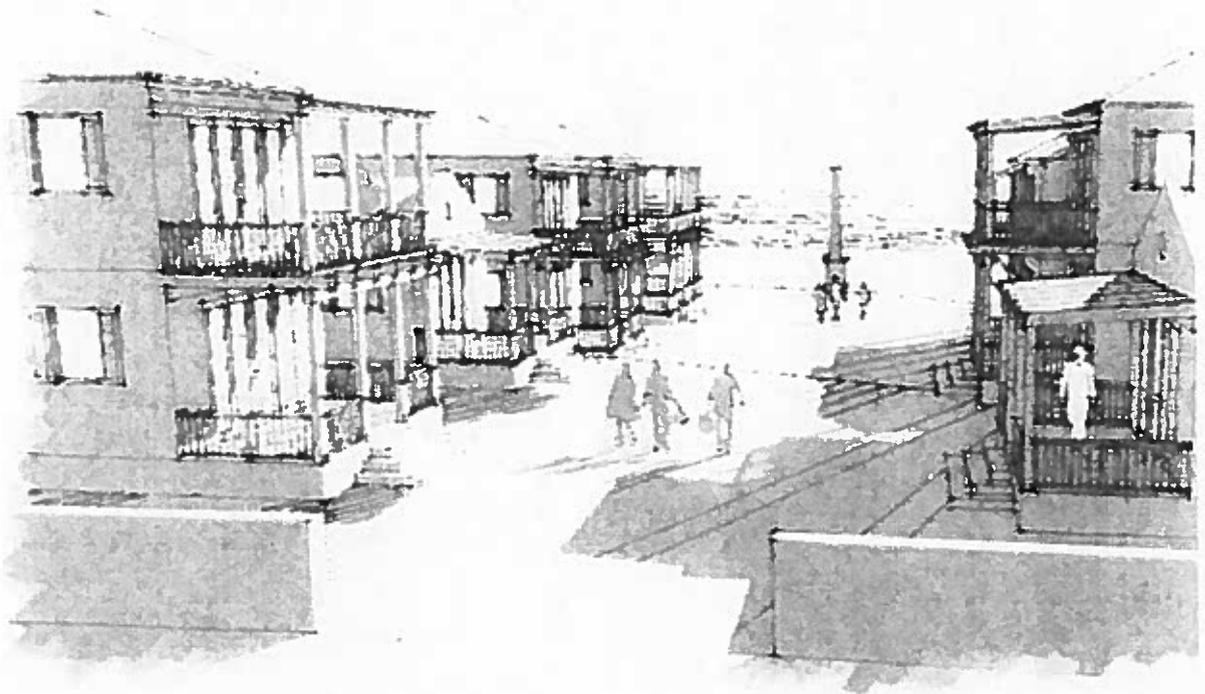


# SIRIUS RESORT AND MARINA REZONING PACKAGE

*Sirius - The brightest star in the night sky. Sirius has been used as a navigation star for centuries and is known as the winter star.*

**CORAL BAY, SAINT JOHN, UNITED STATES VIRGIN ISLANDS**



PREPARED BY:

**JDG** Jaredian Design Group  
Architects, Engineers and Construction Managers

**MARCH 10, 2015**



March 9, 2015

Honorable Clifford F. Graham  
Senator  
Virgin Islands 31<sup>st</sup> Legislature  
Capitol Building  
St. Thomas, U. S. Virgin Islands 00802

**RE: ZONING REQUEST FOR PARCELS REM. 10A AND 10A-1 ESTATE EMMAUS, ST. JOHN, U. S. VIRGIN ISLANDS FOR THE T-REX MIXED-USE DEVELOPMENT PROJECT**

Dear Senator Graham,

The Jaredian Design Group, on the behalf of the Moravian Church V. I. Conference (herein after referred to as Moravian Conference), is seeking to rezone Parcels Rem. 10A and 10A-1 Estate Emmaus, St. John, U. S. Virgin Islands. Both parcels are owned by the Moravian Conference and are leased by T-Rex, St. John, LLC (T-Rex), for the purposes of developing this mixed-use project. The entire area to be developed is 11.675 acres. The portion to be rezoned is approximately 7.75 acres, of which we request your support and sponsorship to rezone.

The existing site is partially developed with a large baseball field/parade ground south of the Emmaus Moravian Church and a dinghy-dock area near the eastern boundary of Parcel 7. The rest of the project area is undeveloped. The Moravian Conference and T-Rex are proposing to construct a mixed-use project that will consist of an 89-unit hotel/condominium resort and a wet-slip and dry-dock storage marina and related retail. The project will be known as "The Sirius Seaside Resort and Marina." *Sirius is the "sailor's star;"* a term, we feel, is synonymous with this planned development.

The entire project will be located on Parcels 7, Rem. 10A, 10A-1, 10C, and a portion of Rem. 10 Estate Emmaus. Parcels 7, 10C, and Rem. 10 are properly zoned for the land uses proposed and are not part of this zoning request. The existing zoning of Parcels Rem. 10A and 10A-1 Estate Emmaus are a compilation of three separate zoning designations within those parcels. They are R-2/Residential Low Density, W-1/Waterfront Pleasure and W-2/Waterfront Industrial. These zoning designations run arbitrarily between those two lots because at the time the Virgin Islands Zoning Law was enacted in 1972, this area was one undivided parcel owned by the Moravian Conference. Even so, the enactors of the 1972 Zoning Law anticipated that this area would be an ideal location for the development of a marine port and related land uses by designating a portion of the undivided parcel as W-1 and W-2, respectively. It is the intent of the Moravian Conference and T-Rex, to combine these three separate zoning designations into a single designation, such that they will be separated by the boundary lines of the individual parcels. Parcel Rem. 10A will be zoned W-1/Waterfront Pleasure, and Parcel 10A-1 will remain as W-2/Waterfront Industrial. All of the land uses shown in the proposed site plans are allowed under the W-1 and W-2 zones. Parcels 10C and Rem. 10 shall remain zoned R-2/Residential Low Density, and Parcel 7 shall remain zoned P/Public.

We have worked tirelessly to produce a project consistent with our goals and objectives; to create a world-class multi-use development that maintains the small town character of Coral Bay. We have sought input on several occasions from the Divisions of Comprehensive and



# Jaredian Design Group

Architects, Engineers and Construction Managers

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TELEPHONE: (340) 777-1600 • FAX: (340) 777-1601 • E-MAIL: [jdg@vipowernet.net](mailto:jdg@vipowernet.net) • WEBSITE: [www.jaredian.com](http://www.jaredian.com)

Coastal Zone Planning and Coastal Zone Management to develop this project. We have also conducted three Public Forums with the Emmaus Congregation, the Moravian Conference, and the general public at large to seek input and comments from these essential stakeholders. These forums have been very successful in our development of plans to date. We also received very favorable responses from the general public and DPNR's Comprehensive and Coastal Zone Planning Staff at our Public Hearing on December 2014.

We thank you in advance for the sponsorship of this zoning request, for we feel this project, when completed, will be a very important addition to the Territory, the island of St. John and the Moravian Conference. Should you have any questions or comments, please feel free to contact me at Jaredian 777-1600.

Very truly yours,

JAREDIAN DESIGN GROUP

John F. Woods, AIA, NCARB  
Principal

Att.: Zoning Change/Request, Zoning Application, Rev. Zoning Submission Drawings,  
Registered Maps/Parcel IDs, Deed, Adjacent Landowners Certification, HVS Market Study

Cc: Rory Calhoun, JD, MBA, Managing Partner, T-Rex, St. John, LLC  
Samuel Rymer, Moravian Church of the Virgin Islands Conference Representative



August 29, 2014

**Honorable Shawn-Michael Malone**  
**Senate President**  
**Legislature of the 30<sup>th</sup> Virgin Islands**  
**Capitol Building**  
**St. Thomas, U. S. Virgin Islands 00802**

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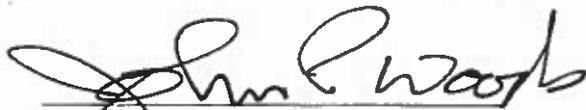
We have worked tirelessly to produce a project consistent with our goals and objectives: to create a world-class multi-use development that maintains the small town character of Coral Bay. We have sought input on several occasions from the Divisions of Comprehensive and

Coastal Zone Planning and Coastal Zone Management to develop this project. We have also conducted two Public Forums with the Emmaus Congregation and the Moravian Conference to seek input and comments from these essential stakeholders.

Should you have any questions or comments, please feel free to contact me at Jaredian 777-1600.

Very truly yours,

JAREDIAN DESIGN GROUP



John P. Woods, AIA, NCARB  
Principal

Att.: Zoning Submission Drawings, Zoning Change/Request, Registered Maps/Parcel IDs,  
Adjacent Landowners Certification

Cc: Director T. Stuart Smith, Division of Comprehensive and Coastal Zone Planning, DPNR  
Samuel Rymer, Moravian Church of the Virgin Islands Conference Representative  
Rory Calhoun, JD, MBA, Managing Partner, T-Rex, St. John, LLC

**SIRIUS RESORT AND MARINA – ZONING CHANGE REQUEST**  
**PARCELS 7, REM. 10A, 10A-1, AND 10C ESTATE EMMAUS, NO. 2 CORAL BAY QUARTER**  
**ST. JOHN, U. S. VIRGIN ISLANDS**

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**INTRODUCTION**

The Moravian Church and T-Rex St. John, LLC (T-Rex), is proposing to construct a Major Project in Coral Bay consisting of: a Wet-slip and Dry storage Marina and related Retail; 89 Hotel/Condominium units; Underground and Above-ground Parking; Pool; Shopping Plaza; Wastewater Treatment Plant; Reverse Osmosis Plant and a new Ball Field with Bleachers. The Proposed Project will be built on Parcels 7, Rem. 10A, 10A-1, and 10C, Estate Emmaus, St. John, United States Virgin Islands.

A portion of Parcel Rem. 10A, Lease Area "A", is zoned W-1/Waterfront Pleasure, and W-2/Waterfront Industrial, but it is not sufficient for all the proposed components of the Project and the Moravian Church is respectfully requesting a zoning change such that all of Parcel Rem. 10A will be zoned W-1. Parcel 10A-1 has been created to maintain the existing W-2/Waterfront Industrial on the eastern portion of the project site for a marine-services building, boat yard, and dry-dock storage. This lot will also have a boat launch and community dinghy dock.

Parcel 7 is divided into two Portions, one with the existing Fire Station and the remainder below it. The Moravian Church has leased the lower portion from Virgin Islands Port Authority (VIPA). This lot is zoned P (Public). A parking deck will be constructed on this lot. It is properly zoned for this land use.

A new Ball Field with bleachers is proposed for Parcel 10C, which is 3.748 acres. This will replace the existing Ball Field on Parcel 10A. Parcel 10C is zoned R-2 and does allow for a Ball Field. However it is not large enough to meet the zoning requirements of a minimum area of 5 acres and to have the field 50' from the property lines. Therefore, T-Rex and the Moravian Church will be requesting a zoning variance through the V. I. Board of Land Use and Appeals for Parcel 10C to allow for the Ball Field. (*See Figure 2, Proposed Site Plan.*)

The process to arrive at the Proposed Project Design was the result of several factors: Environmental; Historical & Cultural; Marina Impacts; and Financial. In preparation for applying for a CZM Permit for the Project, Moravian Church and T-Rex have undertaken several studies assessing the existing site conditions and to determine a marine design. The studies done were: Coastal Engineering Assessment for the marina design; Archaeological Phase I Study; Marine Benthic Survey; and Terrestrial Surveys. The results of these studies were used to determine a Project Design that would have the least impacts on the environment and cultural resources. Basically the studies indicated that the Project Site had been heavily worked over the past years and the Project would, as proposed, have minimal additional impacts on the existing environment.

To assist the Senate in assessing the Proposed Project, a summary of these Studies is given below.

COASTAL ENGINEERING ASSESSMENT

A full service marina does not presently exist on St. John. The Moravian Church and T-Rex hired Moffatt & Nichol Engineering to undertake a Coastal Engineering Assessment to determine the Marina Layout and Design. The proposed marina is conceived to capture boat owners who purchase a condominium, transient hotel guests, and boat owners who live on or visit St. John on a frequent basis. The upland area for the marina is already properly zoned as W-1 (Waterfront Pleasure), and W-2 (Waterfront Industrial).

The proposed marina site will lie within a footprint tentatively defined by the property shoreline to the north, the seaward extension of the property line to the west, the shoreline of Usher Cay on the east side, and to the south, a line from the south tip of Usher Cay to the west property boundary. Water depths within the marina footprint range from 2 feet below mean sea level (MSL) on the northeast side to 12 feet on the south side. An updated marina market, benthic, and bathymetric studies are being done to determine the final size of the marina.

A Bathymetric Survey of the site was conducted in May 2007 by Marvin Berning and Associates (See Figure 1, next page),



**FIGURE 2 – CONCEPTUAL SITE PLAN**



which encompasses the proposed marina footprint and an 800-foot by 2000-foot area that includes the main entrance channel into Coral Harbor. The survey was supplemented by navigation charts developed by the National Oceanographic and Atmospheric Administration.

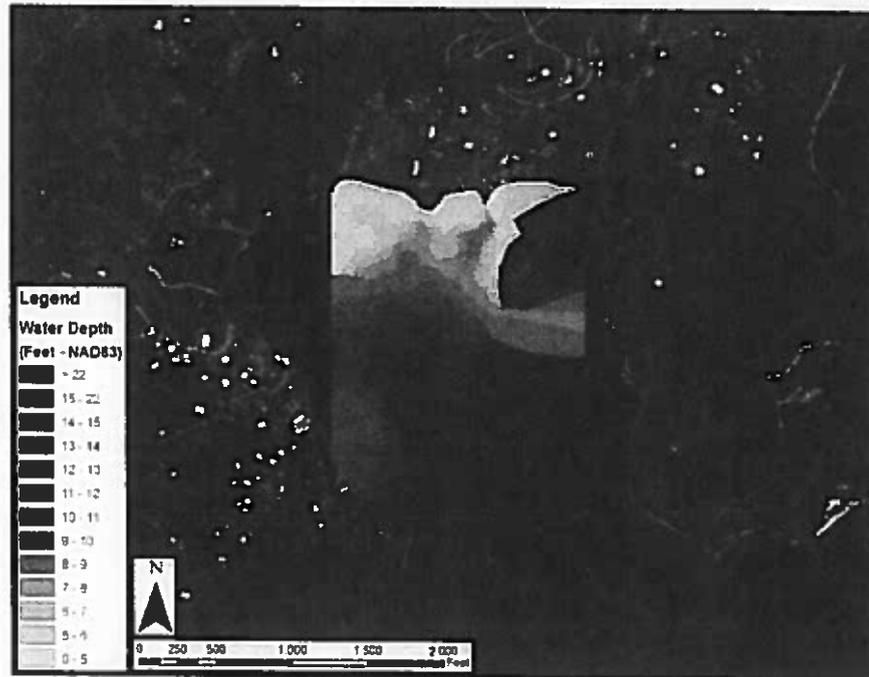
Water depths at the entrance to the Coral Bay vary from 50 to 80 feet. Outside of the bay, a shallow shelf extends approximately 5.5 miles in the southerly direction with water depth fluctuating between 65 to 115 feet. Beyond this shelf, the water depth increases sharply to more than 500 feet. Water depths in Coral Bay are greater than 30 feet into Hurricane Hole. The shallowest water lies within Coral Bay where water depths range from 20 feet at the entrance to less than 2 feet in the cove formed by Ushers Cay as shown in Figure 3.

Wind statistics are prepared and analyzed under two general categories, short term and long term statistics. Short term statistics define so-called "Prevailing Conditions" or day-to-day operational conditions. Long term statistics describe extreme storm events associated with specific return period intervals. Long term statistics are used to assist in the design of marine structures.

Wave statistics were available for the GHM hindcast station #503 2 of the same duration for prevailing and storm events. The CDMP study also provides wave height data for extreme storm events associated with select return periods.

The study area is influenced by the Caribbean trade winds. Localized shifts in wind speed and direction within Coral Bay can occur year round due to the effects of radiant cooling and surrounding topography.

**FIGURE 3 – WATER DEPTHS IN CORAL HARBOR**



Storm surge magnitude is directly dependent upon the track of the storm, storm intensity, and the local bathymetry. Storm surge levels in Coral Bay have not been recorded. The Federal Emergency Management Agency (FEMA) completed an update to the flood insurance study for St. John in April 2007. The restudy was initiated to include storm surge levels recorded during recent hurricane events such as Hurricanes Marilyn and Lenny. The study indicates that the storm surge elevation associated with the 100-year flood event is approximately 8.1 feet MLLW.

Return Period (years)	FEMA Storm Surge (MLLW, feet)
10	3.9
25	5.6
50	6.4
100	8.1

The wave environment in Coral Harbor during prevailing and storm conditions is heavily influenced by local wind generated waves (seas). There is approximately a 1.2 mile long unobstructed surface of water (fetch) between the project site and Lagoon Point, corresponding to waves from the southeast direction. The wave height and corresponding wave period at the project site associated with sea conditions were estimated based on empirical hindcast formulas incorporated into the NSW model. Wave heights were computed for several wind speeds. The results are shown in Table 3-1.

**TABLE 3-1 LOCAL SEA CONDITIONS – SOUTHEAST DIRECTION**

U(mph)	Hs (ft)	Tp (sec)
15	0.5	1.5
25	0.9	1.8
50	2.5	2.4
75	4.0	2.9
90	4.9	3.1

The flushing time of the proposed marina facility was analyzed using the hydrodynamic module (HD) of MIKE21 suite of computer models. The tidal currents represent the primary hydrodynamic forces. Wind and wave induced currents, which may enhance mixing and improve flushing, were excluded from the model setup to present a more conservative flushing estimate. The output of the hydrodynamic model was used with the coupled MIKE21 Advection/Dispersion module (AD) to evaluate the flushing time for the basin.

The model results indicate that the average residual constituent concentration is less than 37% after 24 hours, and falls below 10% level after 96 hours, as shown in Figure 4-1. The proposed marina site meets the flushing criteria established by USACE and FDEP.

#### **PHASE I ARCHAEOLOGICAL SURVEY**

Soltec International Inc. (Soltec) performed a Phase I Archaeological Survey in Lease Area A, Parcels 7, 10A and 10C.

The proposed development is required to comply with Section 106 of the National Historic Preservation Act of 1996, as amended and Title 29, Chapter 17, Section 959, of the Virgin Islands Code, also known as the Antiquities and Cultural Properties Act of 1998.

To comply with the above requirements, T-Rex Capital contracted a Phase I (A and B) Archaeological Survey. Phase IA was intended to review literature and records for the potential presence of significant cultural resources. Phase IB composed of a systematic Archaeological Survey of the Study Area in order to identify any possible cultural resources that may exist.

This portion of the property is located on the north shore of Coral Bay Harbor. The area of concern is located at the intersection of foot slopes, a narrow strip of low lying and modified land and the ocean (Figures 4 – 10). The Soil Conservation Service classifies the soils for most of Lease Area A into the mapping unit Ustorthents which are soils that have been altered from their natural state by humans, in this case cut activities to level foot slopes and infilling of low lying areas adjacent to the shore. Most of the flora has been cleared for human activity, and the flora that does exist is secondary growth. The eastern most part of the property is regularly affected by tidal influence, while the westernmost part of the property appears to contain areas that are periodically inundated. The central part of the subject property is contained on highly modified toe slopes of the hills to the north; this area contains numerous buildings (Figures 11 - 13) including a school, fire department, restaurant and shops, as well as a ball field.

Soltec was informed by the Virgin Islands State Historic Preservation Office (SHPO) that their

search of the Archaeological Site Files indicated that no archaeological sites of record were located within the proposed development area.

The Phase I Archaeological Survey performed for the Proposed Project Site indicates that no potentially significant archaeological contexts are present within the surveyed areas. The absence of archaeological contexts within Parcel 10A was surprising given that this location was likely an attractive location for a prehistoric settlement. Although extensively disturbed, no evidence was found to indicate that a prehistoric settlement existed at this location. Ordinarily, materials such as shell and ceramics are found even in highly disturbed contexts. Historic and modern artifacts were recovered from the shovel tests and test trenches, but these were few in number and small in size. Four undecorated Whiteware sherds, six clear and four green glass sherds were recovered in Parcel 10A. The exterior ferrous metal sheath of a roller for crushing cane was also found in Parcel 10A. This artifact was re-utilized in more recent times by filling it with concrete and setting rebar in its center.

#### **Conclusions and Recommendations**

No undisturbed archaeological contexts were encountered during shovel and mechanical subsurface testing. The materials recovered were both historic and modern and within disturbed contexts. The testing performed indicates that numerous cut and fill episodes have been made within the Project area. The stripping and/or deflation of top soil is in part, evidenced by exposed parent rock or its presence at near surface depths. The western part of the subject property is less modified, but even in that location, we encountered a number of push piles. Multiple fill episodes were also documented in the Project Area, as evidenced by the heterogeneity of the soils and unsorted inclusions, such as rock and modern materials.

#### **MARINE BENTHIC SURVEY**

Coral Harbor lies in the northwestern corner of Coral Bay, a large inlet of sea on the southeastern side of St. John USVI. Presently Coral Harbor is used as a mooring field for over 50 vessels, primarily private sailboats. Much of the remainder of Coral Bay, to the east, is part of the St. John National Park. Between February 24 and March 10, 2007 a marine benthic survey was conducted in Coral Harbor by Elizabeth Kadison. This survey was done as part of the planning and design of a marina which is proposed for the northern end of the harbor. An updated benthic survey is presently being done.

#### **Benthic Cover:**

An area of over 11,250 m<sup>2</sup> was surveyed in Coral Harbor (Figure 1). Two benthic habitats made up most of the bay. The shallow areas (< 1m) where large boats could not anchor and sunlight penetrated the entire water column at least part of the day were covered in thick turtle grass with little or no other plant species. The substrate beneath was sand and sand/mud. These areas were relatively near shore and were characterized by data from transects 1, 2, and 5. The deeper areas (>1m), had a softer, more muddy substrate and were covered by sparse turtle grass mixed with small patches of manatee grass, paddle grass and several species of algae, all at variable percent cover. Small (<10 cm) *Siderastrea* corals were scattered in the shallow areas. Turtle grass was by far the most common seagrass and was found throughout the harbor but at a much lower percent cover in the central and eastern areas where the water was deeper and the majority of vessels were moored. Algae in these areas was fairly diverse. "Scarred" areas were found

throughout the central portion of the bay, scoured completely of seagrass. These were undoubtedly due to anchor and anchor chain damage and can be seen in the aerial photo below as light patches.

**Fishes:**

The total number of fish observed over 7 belt transects was 108. Juvenile yellowtail snapper were the most common fishes observed in the thick turtle grass areas. The most common fish observed in the mixed seagrass/algae community were the damselfish. Juvenile grunts and small parrotfishes were found commonly in both habitat types and larger were observed around submerged debris. In the turtle grass areas however 67% of the snappers and only 10% of the damselfishes were observed. An additional 12 species of fish were observed on the roving dive (Table 4) to bring the total fish diversity to 25 species in 16 families.

**FIGURE 1. A MAP OF CORAL HARBOR OUTLINING THE STUDY AREA, THE HABITAT TYPES FOUND, AND THE TRANSECT LOCATIONS.**



Invertebrates encountered during the roving dive included juvenile spiny lobster (*Panulirus argus*), cushion sea stars (*Oreaster reticulatus*) and long-spined urchins (*Diadema antillarum*) (Appendix ID). A snowy egret was observed on the site during the survey.

**Currents:**

The movement of water in and out of Coral Harbor is complicated, however some factors were

apparent in the survey. The shallowness of the bay and wave action indicates that thorough mixing of the water column occurs. The water moving across the very shallow areas of the bay and on the surface is wind driven. Coral Harbor is open to a predominantly southeast wind which pushes surface water inshore. The water presumably leaves the bay through the deeper central and eastern channels. Surface currents measured over five min at 4 sites ranged from 0.15 m/sec to 0.02 m/sec during outgoing tide (10:32-11:15 am) and 0.18 m/sec to 0.08 m/sec at slack tide (2:44-3:05 pm). The wind throughout the day was ESE at 12-18 knots. The direction and relative speed of measured currents are diagrammed in Figure 1.

**General Conclusions:**

Although far from the pristine gin clear cove described from childhood memories of middle-aged St. Johnians, Coral Harbor holds a variety of sea life. Despite the bottom damage due to anchors and ship groundings, debris littering the beaches and sea-floor and the dark clouded water, the turtle grass beds in the shallow water on the western edge of the harbor remains very healthy, as do the stands of mangroves on the northwestern and eastern shorelines. The deeper areas, historically also covered in turtle grass, appear to be the most impacted by moored vessels and upland development. Water visibility during the survey was limited to less than 0.5m in the central bay and the bottom substrate was soft mud. Still, a variety of algae and grasses grew.

The existing mangroves, seagrass and algae are integral in maintaining the integrity of the harbor by stabilizing sediment, reducing particle loads and absorbing dissolved nutrients. In addition mangroves filter and trap pollutants and stabilize the coastal land and both mangroves and seagrass provide habitat for mollusks, crustaceans and juvenile fishes. As with all coastal areas in the Virgin Islands, Coral Harbor should be developed and managed in an extremely progressive and responsible manner. Coral Harbor is part of the greater Coral Bay, much of which is in the St. John National Park. Sensitive coral reefs exist outside the harbor proper in Johnson Bay and Round Bay and healthy seagrass beds cover much of the deeper open water of the bay, supporting sea turtles, queen conch, lobster and juvenile fishes. Strict adherence to erosion control, dredging guidelines and waste water treatment must be achieved and maintained. If developed and managed responsibly, a marina could have a long-term positive effect on Coral Harbor by alleviating anchoring and reducing the garbage and untreated sewage entering the bay. Recommended R/O pipe route:

The high saline effluent that will be generated by the reverse-osmosis operation will undoubtedly affect the benthic organisms immediately proximal to the area of discharge and change the community structure and composition significantly.

A diagram of the optimal route for the in-take/out-flow discharge pipe of the proposed reverse osmosis plant is shown in Figure 2. The recommended route would exit the shoreline on the eastern end of the bay and the in-take would be 150m and the out-flow discharge should run out at least 200m. This route transverses primarily mud, algae and sparse seagrass. There is much less seagrass on the eastern side of the bay than along the western shoreline and the water depth is greater. The route traverses what is currently used as a channel for dingy traffic. There would be no anchoring of vessels in this area which would lower the potential for pipe damage.

The outflow pipe should run as far south as possible so that hypersaline water exits near the mouth of the harbor. Wave action in this area is generally strong and would help mix the effluent with surrounding water. The pipe should be perforated for 10m at the distal end, helping to relieve pressure and disperse and dilute the effluent over a larger area. Finally, the discharge effluent should be monitored on a regular basis and strict adherence to set salinity (and pH)

discharge levels should be followed. If the effluent exceeds the set limits the system should be shut down until the problem is corrected and dilution levels are met.

FIGURE 2



**Monitoring Program:**

A comprehensive marine monitoring project will be an integral part of any development plan. It is important that baseline data be collected well before land excavation and alteration begins, and also that monitoring of sediments, nutrients and essential habitat be continued beyond all construction phases. Results of all monitoring should be tabulated and should be available to developers, contractors, and engineers in a timely and on-going basis. In addition, results of environmental monitoring should be provided to CZM every 3 months, or when sediment, nutrients or salinity exceeds baseline values by 50% or more. The following components should be part of the monitoring plan:

Two sediment monitoring sites should be established in Coral Bay; one in Coral Harbor and a control site outside of the development area in the Hurricane Hole or Johnson Bay (Figure 3). Sediment traps should be collected monthly for at least two months before construction begins, biweekly and after every rainfall of 1" or more in a 24 hour period during the construction phase, and again monthly for a minimum of 6 months after construction terminates.

Nutrients will be monitored at the sediment monitoring site and the control site established outside of Coral Harbor. A pre-construction range of phosphates and nitrates should be determined and sites should be tested on a monthly basis following EPA approved guidelines after construction begins. Concurrently temperature, pH, turbidity, salinity and dissolved oxygen should be measured. In addition salinity should be measured monthly at the saline effluent discharge site and 10 m intervals up and down current of the discharge pipe, out to 50m.

The seagrass beds in Coral Harbor will be monitored on a quarterly basis after construction begins for up to one year after it is completed. The perimeter of the shallow beds should be mapped during the surveys and compared to baseline maps created pre-development. Five quadrats will be used within the shallow seagrass areas to detect changes in the benthic species composition and the percent cover of turtle grass.

Three one hour roving fish surveys will be conducted by divers on SCUBA once quarterly after construction begins. The surveys should include all species encountered and the abundance of each. Divers should swim around mangroves, seagrasses and algal communities, using a kayak or dingy if necessary to cover the entire area. Surveys should be combined for each quarter and compared to baseline surveys conducted pre-development in the area.

Dredging will result in the re-suspension of sediments in the bay, which even short term may cause dramatic changes in water quality. It is important that silt barriers are stringently used and maintained during the entire dredge operation and that monitoring is continuous and thorough. Turbidity measurements will be made twice daily during the entire dredging operation at determined sites. The number of monitoring sites will depend on the extent of the dredging; however measurements should be taken directly outside of silt curtains and up and down current of the dredging area. Turbidity can be measured using a secchi disk or a turbidity probe.

### TERRESTRIAL SURVEY

#### Parcel 10C:

EcoScience Corporation (ESC) was retained to undertake a terrestrial resource survey of a 3.7-acre tract of land at Coral Bay (Parcel 10C), located in the East End of St. John, U.S. Virgin Islands (Figure 1). In July 2007, a team from ESC undertook field surveys.

The study area is located in the Coral Bay quarter, Estate Carolina, at the community of Coral Bay near the Emmaus Moravian Church. Parcel 10A is located at the intersection of Highway 10 and Highway 107, in the southwest quadrant of the intersection. This Site maintains a forested cover.

No Section 404 jurisdictional surface waters or wetlands were located on the Site.

The diversity of flora is moderately rich in the forested Site. Of seven general vegetation community types found on the island, two (Dry Forest and Mixed Dry Shrubland) are located on the Site. In addition to climate, historic impacts by grazing and agriculture use have likely played a role in diminishing Site diversity. A total of 43 plant species in 24 families were recorded. Of these, 32 are trees or shrubs, eight are vines, and three are herbs.

A total of 17 species of birds were observed within and adjacent to the study area. Of the 18 species of mammals recorded for the Virgin Islands, two species were confirmed to occur at the study area. These consisted of feral goats and donkeys. Two species of reptiles and two amphibians were recorded.

Parcel 10C consists of natural vegetation which may generally be characterized as moderate-aged secondary growth and the Site appears to have historically been used as agricultural or pastoral land approximately 10 to 15 years ago. Vegetation consists primarily of large saplings and small trees which maintain a closed canopy over an understory consisting of a moderately dense vine layer, few shrubs except along woodland edges, and a sparse to absent herb layer.

There were no Mangrove Forest on the Site

Wildlife observations were made during field visits on July 9, 11, and 12, 2007. Observations occurred while walking transects through or adjacent to all habitats using the property roads, survey cuts, trails, and coastline as the primary means of access for observations. Gray kingbirds and bananaquits were commonly observed in multiple habitats. Other common species including the Lesser Antillean bullfinch, yellow warbler, and Zenaida dove were also highly visible. Other species such as the yellow-crowned night-heron were quiet, reserved, and more specialized in their habitat preferences. The cattle egret was only seen in the company of a herd of feral goats that frequents the area.

The only raptor observed in the study area was American kestrel. The kestrel was seen perched atop trees, shrubs, and posts while watching for prey (most likely small birds, grasshoppers, and lizards).

The only species of non-native mammals recorded during field surveys were domestic goat, of which a herd of 15-20 animals was often seen frequenting the area, and donkey, a few individuals of which were seen in the forest of the Site.

Two species of reptiles and two amphibians were observed within the study area during this investigation. The most common reptile observed during the field investigation is the crested anole. Another reptile occasionally observed was the green iguana. The dry character of study area habitats likely limits the local frog population diversity. However, two species were identified by call: the Antillean frog (*Eleutherodactylus antillensis*) and the white-lipped frog (*Leptodactylus albilabris*).

None of the federally and locally listed threatened and endangered species for the U.S Virgin Islands were observed in Parcel 10C.

#### **Parcel Rem. 10A and 10A-1**

Gary Ray, Ph.D., Virgin Forest Restorations was asked to survey the terrestrial ecological communities of a 7.75 acre area of Parcel Rem. 10A and 10A-1 Estate Emmaus.

The survey included a search for plant and animal species protected both under U.S. Federal statute, namely the Endangered Species Act of 1973, and local law: the Indigenous and Endangered Species Act of 1990, Title 12 VI Code, Chapter 2.

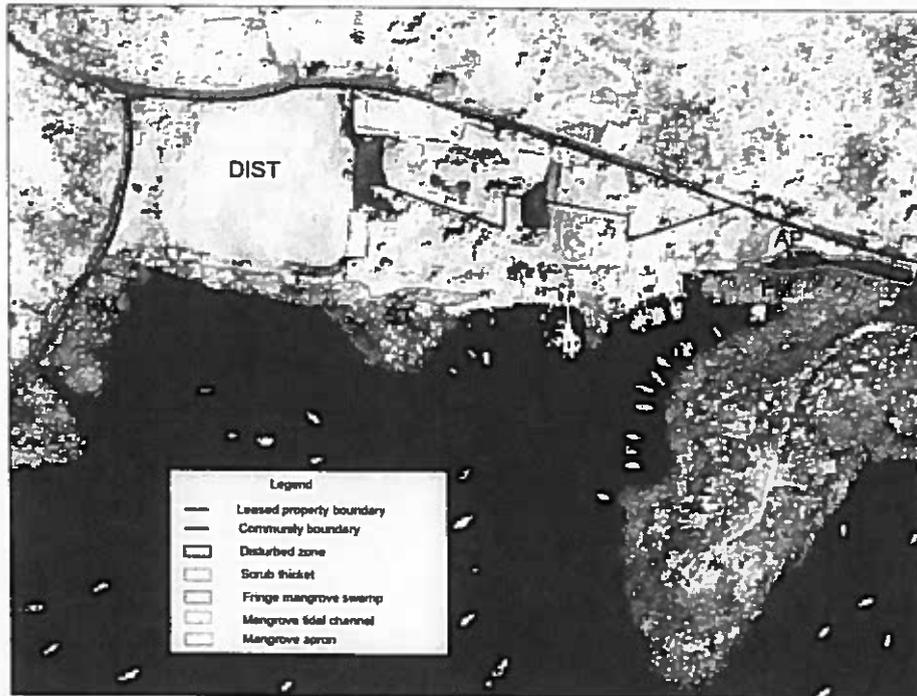
Rem. Parcel 10A and 10A-1 consisted of mostly cleared vegetation or parklands, an open ball field clear of trees except along its perimeter, with several commercial buildings in various locations. Natural communities existed on the coastline, including areas of fringe mangrove lining the shoreline on the western and eastern segments of the property's southern boundary.

Nineteen birds were found in the surveyed areas of which 19 birds are native. Only the chicken, Pearly-eyed thrasher, the Cattle egret, and the White winged dove were introduced. All three native anoline lizards were observed. The ground lizard is also quite common. Cuban tree frogs were heard at night near the restaurant. Bats were not abundant, but two species were observed. Other birds expected, but not seen, included the Great Blue heron, and any of a few species of shorebirds, including plovers and the killdeer.

The ball field commonly included a large herd (more than 30) of sheep. Donkeys are frequently seen on the ball field and along the roadside. Stray cats are also seen here in there in the

shoreline scrub thickets and around the restaurant.

PLANT COMMUNITY MAP OF PARCEL REM. 10A, AND 10A-1 ESTATE ENMAUS, CORAL BAY, ST. JOHN



Parcel Rem. 10A and 10A-1 are the least natural. It consists mostly of grazed recreational field, a derelict park, and parking lots surrounding a boatyard, and a restaurant and gift shop complex. The Parcel contained 56 trees consisting of 20 species, 13 of them indigenous and seven exotics. Many of the larger trees were planted. The grandest specimen is a picturesque Rain tree (*Samanea saman*), rooted just east of the basketball court, providing shade for the bleachers at courtside. Also, some large *Ficus* trees grow in an abandoned park seaward of the Guy Benjamin School. Seaward of the park and ball field were the scrub thicket and natural shoreline communities.

Mangroves of this property may be divided into two distinct sub-communities, "fringe mangroves" and "mangrove tidal channel". Fringe mangroves consist entirely of Red mangrove trees, which fringed the shoreline on the west and east sections of Parcel Rem. 10A and 10A-1. The fringe mangrove exhibited occasional inclusions of vines, which were rooted landward, growing seaward. Fringe mangroves commonly front a landward berm, on which many halophytic species thrive. The mangroves on the west section of the property contain abundant White mangrove trees, and the salt-loving shrub, *Bontia daphnoides*. The mangrove tidal channel grows on the perimeter of a tidal channel connecting it with a salt pond to the east of the property. Nothing nut was mixed with Limber caper.

Much of the western and central sections of the property's coastline is rocky. This environment favors halophilic (salt-loving) herbs and shrubs, many growing in rock crevices and around small tide pools. Along this rocky shoreline, we encountered numerous dry coastal herbs, e.g.

*Sirius Seaside Resort and Marina*  
*Zoning Change Request*  
*Page 14 of 14*

Saltgrass, Sea purslane and Nut sedge, shrubs, e.g. Black torch and lianas, e.g. Limber caper. In stony or gravelly areas, Buttonwood and Manchineel were found.

**END OF REQUEST**



**GOVERNMENT OF THE VIRGIN ISLANDS OF THE UNITED STATES**

**DEPARTMENT OF PLANNING AND NATURAL RESOURCES**  
Division of Comprehensive and Coastal Zone Planning

**Zoning Pre-Application Meeting Request Form**

Date: **August 29, 2014**

1. Project Name **T-Rex Mixed Use Development**
2. Applicant's Name **Moravian Church V. I. Conference**
3. Applicant's Physical Address **Parcels Rem. 10A and 10A-1, Estate Emmaus, No. 2 Coral Bay Quarter, St. John, U. S. Virgin Islands**
4. Applicant's Mailing Address: **POST BOX 8330**  
City: **ST. THOMAS** State: **U. S. VIRGIN ISLANDS** Zip: **00801**  
Telephone: **(340) 775-1055** Fax: **(340) 775-1190**  
E-mail:
5. Name of Legal Owner of Property **Moravian Church V. I. Conference**  
If applicant is not owner of property or if property is owned by more than one person, A **POWER OF ATTORNEY MUST BE SUBMITTED (SEE ATTACHED).**
6. Property Owner's Address - Parcel Rem. 10A and 10A-1 Estate Emmaus: **MORAVIAN CHURCH V. I. CONFERENCE, POST OFFICE BOX 8330**  
City: **ST. THOMAS** State: **U. S. VIRGIN ISLANDS** Zip: **00801**  
Telephone: **(340) 775-1055** Fax: **(340) 775-1190**  
E-mail:
7. Contact Person – Parcel Rem. 10A and 10A-1 Estate Emmaus: **Samuel Rymer**  
Telephone: **(340) 642-1947** Fax: **(340) 775-1190**
8. General Location of Property **Southeast of intersection of Route 10 and Route 107, running east of Route 107 and south of Route 10 to the sea.**
9. Property Address **Parcels Rem. 10A and 10A-1 Estate Emmaus, No. 2 Coral Bay Quarter, St. John, U. S. Virgin Islands.**

10. Tax Assessor's Parcel I.D. Number: 3-04203-0210-00
11. Site Acreage 7.75 acres – Rem. 10A: 6.35 acres; 10A-1: 1.4 acres.
12. Current Zoning R-2/Residential Low Density; W-1/Waterfront Pleasure; W-2/Waterfront Industrial
13. Detailed Description of Proposal Moravian Church and T-Rex, St. John, LLC, is proposing to develop a mixed-use project comprising of 89-unit hotel/condominium resort, wet-slip and dry-dock storage marina, and related retail. Construction will also include passive recreation consisting of "village green," baseball field, tennis and basketball courts for the general public.
14. Detailed Description of what exists on the property, and does it conform to its current zoning district's requirements? The existing is partially developed with a large baseball field/parade ground south of the Emmaus Church and a dinghy-dock area near the eastern boundary of Parcel 7. The rest of the project area is undeveloped.
15. Proposed Zoning W-1/Waterfront Pleasure and W-2/Waterfront Industrial.
16. Is the property served by municipal sewer and water lines? Yes \_\_\_ No X  
If no, explain plan for sewage disposal and water supply. A packaged waste-water treatment plan will be installed as a part of the development to handle sewage disposal. The effluent from the plant shall be used for irrigation of the "village green" and baseball field. Water supply shall be provided through rain water stored in cisterns, Reverse-Osmosis Plant, supplemented occasionally through the purchase of water from local vendors.
17. Are there any flood ways on the site? Yes X No \_\_\_  
If yes, please provide a location map. See Att.
18. Are there any cultural/historical resources on site? Yes \_\_\_ No X  
a. If yes, describe the resources.  
*(If uncertain, verify with the Division of Archaeology and Historical Preservation at 773-1082 or 776-8605).*  
b. Describe how the resource(s) will be incorporated into the development.
19. Are there any covenants and restrictions of record on the property?  
Yes \_\_\_ No X  
a. If yes, explain and provide a copy of the restrictions. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
b. Do they preclude undertaking of the uses that are proposed?  
Yes \_\_\_ No \_\_\_

- c. If no, please provide certification from the Recorder of Deeds, attesting that the property is not covered by Covenants and Restrictions.

Please submit the completed form with the following documents: (1) the Property's Deed and Contract of Sale (*if applicable*); (2) Property's Covenants and Restrictions; (3) the Property's Official PWD or OLG map; (4) the Official Zoning Map for the property; (5) pictures depicting intervals along the perimeter of the property, its existing on-site conditions, and surrounding neighborhood; (6) an Adjacent Ownership Certification with the listing and mailing addresses of property owners within a 150' radius and surrounding areas of the subject property; (7) a conceptual site plan at a scale of 1" equals 20 feet; and (8) Flood Map, Water Resource Map, and Soil Type Map.

Your Conceptual Site Plan should include the following:

1. Conceptual layout of the property.
2. Existing/proposed building locations and footprint.
3. Location of uses and open spaces.
4. Location of watercourses (*guts*) and existing/type of vegetation on the site
5. Location of existing/proposed street and driveways, accesses, and circulation pattern.
6. Current use and zoning of the site and adjacent property.
7. Landscape design and screening/buffering plan.
8. Proposed lot size/density and setback.
9. Proposed development timing.

**NOTE:** Submittal of the requested information is a prerequisite for a pre-application meeting and does not constitute the submittal of an application to the Legislature for a Zoning Map Amendment or Use Variance.

I/We attest that the information submitted on this form is a true and accurate representation of my/our development plan(s) of the property.

Signed: \_\_\_\_\_

Parcel Rem. 10A & 10A-1 Estate Emmaus, No. 2 Coral Bay Quarter, St. John, U. S. V. I.

Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_

*Eulencine Christopher*  
*09/05/14*

# SIRIUS RESORT & MARINA

CORAL BAY · SAINT JOHN · USVI

## PROPERTY ADDRESS:

PARCELS NO. 10A-1 REM  
ESTATE ANMAUS  
NO. 2 CORAL BAY QUARTER  
ST. JOHN U.S. VIRGIN ISLANDS

## OWNER:

MORAVIAN CHURCH-VI CONFERENCE  
P.O. BOX 3390  
ST. THOMAS, USVI 00501  
TEL. 340-775-1055  
FAX 340-775-1190

## DEVELOPER:

T. REX ST. JOHN LLC

## PROJECT DESCRIPTION:

THE MORAVIAN CHURCH-VI CONFERENCE & T. REX ST. JOHN LLC IS PROPOSING TO DEVELOP A MIXED-USE PROJECT COMPRISING OF 89 UNIT HOTEL/CONDOMINIUM RESORT, MARINA AND RELATED RETAIL. CONSTRUCTION WILL ALSO INCLUDE PASSIVE RECREATION CONSISTING OF "VILLAGE GREEN", BASEBALL FIELD, TENNIS & BASKETBALL COURTS FOR THE GENERAL PUBLIC.

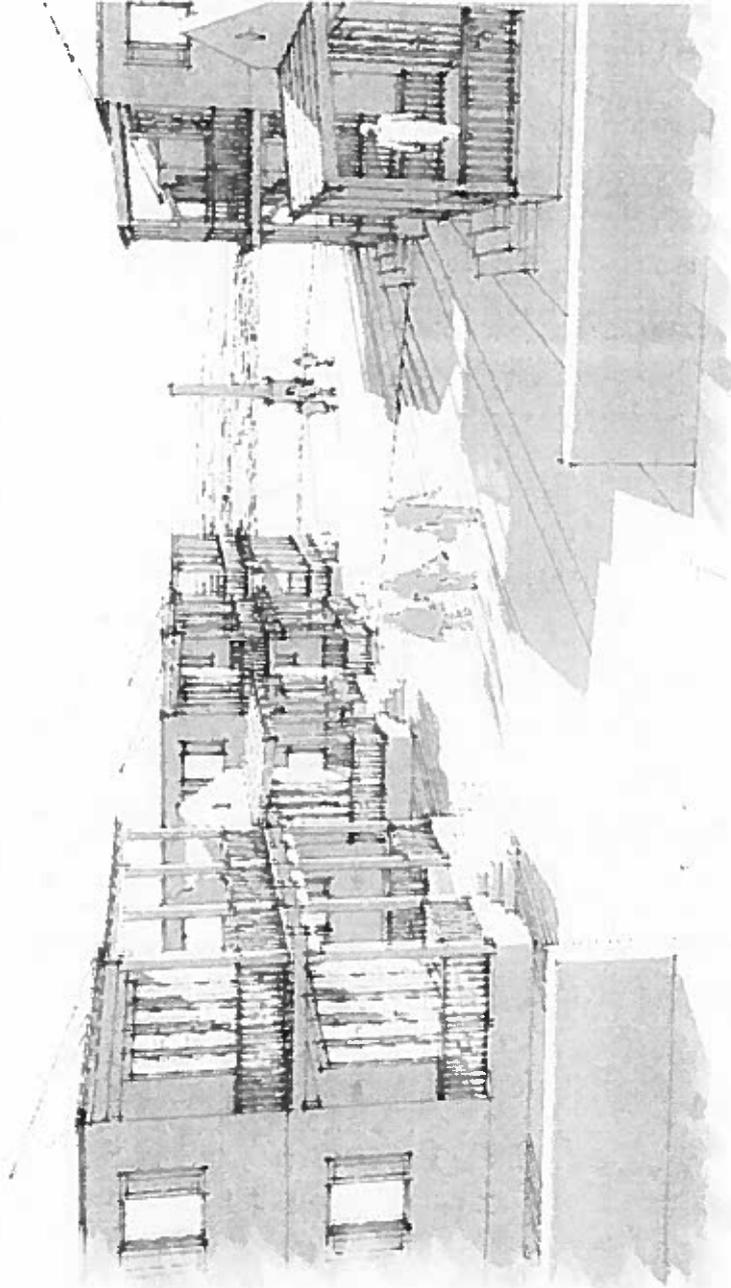
## PROJECT CONTACTS:

PARCEL REM 10A-1 10A-1 SAMUEL RYMER  
TEL. 340-642-1947

## ZONING INFORMATION:

CURRENT ZONING: R-2 RESIDENTIAL LOW DENSITY  
M-1 WATERFRONT PLEASURE  
M-2 WATERFRONT INDUSTRIAL

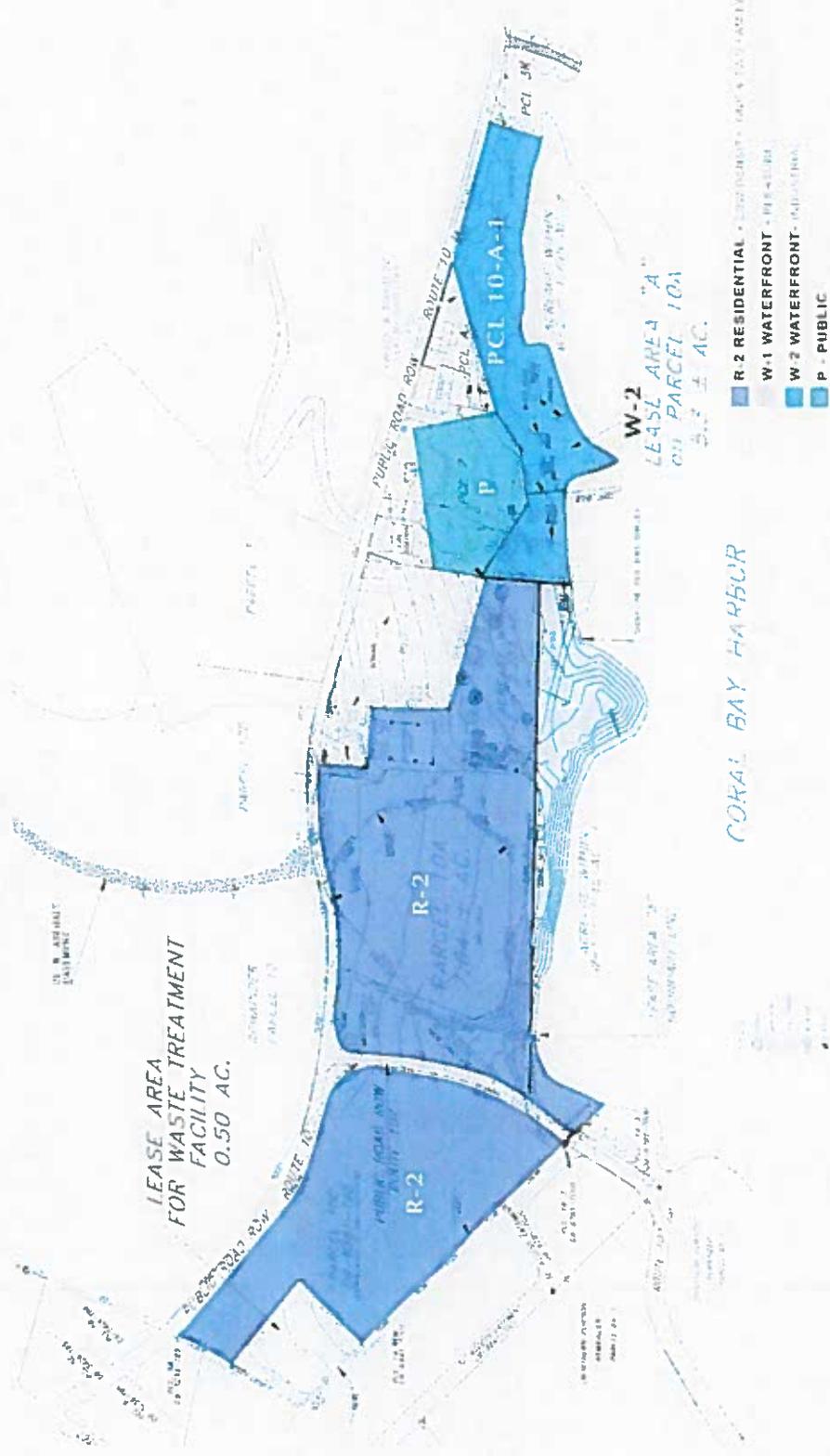
PROPOSED ZONING: M-1 WATERFRONT PLEASURE  
M-2 WATERFRONT INDUSTRIAL



Jaredian Design Group  
Architects, Engineers and Planners

FEBRUARY 24, 2015





CORAL BAY HARBOR

- R-2 RESIDENTIAL - SINGLE-FAMILY - MAX 5 TALL UNITS
- W-1 WATERFRONT - RESIDENTIAL
- W-2 WATERFRONT - INDUSTRIAL
- P - PUBLIC



**SITE PLAN LEGEND**

- 1 MAIN ENTRANCE
- 2 SOFTBALL FIELD
- 3 BASEBALL FIELD
- 4 TENNIS COURT
- 5 SWIMMING POOL
- 6 SPA
- 7 RESTAURANT
- 8 BAR
- 9 GOLF CART STORAGE
- 10 GOLF CART CHARGING STATION
- 11 GOLF CART WASH
- 12 GOLF CART MAINTENANCE
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- 89 GOLF CART STORAGE

**TOTAL HOTEL UNITS - 89 ROOMS**

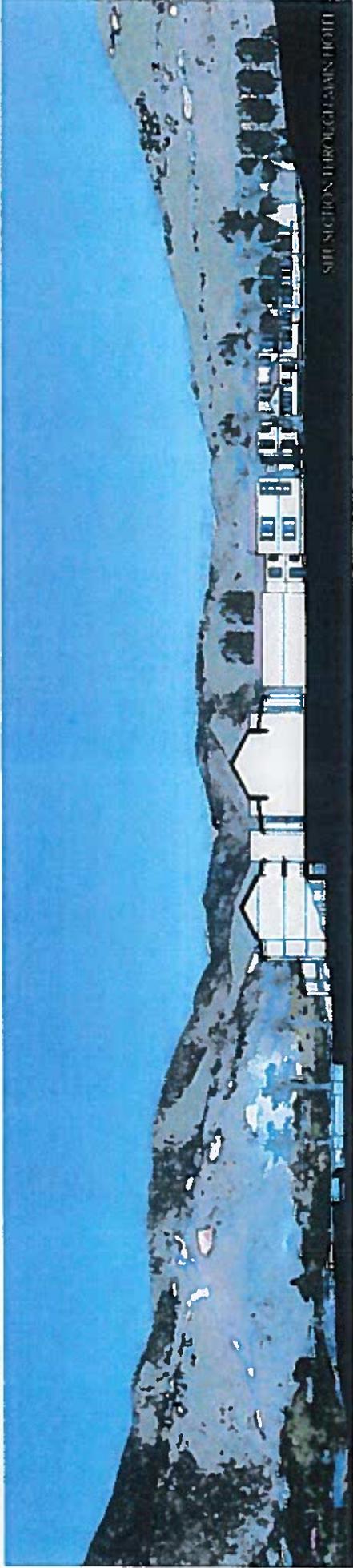






VIEW FROM CHURCH

SIRIUS RESORT & MARINA  
CORAL BAY SAINT JOHN USVI

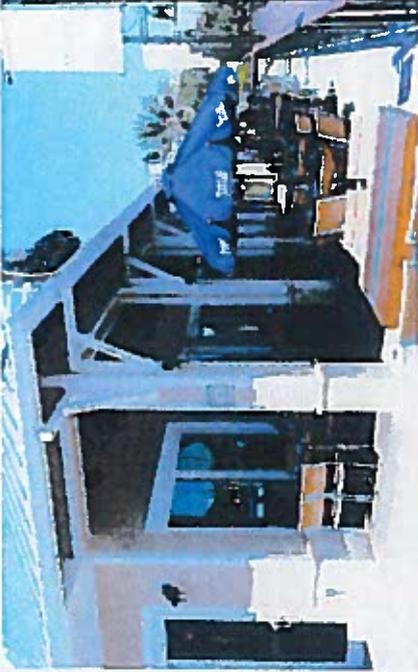


SITE SECTION THROUGH MAIN HOTEL



SITE SECTION THROUGH HOTEL VILLAGE CHURCH





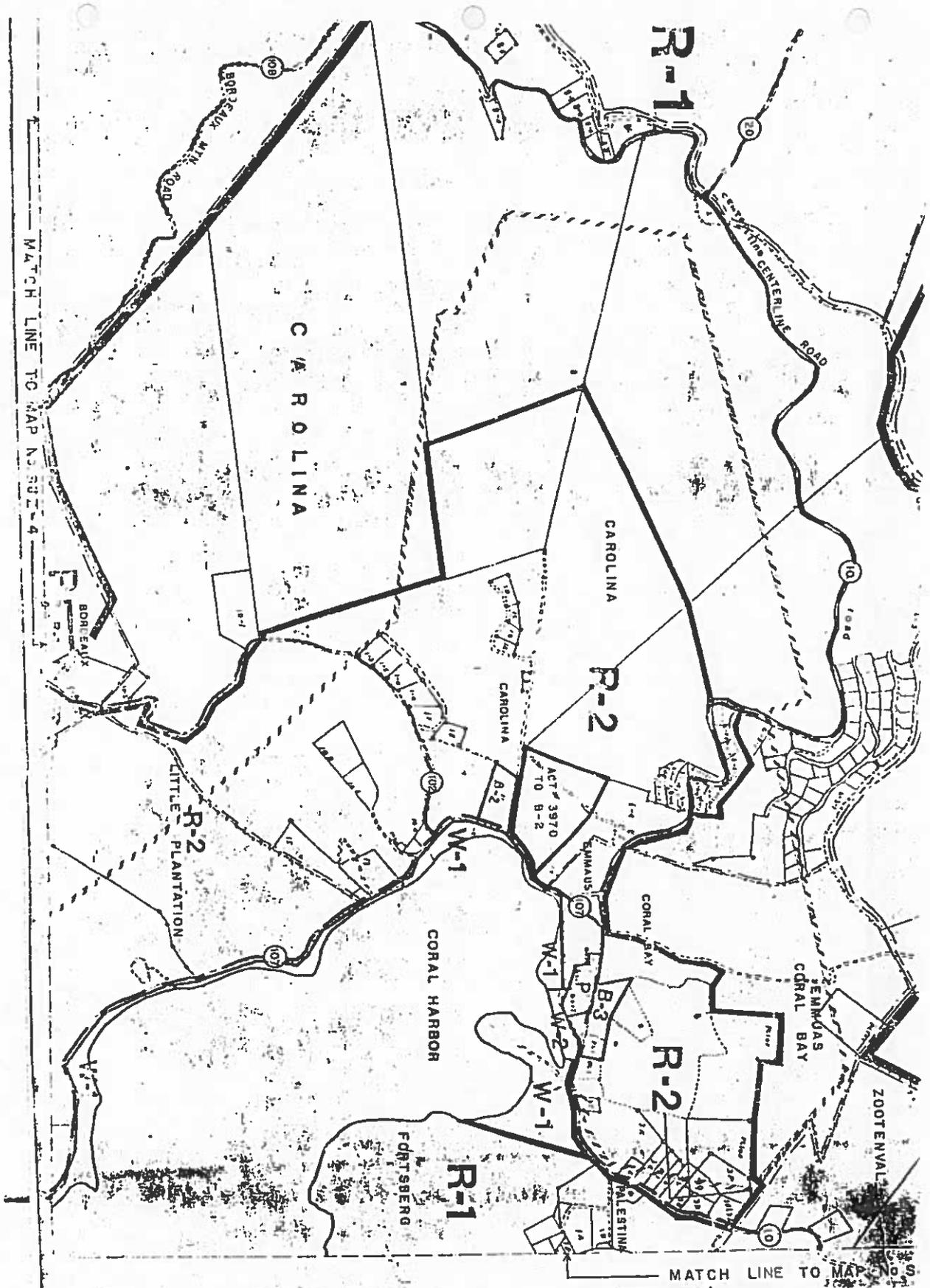
## DESIGN PRECEDENTS



VICINITY MAP

SIRIUS RESORT & MARINA  
CORAL BAY SAIRI JOHR ISLAND





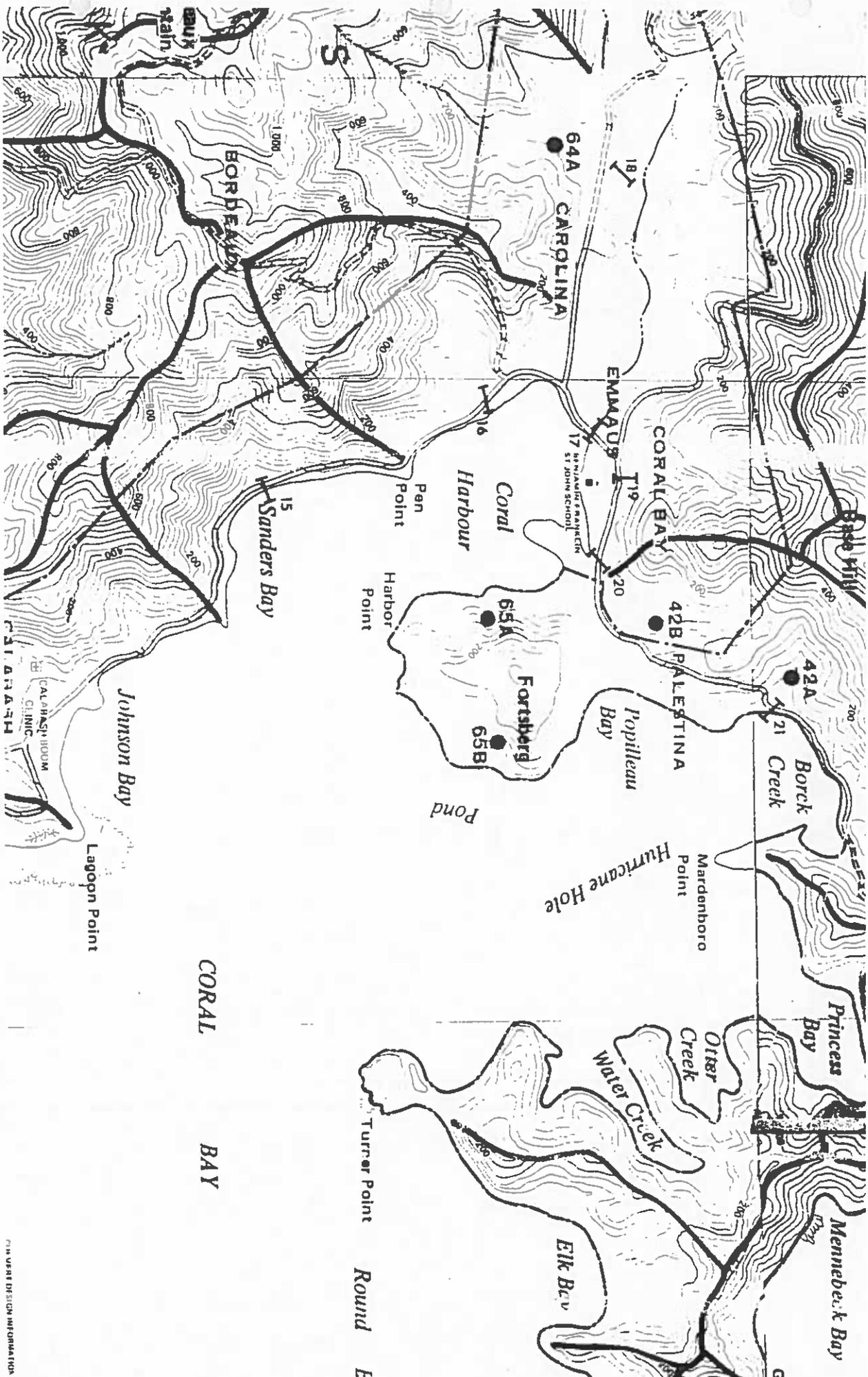
DATE APPROVED  
8.9.72

ESTATE LINE  
QUARTER LINE  
ZONING DIST. BOUNDARY  
NATIONAL PARK BOUND.  
MAJOR ROUTES A  
ROUTE NO.

SCALE 1" = 8

NORTH

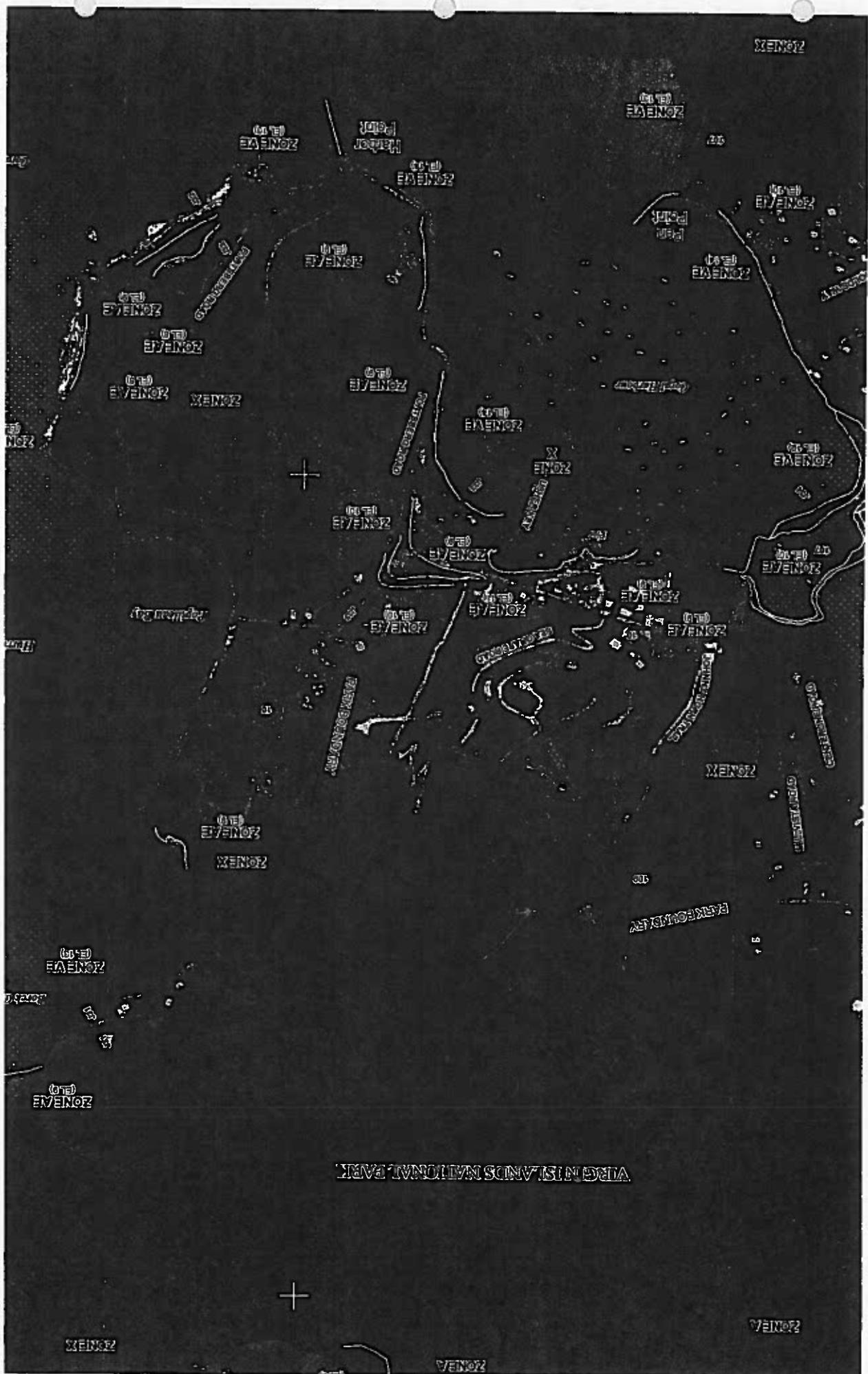
V.I. PLANNING & GOVERNMENT  
U.S.V.I.



CORAL BAY







QUITCLAIM DEED

THIS INDENTURE, made this 10<sup>th</sup> day of March, 1994, between BOARD OF WORLD MISSION, formerly known as THE BRETHREN OF THE MORAVIAN CHURCH, THE MORAVIAN BRETHREN CONGREGATION, THE MORAVIAN BRETHREN CONGREGATION IN ST. THOMAS, THE SOCIETY OF THE UNITED BRETHREN FOR PROPAGATING THE GOSPEL AMONG THE HEATHEN, THE MORAVIAN BRETHREN or THE MISSION FOR THE EVANGELICAN BROTHERS UNITED (hereinafter called "Grantor") of 1021 Center Street, Bethlehem, Pennsylvania 18018, and MORAVIAN CHURCH, VIRGIN ISLANDS CONFERENCE, a Virgin Islands non-profit corporation (hereinafter called "Grantee") of Post Office Box 117, St. Thomas, United States Virgin Islands 00804.

W I T N E S S E T H:

That for and in consideration of the sum of TEN DOLLARS (\$10.00), receipt of which is hereby acknowledged, and to confirm the long-standing ownership of certain property by the Grantee,

THE GRANTOR HEREBY QUITCLAIMS, GRANTS AND CONVEYS to the Grantee all of its right, title and interest in the following parcel of land:

Parcel No. 10 Estate Emmaus  
No. 2 Coral Bay Quarter  
St. John, U.S. Virgin Islands

or any remaining lands in Estate Emmaus, consisting of 65.6 acres, more or less, including all roads and lands encroached upon.

TOGETHER WITH the buildings and other improvements thereon and the rights, privileges, and appurtenances belonging thereto, including the rights of way and easements of record.

TO HAVE AND TO HOLD the premises conveyed hereby in fee simple absolute forever;

SUBJECT, HOWEVER, to Virgin Islands zoning regulations, and to the covenants, restrictions, easements, rights of way and easements of record.

**QUITCLAIM DEED**  
Page 2

IN WITNESS WHEREOF, the Grantor has duly executed this instrument on the date first above written.

THE BOARD OF WORLD MISSION

*Dorinda R. Galt*  
WITNESS  
*John A. Zupka*  
WITNESS

BY: *Theodore Wilde*  
Executive Director

ATTEST:

*Dorinda R. Galt*  
WITNESS  
*John A. Zupka*  
WITNESS

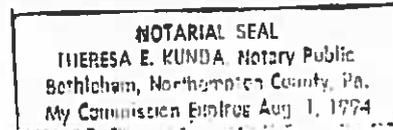
BY: *John A. Palmer*  
Treasurer/Business Director

STATE OF PENNSYLVANIA )  
COUNTY ) SS:

ON THIS THE 10<sup>th</sup> day of MARCH, 1994, before me, the undersigned officer, personally appeared THEODORE WILDE and O. LAWRENCE PALMER, who acknowledged themselves to be the Executive Director and Treasurer of THE BOARD OF WORLD MISSION, and that they as such officers, being authorized so to do, executed the foregoing instrument for the purpose therein contained by signing the name of the corporation as Executive Director and Treasurer.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

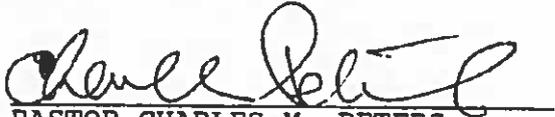
*Theresa E. Kunda*  
NOTARY PUBLIC  
My Commission Expires: Aug. 1, 1994



QUITCLAIM DEED

Page 3

This transfer is intended to confirm ownership in the above property by the Moravian Church, Virgin Islands Conference, rather than convey any property of value. Thus, there is no stamp tax due on this property for this reason as well as pursuant to Title 33, Section 128(7) of the Virgin Islands Code, which exempts transfers to a nonprofit organization when the property qualifies under the provisions of Subchapter IV of Chapter 81 of Title 33.

  
PASTOR CHARLES M. PETERS



OFFICE OF THE LT. GOV  
 CASH  OTHER  \_\_\_\_\_  
 CHECK OR M/O \_\_\_\_\_

GOVERNMENT OF  
 THE VIRGIN ISLANDS OF THE UNITED STATES  
 PA 2014 JD

OFFICE OF THE TAX ASSESSOR  
 Charlotte Amalie, St. Thomas, U.S.V.I. 00802  
 COLLECTOR NO. \_\_\_\_\_  
 COLLECTORS INITIALS \_\_\_\_\_

OFFICE OF  
 THE LIEUTENANT GOVERNOR

KONGENS BADE NO. 16  
 CHARLOTTE AMALIE  
 ST. THOMAS, VIRGIN ISLANDS 00802  
 (808) 774-2881

*49-3004-T30  
 49-134-T70*

**ADJACENT OWNERSHIP CERTIFICATION  
 (CZM)**

Property Ownership within 150' Radius of Parcel

SAREDIA DESIGN GROUP Kenneth Benjamin  
777-1600

This letter is to certify that the following list of owners and addresses are consistent with the record of the Tax Assessor's Office of Charlotte Amalie, St. Thomas, U.S. Virgin Islands.

The stated ownership are those adjacent to Parcel No. (Pin) \_\_\_\_\_

Estate 10A EST. EMMAUS CR 10E-1

Island of ST. JOHN, U.S. Virgin Islands.

DEPARTMENT USE ONLY:

AUTHORIZED SIGNATURE: [Signature]  
 Public Surveyor (Not Valid without Signature)

ALTERNATE SIGNATURE: \_\_\_\_\_  
 TAX ASSESSOR

DATE: 5/20/2014

FEE: \$30.00

DELIVERED TO CASHIER NO. \_\_\_\_\_

RECEIVED BY: \_\_\_\_\_  
 Signature of Cashier / Assistant Cashier

DATE: \_\_\_\_\_

**AJACENT OWNERSHIP CERTIFICATION  
(CZM)**

**Property Ownership within 150' Radius of**

**PARCEL NO/LOT NO.:** 10A  
**ESTATE:** EMMAUS  
**ISLANDS:** ST. JOHN

**OWNER'S NAME AND MAILING ADDRESS**

**PARCEL NO:**

V I PORT AUTHORITY  
St Thomas, VI 00801

ESTATE EMMAUS 7  
CORAL BAY

VIRGIN ISLANDS GOVERNMENT  
CORAL BAY  
St John, VI 00930

EMMAUS 1  
CORAL BAY

LEWIS, LESTER & SHIRLEY  
13311 SW 31st Avenue Rd  
Ocala, FL 34473

PCL. A EMMUS  
CORAL BAY QTR

NELSON, HALLIE & KEAN  
C/O NELINDA NELSON  
#11A  
2211 Regjerrings Gade  
St Thomas, VI 00802

USHERS KEY 18A  
CORAL BAY

NORMAN, AUBREY & AUDREY  
PO Box 983  
St Thomas, VI 00804

EST. EMMAUS #9  
CORAL BAY



MARKET STUDY AND FINANCIAL PROJECTIONS

# Proposed Coral Bay Marina Resort

CORAL BAY  
ST. JOHN, US VIRGIN ISLANDS



**SUBMITTED TO:**

Mr. Linwood Gilbert Jr., MAI  
Sirius Development LLC  
810 South Sterling Avenue  
Tampa, Florida, 33609

+1 (813) 876-1808 ext. 21

**PREPARED BY:**

HVS Valuation & Consulting  
Division of CHR Consulting Services, Inc.  
8925 SW 148th Street, Suite 216  
Miami, Florida 33176

+1 (305) 378-0404



August 19, 2013

Mr. Linwood Gilbert Jr., MAI  
Sirius Development LLC  
810 South Sterling Avenue  
Tampa, Florida, 33609

**HVS MIAMI**

8925 SW 148th Street, Suite 216  
Miami, Florida 33175  
+1 (305) 378 0404  
+1 (305) 378-4484 FAX  
[www.hvs.com](http://www.hvs.com)

- Atlanta
- Boston
- Boulder
- Chicago
- Dallas
- Denver
- Houston
- Las Vegas
- Los Angeles
- Mexico City
- Miami
- Minneapolis
- Nassau
- New York
- Newport
- Philadelphia
- San Francisco
- St. Louis
- Toronto
- Vancouver
- Washington
- Athens
- Beijing
- Buenos Aires
- Dubai
- Hong Kong
- Lima
- London
- Milan
- Moscow
- Mumbai
- New Delhi
- Sao Paulo
- Shanghai
- Singapore

Re: Proposed Coral Bay Marina Resort  
Coral Bay, St. John, US Virgin Islands  
HVS Reference: 2013060048

Dear Mr. Gilbert Jr., MAI:

Pursuant to your request, we herewith submit our market study pertaining to the above-captioned property. We have inspected the real estate and analyzed the hotel market conditions in the St. John, US Virgin Islands area. We have studied the proposed project, and the results of our fieldwork and analysis are presented in this report. We have also reviewed the proposed improvements for this site. Our report was prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP), as provided by the Appraisal Foundation.

We hereby certify that we have no undisclosed interest in the property, and our employment and compensation are not contingent upon our findings. This study is subject to the comments made throughout this report and to all assumptions and limiting conditions set forth herein.

Sincerely,  
CHR Consulting Services, Inc.

Kathy Conroy, MAI, CEO - Director/Partner  
kconroy@hvs.com, +1 (305) 378-0404 ext. 1011  
State-certified general real estate appraiser RZ741

Donald C. Stephens Jr., Vice President  
dstephens@hvs.com, +1 (407) 405-4363  
State-registered trainee appraiser RI4815  
Candidate for Designation



## Table of Contents

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# 1. Executive Summary

## Subject of the Market Study

The subject of the study is a 557,916-square-foot (12.81-acre) parcel to be improved with a full-service, resort lodging facility that will be affiliated with an internationally-recognized hotel brand. The hotel development and related supporting facilities under consideration will be known as the Coral Bay Marina Resort. The resort will also incorporate an 85 wet-slip mega yacht marina. The proposed hotel is expected to open on January 1, 2017 and will feature 130 rooms, various restaurant venues, a lounge and open-air bar, 2,500 square feet of meeting space, two freshwater outdoor pools and whirlpool, an exercise room, a business center, a gift shop, and a guest laundry room. The hotel will also feature all necessary back-of-the-house space. A schematic rendering is shown below.

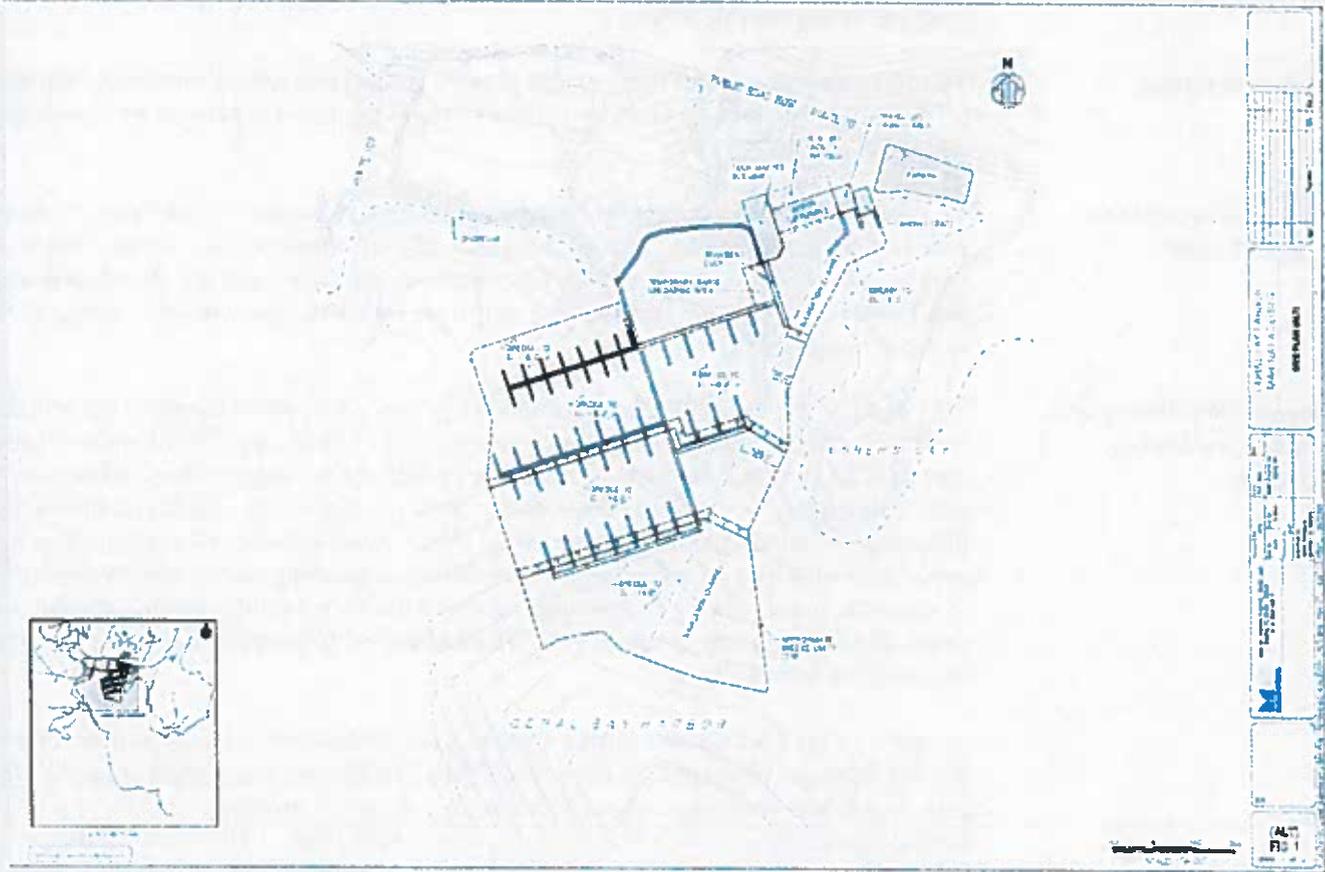
FIGURE 1-1 RENDERING OF THE PROJECT





The subject hotel site forms a lineal parcel situated along the south side of Route 10, east of Route 107, at the head of Coral Harbor, in the southeastern region of the island of St. John, in the US Virgin Islands, 00802. The future Coral Bay Marina, located just off the channel, will cater to both yachtsmen and sport fishermen, as the world famous North Drop and South Drop fishing grounds are located just off the shores of St. John.

**FIGURE 1-2 RENDERING OF THE MARINA PROJECT**



The client's intention is to develop the initial phase of the proposed project to a level comparable to an upscale resort hotel and marina. The first phase of the project will be the construction of the marina and site infrastructure, which will be followed by the construction of the hotel and related amenities. This will set the stage for subsequent development phases on the larger tract of land. Future phases call for the completion of two retail buildings containing 4,800 and 5,700

square feet, respectively. In addition, the existing baseball field will be relocated to the western portion of the site, west of Route 107, and a new facility will be constructed. At this particular stage of the development cycle, we conclude it to be premature in identifying an internationally-recognized hotel brand.

To recapitulate, the client has asked HVS to complete a market study specifically focusing on the 130-room proposed hotel. One of the main objectives of this market study is to provide the client with pertinent information of the existing upper-upscale to upscale-oriented hotel market that will compete with the proposed hotel development.

#### **Pertinent Dates**

The effective date of the report is August 19, 2013. The subject site was inspected by Donald C. Stephens Jr. on May 6, 2013. Kathy Conroy, MAI inspected the subject property on July 23, 2013.

#### **Intended Use of the Market Study**

The intended use of the market study is to assist the client in business decisions relative to the planned development. No other intended use of the report is expected. HVS has considered the intended use in determining the appropriate level of work scope and in selecting the report type for the communication of the market study results.

#### **Ownership History and Project Developer Overview**

The site for the Coral Bay Marina Resort is owned by the Moravian Church, the result of a grant from the Danish Crown over 300 years ago. The historic church still overlooks Coral Bay, which was a busy seaport for many years. Its hurricane hole protection, deep water and gentle beach made it an excellent harbor for offloading cattle and loading sugar cane. Today, with the sugar cane industry long gone, it is primarily an anchorage for recreational boaters, with a small community of shops and restaurants and offering the only boat yard on the island. It is the only reasonable location for a marina on the island of St. John, and one of few that may be developed with a resort.

In order to take advantage of this valuable asset, the Moravian Church advertised for developer proposals in the mid-2000's. Following a lengthy negotiation process, a 99-year lease was awarded to a team of professionals led by Sirius Development, LLC, which are Virgin Islands based firm. The lease is akin to a "retained use estate" interest in the Caribbean being similar to a leasehold interest, defined as "the right to use and occupy real estate for a stated term and under certain conditions; conveyed by a lease."<sup>1</sup> We assume that the future rights for operation of the proposed Coral Bay Marina Resort will be transferrable to a new owner.

<sup>1</sup> Appraisal Institute, *Uniform Standards of Professional Appraisal Practice*, 2012 – 2013 ed.



Sirius Development partnered with T-Rex Capital of Boca Raton and New York, who brought with them the promise of development funding by Lehman Brothers. Although much of the planning and environmental studies were completed, construction had not yet begun when Lehman Brothers filed for bankruptcy on September 15<sup>th</sup>, 2008.

Today, nearly five years later, Sirius has regained control of the site and is again moving forward with planning and permitting. While not a partnership, the lease has a nominal base rental and is primarily a percentage lease, enabling the church to take advantage of its unique asset as continued development and inflation occur over the years. The church will join with Sirius as co-applicant in all permitting activity.

Sirius Development is headed by Rory Calhoun, a New York attorney with experience in club management and restaurants, and who has been involved in the US Virgin Islands for many years. Other principals include Robert Parella, also a New York attorney, John Hanrahan, a Long Island investor, and Linwood Gilbert, a developer from Tampa, Florida. Jaredian Architects, headed by John Woods, AIA, based in St. Thomas, have helped assemble a professional team who has satisfactorily completed all historical and environmental surveys. The global marine engineering firm of Moffat and Nichol, who has done extensive work for the USVI government, has prepared preliminary planning for the marina and will be processing permit applications.

### **Management and Franchise Assumptions**

Details pertaining to management terms were not yet determined at the time of this report; therefore, our forecast fees represent a blended average of what would be expected on a base-fee and incentive-fee basis. We have assumed a market-appropriate total management fee of 5.0% of total revenues in our study.

We recommend that the proposed subject property operate as a full-service, upscale hotel. As of the date of this study, a hotel brand has yet to be finalized. These decisions will be made, likely in conjunction with future partners, as the developer moves forward with permitting and refining market research. The proposed subject property is expected to be managed by the brand throughout the forecast period and will, therefore, not be subject to franchise fees.

### **Assignment Conditions**

"Extraordinary Assumption" is defined in USPAP as follows:

An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Comment: Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject



property; or about conclusions external to the property, such as market conditions or trends; or about the integrity of the data used in an analysis.<sup>2</sup>

One of the primary functions of this market study is to provide our client with an analysis of current market conditions in the St. John-St. Thomas area to act as a preamble in the pursuit of applicable rezoning amendments. As indicated herein, the subject site will require various rezoning approvals to permit the proposed development to proceed. The development of the hotel is contingent on such zoning approvals being granted by the applicable regulatory authorities. Project density (developable hotel inventory, number of restaurants, amenity areas, green areas, parking requirements, etc.) and resulting site layout, are assumed to be optimally achieved through this process resulting in a minimum of developable units as described in this study.

It should be factually noted that the developers' architect designed the site layout of the proposed hotel, as presented herein, based on 65 two-bedroom hotel units (130 hotel room keys) with each unit containing approximately 1,565 square feet. The original development plan was to introduce large condominium units with the intent to sell-out the inventory to prospective buyers. Based on our findings it is clearly evident the "for sale" of condominiums in the subject's market at this particular point in time does not represent the highest and best use of the land. It is our recommendation the units be designed with flexibility in mind and be more considerate of "brand standards" regarding unit sizes. We recommend a typical hotel room size more in line with "all-suite" room configurations that typically range from 450 to 500 square feet. In the future, this may allow the developer to have a saleable product and convert part of the hotels inventory to timeshare use (by combining hotel bays as is the case with the Westin in St. John) or sell the inventory to third party owners that would participate in the resort's rental program.

It is our recommendation that the process of determining the future, 'final' project density (within the context of the permitted zoning) to be a joint effort, collectively including the developer, the architect, and knowledgeable representatives from the selected hotel brand, who collaborate on developing the future site plan. For the purpose of this study, we have made the extraordinary assumption that the minimum room inventory census is 130-rooms.

We have also assumed that the marina and related facilities have been built and are functional prior to the construction of the resort hotel. Over the development period of the marina, site infrastructure will be completed including a dredging of

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<sup>2</sup> Appraisal Institute, Uniform Standards of Professional Appraisal Practice, 2012 - 2013 ed.



the harbor, which will be utilized to accommodate a beach shoreline for the future hotel. We have assumed the marina and the resort will be constructed over the following development timeline.

**FIGURE 1-3 PROPOSED DEVELOPMENT TIMELINE FOR MARINA AND HOTEL**

Date of Study	Rezoning/Land-Use Amendment	Development of Marina	Opening of the Marina	Development of Resort	Opening of the Resort
August 19, 2013	August 2013 - July 2014 12 months	August 2014 - July 2015 9-12 months	August 1, 2015	August 2015 - December 2016 15-17 months	January 1, 2017

While it is believed that construction and development could occur at a faster rate, due to the seasonality of the market it is believed that it is best to 'officially' open the hotel at the tail-end of the hurricane cycle and at the beginning of the corresponding peak-season. An adequate period of time should be allocated during the shoulder-season to solve any potential operational issues.

According to the developer, the proposed hotel and marina are expected to benefit from a favorable tax status. In the U.S. Virgin Islands, the Industrial Development Commission (IDC) is empowered to encourage and assist in the creation and development of local business and services through the use of tax incentives. Based on the importance to the island of St. John and discussions with the developer, we have assumed that the subject property would thus be 100% exempt from taxes throughout the projection period. Should the property not successfully achieve this status, it will have a significant impact on the financial performance of the proposed development.

**USVI Hotel Development & Finance Program**

While market conditions indicate that demand for new hotel supply and market room rates are supportive of new hotel development, operating costs within the USVI remain extremely high, particularly for energy and insurance. In addition, initial development costs are high because of its island location. Together, these two factors have hindered the financial viability of many prior projects which has resulted in the lack of any new hotel resort development on the island for some time.

In a government effort to encourage the development of new hotel product on the islands, the government has put into place the *Hotel Development Act of 2011*, which allows for new hotel projects within the USVI to retain the hotel occupancy tax it generates as long as it has a mortgage. This tax can be used to offset or subsidize above-average operating costs.

The governor line-item vetoed several sections of the bill, including a section limiting the tax breaks to new hotel projects on St. Croix, a penalty for violation of the act that would reduce any tax break by 10% per month until the issue is resolved and a provision to limit the benefits to the first mortgage holder, which would have prevented the benefits from being transferred if the property is sold.

The program allows for the use of future gains in hotel room occupancy taxes and casino taxes to assist in the development of areas which would not happen solely through private investment in the reasonably foreseeable future. Money generated from the Hotel Development and Finance Program is deposited into a separate hotel development and finance trust fund, which is established for each approved project. Funds allocated and deposited into the hotel development and finance trust fund are from the hotel and casino taxes generated from the approved project. To be eligible for benefits under this program, the project must:

- Be located on the island of St. Croix, the island of St. Thomas or the island of St. John;
- 80% of all persons employed shall be residents of the U.S. Virgin Islands, provided that after the third year of operation, at least 20% of management, supervisory and/or technical positions must be filled by residents of the U.S. Virgin Islands, unless granted a waiver by the Commission;
- Obtain all of the applicable licenses or permits, permanent, temporary or otherwise as required by Title 27 of the V.I.C. and shall maintain during the term of the contract such licenses or permits;
- Comply with all applicable laws, rules, ordinances and regulations;
- Such other requirements as the VIEDA may require in conformity with the Hotel Development and Finance Program.

Once the Project Development Plan has been approved and certified and a Project Agreement has been negotiated, the Project beneficiary shall also be required to pay the following:

- The Project beneficiary shall pay an annual sum of \$500,000 to the Government of the U.S. Virgin Islands to be deposited into the Tourism Revolving Fund to be used exclusively by the Department of Tourism for marketing. Payments shall be made by January 31<sup>st</sup> of each year.
- \$20,000 shall be reserved for the Board of Education exclusively for scholarships to students whose college major is Hotel Management which shall be split equally between the Districts of St. Croix and St. Thomas/St. John.



- The Project beneficiary will also be required to contribute the sum of \$2,500 annually for the creation, development, management and maintenance of a database designed to recruit Virgin Islanders living abroad. This database shall be developed and managed by the Department of Labor in collaboration with the VIEDA.

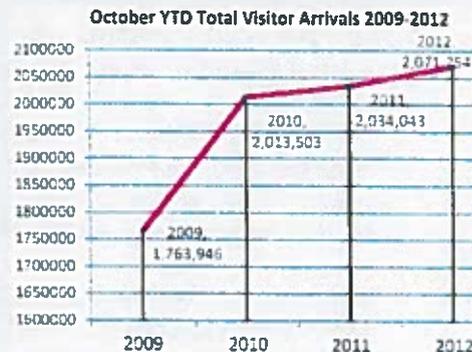
Inclusion of this tax revenue stream of a hotel effectively makes what otherwise would be a marginal investment to a very viable one. Bearing this in mind, we recommend that the developers proceed only if the project is afforded the benefits of the tax as stipulated in the *Hotel Development Act*. For the purpose of this analysis and due to the fact that the proposed subject development has not been approved by the regulatory bodies, we have not included this tax advantage into our projection. Should the property successfully achieve this status, it will have a significant impact on the financial performance of the proposed development.

### Summary of Hotel Market Trends

A total of 2,071,254 visitors arrived in the Territory (St. Thomas, St. John and St. Croix) during the first ten months of 2012 (latest available data at the writing of this report), a 1.8% increase or 37,211 more visitors than the corresponding period in 2011. There were 613,517 air visitors or 10.5% more than the 555,273 air visitors for the same ten-month period in 2011. October 2012 year-to-date cruise passengers arrivals were 1,475,737 versus 1,553,192 one year earlier. There were 501 cruise ship calls during this period, 5.8% less than last year.

The hotel occupancy rate averaged 47.5% for this period with 574,959 registered hotel guests. Local resident guests declined by 9.3%, while guests from Puerto Rico increased 2.1%. Guests from other areas and other West Indies increased by 51.7% and 13.3%, respectively. In addition, guests from Central and South America grew by 21.5% and 55.1% and visitation from Europe increased by 55.1%, and Canadian guests grew by 1.5%.

**FIGURE 1-4 TOTAL VISITOR ARRIVALS - USVI**





There has been virtually no new supply developed on the island over the past 10 years, mostly as a result of high cost of construction, energy, insurance, and maintenance in the USVI. Nonetheless, demand for accommodations has continued to grow, with the noted exception of 2012 when occupancy was negatively impacted in September and October - with over 20% year over declines - in part, as a result of hurricane Sandy.

Hurricane Sandy developed from a tropical wave in the western Caribbean Sea in late October, quickly strengthened, and was upgraded to tropical storm six hours later. Sandy moved slowly northward toward the Greater Antilles and gradually intensified. On October 24<sup>th</sup>, Sandy became a hurricane, made landfall near Kingston, Jamaica, and a few hours later re-emerged into the Caribbean Sea and strengthened into a Category 2 hurricane. Sandy hit Cuba as a Category 3 hurricane, then weakened and moved through the Bahamas re-strengthening and curving north-northwest and moved ashore near Brigantine, New Jersey, just to the northeast of Atlantic City, as a post-tropical cyclone with hurricane-force winds. Declines in northeastern travel from the US directly impacted occupancy.

As of the end of 2011, there were 47 hotels with 3,759 rooms in the USVI; this includes large resorts like the Marriott Frenchman's Reef, small inns, and even the Maho Bay Tent Camp. Separately, the USVI had a total of 1,130 condominium and timeshare units as of year-end 2011 that were rented out on a daily or weekly basis. It should be noted that this number reflects only those units registered with the government and excludes those used by the owners, and rented out on a casual or indirect basis. These units typically operate at even lower occupancy levels due to the lack of a cohesive market plan and owner usage, although the addition of professional management companies have made the condominiums at Point Pleasant, Sapphire Beach Resort, and Secret Harbor more competitive in recent years.

The lodging accommodation occupancy rate for the *entire territory* decreased from 64.4% in 2007 to 57.1% in 2011, with declines in occupancy driven by a decrease in room night demand, especially in 2009. The 2009 decline in demand is attributed to the global recession. Minimal growth in 2010-2011 is attributed to the temporary closure of the Marriott Frenchman's Reef, the de-flagging of former Holiday Inn Windward Passage, and softness within the condominium market. *In regards to St. Thomas and St. John lodging occupancy* (as St. Croix only represents roughly 25% of the territory's lodging supply), occupancy rates mimicked the territory-wide performance, decreasing from 67.7% in 2006 to 54.4% in 2011.

The Smith Travel Research (STR) Trend Report that we custom-ordered for this assignment includes one hotel located in St. John proximate to the Cruz Bay area, and four hotels located on the island of St. Thomas. We have augmented our

competitive set with other hotels located in the area. It is also important to note that the majority of upper-upscale and luxury hotel demand on the island of St. John is currently accommodated by the Westin St. John Resort and Caneel Bay Resort. Alternative hotel supply is accommodated on St. John by numerous small condominium hotels, villas and rental apartment units, which are typically rented on a seasonal basis. The STR Report data is through May of 2013.

Based on our selected primary competitive hotel set, room night demand has grown at an annual average annual compounded rate of approximately 0.3% between 2007 and 2012. Demand increased by 0.4% in 2008, and then declined by 3.1% in 2009 mirroring global economic turmoil and significant downward trends in international travel. Demand increased 1.8% in 2010, which was followed by a 2.4% increase in 2011. However, in 2012 demand declined by 2.7%. Year-to-date indicators suggest that occupancy declined by 1.6% through May 2013 compared to the same period in 2012. Over the periods analyzed, the competitive sets occupancy rate ranged from a low of 69.6% to a high of 73.3%. Occupancy rates over the past three years have been in excess of 70%.

Average rates on the other hand, increased significantly in 2008 by 11.7%, and then were offset with devastating decreases in 2009 by 13.8%. Over the past three years the average rate has regained strength by increasing at a rate of 2.9% in 2010, 3.7% in 2011 and 6% in 2012. This has resulted in RevPAR increases over the past three years of 4.7% in 2010, 6.5% in 2011 and 3.8% in 2012. The annual average compounded rate of change to the average rate is 1.7% between 2007 and 2012, which was significantly impacted with a rate compression of 13.8% in 2009. The average rate through April 2013 is down 6.3% compared to the same period in 2012. Over the periods analyzed, the competitive sets average rate ranged from a low of \$282.97 in 2009 to a high of \$328.40 in 2008. After 2009, the average rate continues to advance back to pre-recession levels and recorded a rate of \$319.90 in 2012.

The table on the following page and accompanying graph provides a historical perspective on the supply and demand trends for a selected set of hotels, as provided by STR.

The table that follows the STR Trend Report reflects the individual operating data for the Ritz Carlton in St. Thomas and the Westin Resort located on the subject's island of St. John. The aggregate operating data for the secondary hotels, on a collective basis, are also identified. These trends are presented in detail in the Supply and Demand Analysis chapter of this report.

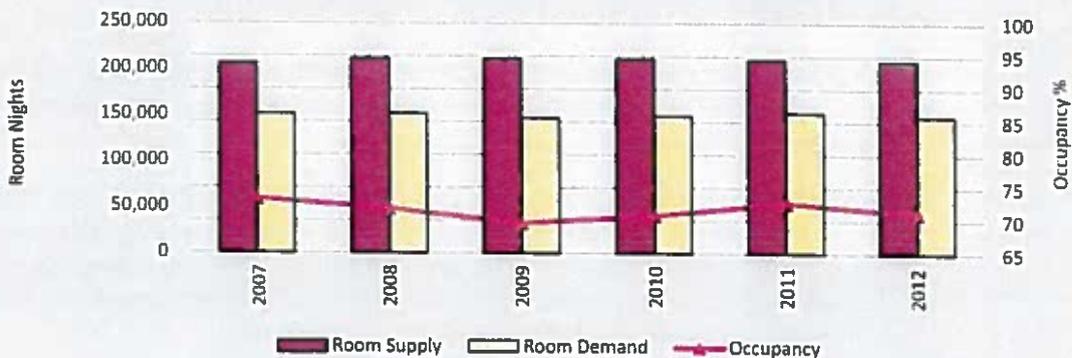


**FIGURE 1-5 HISTORICAL SUPPLY AND DEMAND TRENDS (STR)**

Year	Average Daily Room	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
2007	564	205,902	—	150,894	—	73.3 %	\$294.11	—	\$215.54	—
2008	578	210,970	2.5 %	151,468	0.4 %	71.8	328.40	11.7 %	235.78	9.4 %
2009	578	210,970	0.0	146,769	(3.1)	69.6	282.97	(13.8)	196.86	(16.5)
2010	578	210,970	0.0	149,361	1.8	70.8	291.12	2.9	206.10	4.7
2011	576	210,358	(0.3)	153,013	2.4	72.7	301.78	3.7	219.51	6.5
2012	573	209,145	(0.6)	148,931	(2.7)	71.2	319.90	6.0	227.80	3.8
Average Annual Compounded Change:										
2007-2012			0.3 %		(0.3) %			1.7 %		1.1 %
<b>Year-to-Date Through April</b>										
2012	573	68,760	—	56,614	—	82.3 %	\$390.63	—	\$321.62	—
2013	570	68,400	(0.5) %	55,735	(1.6) %	81.5	366.11	(6.3) %	298.32	(7.2) %
<b>Hotels Included in Sample</b>		<b>Location</b>	<b>Number of Rooms</b>	<b>Year Opened</b>	<b>Classification</b>	<b>Ranking</b>				
Ritz-Carlton St Thomas		St Thomas, STT	180	Jan 1996	Luxury Class	Primary - Superior				
Westin St John Resort		Great Cruz Bay, STJ	172	Jan 1986	Upper Upscale Class	Primary - Superior				
Bolong Bay Beach Resort		Charlotte Amalie, STT	77	Jun 1969	Upscale Class	Secondary - Inferior				
Best Western Plus Emerald Beach Resort		Charlotte Amalie, STT	90	Jan 1991	Upper Midscale Class	Secondary - Inferior				
Best Western Carib Beach Resort		Charlotte Amalie, STT	51	Jun 1950	Midscale Class	Secondary - Inferior				
<b>Total</b>			<b>570</b>							

Source: STR Global

**FIGURE 1-6 HISTORICAL ROOM SUPPLY, DEMAND AND OCCUPANCY (STR)**



Source: STR Global

**FIGURE 1-7 PRIMARY AND SECONDARY COMPETITORS – OPERATING PERFORMANCE**

Property	Est. Segmentatio		Estimated 2010				Estimated 2011				Estimated 2012						
	Number of Rooms	Meeting and Leisure Group	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	RevPAR Change	Occupancy Penetration	Yield Penetration
Ritz-Carlton Saint Thomas	180	85 %	180	73 %	\$414.00	\$302.72	180	71 %	\$465.00	\$330.15	180	71 %	\$494.00	\$350.74	6.7 %	99.8 %	154.2 %
Westin St. John Resort	172	85 %	172	69 %	\$311.00	\$228.39	172	75 %	\$10.00	\$32.50	172	74 %	\$318.00	\$235.32	1.7	104.0	103.4
<b>Sub-Totals/Averages</b>	<b>352</b>	<b>85 %</b>	<b>352</b>	<b>71.0 %</b>	<b>\$374.61</b>	<b>\$266.14</b>	<b>352</b>	<b>73.0 %</b>	<b>\$387.14</b>	<b>\$282.43</b>	<b>352</b>	<b>72.5 %</b>	<b>\$406.30</b>	<b>\$294.42</b>	<b>4.2 %</b>	<b>101.9 %</b>	<b>129.4 %</b>
<b>Secondary Competitors</b>	<b>218</b>	<b>85 %</b>	<b>218</b>	<b>70.0 %</b>	<b>\$155.00</b>	<b>\$108.50</b>	<b>218</b>	<b>72.0 %</b>	<b>\$162.00</b>	<b>\$116.64</b>	<b>218</b>	<b>69.0 %</b>	<b>\$173.00</b>	<b>\$119.37</b>	<b>2.3 %</b>	<b>97.0 %</b>	<b>52.5 %</b>
<b>Totals/Averages</b>	<b>570</b>	<b>85 %</b>	<b>570</b>	<b>70.6 %</b>	<b>\$291.39</b>	<b>\$205.85</b>	<b>570</b>	<b>72.6 %</b>	<b>\$301.73</b>	<b>\$219.03</b>	<b>570</b>	<b>71.1 %</b>	<b>\$319.83</b>	<b>\$227.53</b>	<b>3.9 %</b>	<b>100.0 %</b>	<b>100.0 %</b>



**Summary of Forecast  
Occupancy and  
Average Rate**

Based on our analysis presented in the Projection of Occupancy and Average Rate chapter, we have forecast the proposed subject hotel to achieve a stabilized occupancy level of 73% with a base-year average rate (ADR) position of \$288.00. The following table reflects a summary of our market-wide and proposed subject property occupancy and average rate projections.

**FIGURE 1-8 MARKET AND SUBJECT PROPERTY OCCUPANCY & AVERAGE RATE FORECAST**

Year	Area-wide Market (Calendar Year)			Subject Property (Calendar Year)			
	Occupancy	Average Rate Growth	Average Rate	Occupancy	Average Rate Growth	Average Rate	Average Rate Penetration
Base Year	71.1 %	—	\$319.83	—	—	\$288.00	90.0 %
2013	72.3	-3.0 %	310.24	—	-3.0 %	279.36	90.0
2014	73.2	3.0	319.54	—	3.0	287.74	90.0
2015	76.7	3.0	329.13	—	3.0	296.37	90.0
2016	76.9	3.0	339.00	—	3.0	305.26	90.0
2017	73.2	3.0	349.17	67.0 %	3.0	314.42	90.0
2018	73.8	3.0	359.65	69.0	3.0	323.85	90.0
2019	74.3	3.0	370.44	72.0	3.0	333.57	90.0
2020	74.7	3.0	381.55	73.0	3.0	343.58	90.0

The following table summarizes the proposed subject property's forecast, reflecting fiscal years and opening-year rate discounts.

**FIGURE 1-9 FORECAST OF OCCUPANCY AND AVERAGE RATE**

Year	Occupancy	Average Rate	Discount	Average Rate After Discount	RevPAR
2017	67 %	\$314.42	5.0 %	\$298.70	\$200.13
2018	69	323.85	0.0	323.85	223.46
2019	72	333.57	0.0	333.57	240.17
2020	Stabilized 73	343.58	0.0	343.58	250.81

**Summary of Forecast  
Income and Expense  
Statement**

Our positioning of each revenue and expense level is supported by comparable operations or trends specific to this market. Our forecast of income and expense is presented in the following table.

**FIGURE 1-10 DETAILED FORECAST OF INCOME AND EXPENSE**

	2017 (Calendar Year)			2018			2019			Stabilized			2021			
	Rooms	% Gross	PAR	Rooms	% Gross	PAR	Rooms	% Gross	PAR	Rooms	% Gross	PAR	Rooms	% Gross	PAR	
<b>REVENUE</b>																
Rooms	59,496	58.8	\$73,046	\$10,603	60.2	\$81,562	\$323.85	60.5	\$87,662	\$333.57	60.6	\$91,546	\$343.58	60.6	\$94,292	
Food & Beverage	4,664	28.9	35,880	146.72	4,910	27.9	37,766	149.95	5,219	27.7	5,432	41,783	156.81	5,595	27.7	43,036
Other Operated Departments	970	6.0	7,454	30.50	1,007	5.7	7,747	30.76	1,050	5.6	8,080	30.75	8,357	31.36	8,607	
Rentals & Other Income	1,022	6.3	7,861	32.15	1,084	6.2	8,339	33.11	1,165	6.2	8,962	34.10	9,359	35.13	9,640	
<b>Total Revenues</b>	<b>16,152</b>	<b>100.0</b>	<b>124,246</b>	<b>508.06</b>	<b>17,604</b>	<b>100.0</b>	<b>135,413</b>	<b>537.67</b>	<b>18,831</b>	<b>100.0</b>	<b>19,636</b>	<b>100.0</b>	<b>151,045</b>	<b>20,225</b>	<b>100.0</b>	<b>155,576</b>
<b>DEPARTMENTAL EXPENSES *</b>																
Rooms	2,739	28.8	21,066	86.14	2,853	26.9	21,944	87.13	2,988	26.2	22,982	87.45	23,802	89.33	24,516	
Food & Beverage	3,866	82.9	29,741	121.62	4,070	81.9	30,925	122.79	4,199	80.5	32,303	122.92	4,345	80.0	4,476	
Other Operated Departments	691	71.2	5,314	21.73	713	70.8	5,487	21.79	737	70.2	5,672	21.58	5,850	21.95	783	
<b>Total</b>	<b>7,296</b>	<b>45.2</b>	<b>56,121</b>	<b>229.49</b>	<b>7,586</b>	<b>43.1</b>	<b>58,355</b>	<b>231.71</b>	<b>7,924</b>	<b>42.1</b>	<b>60,957</b>	<b>231.95</b>	<b>63,078</b>	<b>236.73</b>	<b>64,970</b>	
<b>DEPARTMENTAL INCOME</b>	<b>8,856</b>	<b>54.8</b>	<b>68,125</b>	<b>278.57</b>	<b>10,018</b>	<b>56.9</b>	<b>77,058</b>	<b>305.97</b>	<b>10,906</b>	<b>57.9</b>	<b>83,896</b>	<b>319.74</b>	<b>87,967</b>	<b>330.14</b>	<b>11,779</b>	
<b>UNDISTRIBUTED OPERATING EXPENSES</b>																
Administrative & General	1,600	9.9	12,309	50.33	1,670	9.5	12,848	51.02	1,736	9.2	13,357	50.82	13,800	51.79	14,213	
Marketing	1,091	6.8	8,393	34.32	1,134	6.5	8,760	34.78	1,184	6.3	9,107	34.65	9,409	35.31	9,691	
Prop. Operations & Maint.	800	5.0	6,155	25.17	835	4.7	6,424	25.51	868	4.6	6,678	25.41	6,900	25.90	7,107	
Utilities	655	4.1	5,036	20.59	683	3.9	5,256	20.87	710	3.8	5,464	20.79	5,645	21.19	5,815	
<b>Total</b>	<b>4,146</b>	<b>25.8</b>	<b>31,892</b>	<b>130.41</b>	<b>4,328</b>	<b>24.6</b>	<b>33,289</b>	<b>132.18</b>	<b>4,499</b>	<b>23.9</b>	<b>34,606</b>	<b>131.68</b>	<b>35,753</b>	<b>134.18</b>	<b>36,826</b>	
<b>HOUSE PROFIT</b>	<b>4,710</b>	<b>29.0</b>	<b>36,233</b>	<b>148.16</b>	<b>5,690</b>	<b>32.3</b>	<b>43,769</b>	<b>173.79</b>	<b>6,408</b>	<b>34.0</b>	<b>49,290</b>	<b>187.56</b>	<b>52,214</b>	<b>195.96</b>	<b>6,991</b>	
Management Fee	808	5.0	6,232	25.40	880	5.0	6,771	26.88	942	5.0	7,243	27.56	7,552	28.34	7,779	
<b>INCOME BEFORE FIXED CHARGES</b>	<b>3,903</b>	<b>24.0</b>	<b>30,021</b>	<b>122.76</b>	<b>4,810</b>	<b>27.3</b>	<b>36,998</b>	<b>146.91</b>	<b>5,466</b>	<b>29.0</b>	<b>42,047</b>	<b>160.00</b>	<b>44,661</b>	<b>167.62</b>	<b>5,980</b>	
<b>FIXED EXPENSES</b>																
Property Taxes	0	0.0	0	0.00	0	0.0	0	0.00	0	0.0	0	0.00	0	0.0	0	
Insurance	448	2.8	3,444	14.08	461	2.6	3,547	14.09	475	2.5	3,654	13.90	3,764	14.12	3,876	
Reserve for Replacement	323	2.0	2,485	10.16	528	3.0	4,062	16.13	753	4.0	5,794	22.05	6,042	22.68	6,223	
<b>Total</b>	<b>771</b>	<b>4.8</b>	<b>5,929</b>	<b>24.24</b>	<b>989</b>	<b>5.6</b>	<b>7,610</b>	<b>30.22</b>	<b>1,228</b>	<b>6.5</b>	<b>9,448</b>	<b>35.95</b>	<b>9,805</b>	<b>36.80</b>	<b>10,099</b>	
<b>NET INCOME</b>	<b>\$3,132</b>	<b>19.2</b>	<b>\$24,092</b>	<b>\$98.82</b>	<b>\$3,821</b>	<b>21.7</b>	<b>\$29,389</b>	<b>\$116.69</b>	<b>\$4,238</b>	<b>22.5</b>	<b>\$32,599</b>	<b>\$124.05</b>	<b>\$34,856</b>	<b>\$130.82</b>	<b>\$4,667</b>	

\*Departmental expenses are expressed as a percentage of departmental revenues.

**FIGURE 1-11 TEN-YEAR FORECAST OF INCOME AND EXPENSE**

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>Number of Rooms:</b>	130	130	130	130	130	130	130	130	130	130
<b>Occupied Rooms:</b>	31,792	32,741	34,164	34,639	34,639	34,639	34,639	34,639	34,639	34,639
<b>Occupancy:</b>	67%	69%	72%	73%	73%	73%	73%	73%	73%	73%
<b>Average Rate:</b>	\$298.70 % of	\$323.95 % of	\$333.57 % of	\$343.58 % of	\$353.88 % of	\$364.50 % of	\$375.44 % of	\$386.70 % of	\$398.30 % of	\$410.25 % of
<b>RevPAR:</b>	\$200.13 Gross	\$223.46 Gross	\$240.17 Gross	\$250.81 Gross	\$258.34 Gross	\$266.09 Gross	\$274.07 Gross	\$282.29 Gross	\$290.76 Gross	\$299.48 Gross
<b>REVENUE</b>										
Rooms	\$9,496 58.8 %	\$10,603 60.2 %	\$11,396 60.5 %	\$11,901 60.6 %	\$12,258 60.6 %	\$12,626 60.6 %	\$13,005 60.6 %	\$13,395 60.6 %	\$13,797 60.6 %	\$14,210 60.6 %
Food & Beverage	4,664 28.9	4,910 27.9	5,219 27.7	5,432 27.7	5,599 27.7	5,763 27.7	5,934 27.7	6,113 27.7	6,297 27.7	6,486 27.7
Other Operated Department's	970 6.0	1,087 5.7	1,050 5.6	1,086 5.5	1,119 5.5	1,153 5.5	1,187 5.5	1,223 5.5	1,259 5.5	1,297 5.5
Rentals & Other Income	1,022 6.3	1,084 6.2	1,165 6.2	1,217 6.2	1,254 6.2	1,291 6.2	1,330 6.2	1,369 6.2	1,411 6.2	1,453 6.2
<b>Total</b>	<b>16,152 100.0</b>	<b>17,604 100.0</b>	<b>18,831 100.0</b>	<b>19,636 100.0</b>	<b>20,225 100.0</b>	<b>20,832 100.0</b>	<b>21,457 100.0</b>	<b>22,101 100.0</b>	<b>22,764 100.0</b>	<b>23,446 100.0</b>
<b>DEPARTMENTAL EXPENSES*</b>										
Rooms	2,739 28.8	2,853 26.4	2,988 26.7	3,094 26.0	3,187 26.0	3,283 26.0	3,381 26.0	3,483 26.0	3,587 26.0	3,695 26.0
Food & Beverage	3,866 82.9	4,020 81.9	4,199 80.5	4,345 80.0	4,476 80.0	4,610 80.0	4,748 80.0	4,891 80.0	5,038 80.0	5,189 80.0
<b>Total</b>	<b>7,296 45.2</b>	<b>7,586 43.1</b>	<b>7,974 42.1</b>	<b>8,200 41.8</b>	<b>8,446 41.8</b>	<b>8,699 41.8</b>	<b>8,960 41.8</b>	<b>9,229 41.8</b>	<b>9,506 41.8</b>	<b>9,791 41.8</b>
<b>DEPARTMENTAL INCOME</b>	<b>8,856 54.8</b>	<b>10,018 56.9</b>	<b>10,906 57.9</b>	<b>11,436 58.2</b>	<b>11,779 58.2</b>	<b>12,132 58.2</b>	<b>12,497 58.2</b>	<b>12,871 58.2</b>	<b>13,258 58.2</b>	<b>13,654 58.2</b>
<b>UNDISTRIBUTED OPERATING EXPENSES</b>										
Administrative & General	1,600 9.9	1,670 9.5	1,736 9.2	1,794 9.1	1,848 9.1	1,903 9.1	1,960 9.1	2,019 9.1	2,080 9.1	2,142 9.1
Marketing	1,091 6.8	1,139 6.5	1,184 6.3	1,223 6.2	1,260 6.2	1,298 6.2	1,337 6.2	1,377 6.2	1,418 6.2	1,460 6.2
Prop. Operations & Maint.	800 5.0	815 4.7	868 4.6	897 4.6	924 4.6	952 4.6	980 4.6	1,010 4.6	1,040 4.6	1,071 4.6
Utilities	655 4.1	683 3.9	710 3.8	734 3.7	756 3.7	779 3.7	802 3.7	826 3.7	851 3.7	876 3.7
<b>Total</b>	<b>4,146 25.8</b>	<b>4,328 24.6</b>	<b>4,499 23.9</b>	<b>4,638 23.6</b>	<b>4,787 23.6</b>	<b>4,931 23.6</b>	<b>5,079 23.6</b>	<b>5,231 23.6</b>	<b>5,388 23.6</b>	<b>5,550 23.6</b>
<b>HOUSE PROFIT</b>	<b>4,710 29.0</b>	<b>5,690 32.1</b>	<b>6,408 34.0</b>	<b>6,788 34.6</b>	<b>6,991 34.6</b>	<b>7,201 34.6</b>	<b>7,418 34.6</b>	<b>7,640 34.6</b>	<b>7,869 34.6</b>	<b>8,105 34.6</b>
Management Fee	808 5.0	880 5.0	942 5.0	982 5.0	1,011 5.0	1,042 5.0	1,073 5.0	1,105 5.0	1,138 5.0	1,172 5.0
<b>INCOME BEFORE FINED CHARGES</b>	<b>3,903 24.0</b>	<b>4,810 27.3</b>	<b>5,466 29.0</b>	<b>5,806 29.6</b>	<b>5,980 29.6</b>	<b>6,160 29.6</b>	<b>6,345 29.6</b>	<b>6,535 29.6</b>	<b>6,731 29.6</b>	<b>6,932 29.6</b>
<b>FIXED EXPENSES</b>										
Property Taxes	0 0.0	0 0.0	0 0.0	0 0.0	0 0.0	0 0.0	0 0.0	0 0.0	0 0.0	0 0.0
Insurance	448 2.8	461 2.6	475 2.5	489 2.5	504 2.5	519 2.5	535 2.5	551 2.5	567 2.5	584 2.5
Reserve for Replacement	323 2.0	528 3.0	753 4.0	785 4.0	809 4.0	833 4.0	858 4.0	884 4.0	911 4.0	938 4.0
<b>Total</b>	<b>771 4.8</b>	<b>989 5.6</b>	<b>1,228 6.5</b>	<b>1,275 6.5</b>	<b>1,313 6.5</b>	<b>1,352 6.5</b>	<b>1,393 6.5</b>	<b>1,435 6.5</b>	<b>1,478 6.5</b>	<b>1,522 6.5</b>
<b>NET INCOME</b>	<b>\$3,132 19.2 %</b>	<b>\$3,821 21.7 %</b>	<b>\$4,238 22.5 %</b>	<b>\$4,531 23.1 %</b>	<b>\$4,667 23.1 %</b>	<b>\$4,807 23.1 %</b>	<b>\$4,952 23.1 %</b>	<b>\$5,100 23.1 %</b>	<b>\$5,253 23.1 %</b>	<b>\$5,410 23.1 %</b>

\*Departmental expenses are expressed as a percentage of departmental revenues.



As illustrated, the hotel is expected to stabilize at a profitable level. Please refer to the Forecast of Income and Expense chapter of our study for a detailed explanation of the methodology used in deriving this forecast.

### Scope of Work

The methodology used to develop this study is based on the market research and valuation techniques set forth in the textbooks authored by Hospitality Valuation Services for the American Institute of Real Estate Appraisers and the Appraisal Institute, entitled *The Valuation of Hotels and Motels*,<sup>1</sup> *Hotels, Motels and Restaurants: Valuations and Market Studies*,<sup>2</sup> *The Computerized Income Approach to Hotel/Motel Market Studies and Valuations*,<sup>3</sup> *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations*,<sup>4</sup> and *Hotels and Motels – Valuations and Market Studies*.<sup>5</sup>

1. All information was collected and analyzed by the staff of CHR Consulting Services, Inc.. Information was supplied by the client and/or the property's development team.
2. The subject site has been evaluated from the viewpoint of its physical utility for the future operation of a hotel, as well as access, visibility, and other relevant factors.
3. The subject property's proposed improvements have been reviewed for their expected quality of construction, design, and layout efficiency.
4. The surrounding economic environment, on both an area and neighborhood level, has been reviewed to identify specific hostelry-related economic and demographic trends that may have an impact on future demand for hotels.
5. Dividing the market for hotel accommodations into individual segments defines specific market characteristics for the types of travelers expected to utilize the area's hotels. The factors investigated include purpose of visit, average length of stay, facilities and amenities required, seasonality, daily demand fluctuations, and price sensitivity.

<sup>1</sup> Stephen Rushmore, *The Valuation of Hotels and Motels* (Chicago: American Institute of Real Estate Appraisers, 1978).

<sup>2</sup> Stephen Rushmore, *Hotels, Motels and Restaurants: Valuations and Market Studies* (Chicago: American Institute of Real Estate Appraisers, 1983).

<sup>3</sup> Stephen Rushmore, *The Computerized Income Approach to Hotel/Motel Market Studies and Valuations* (Chicago: American Institute of Real Estate Appraisers, 1990).

<sup>4</sup> Stephen Rushmore, *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations* (Chicago: Appraisal Institute, 1992).

<sup>5</sup> Stephen Rushmore and Eric F. Baum, *Hotels and Motels – Valuations and Market Studies* (Chicago: Appraisal Institute, 2001).



6. An analysis of existing and proposed competition provides an indication of the current accommodated demand, along with market penetration and the degree of competitiveness. Unless noted otherwise, we have inspected the competitive lodging facilities summarized in this report.
7. Documentation for an occupancy and average rate projection is derived utilizing the build-up approach based on an analysis of lodging activity.
8. A detailed projection of income and expense made in accordance with the Uniform System of Accounts for the Lodging Industry sets forth the anticipated economic benefits of the subject property.



## 2. Description of the Site and Neighborhood

The suitability of the land for the operation of a lodging facility is an important consideration affecting the economic viability of a property and its ultimate marketability. Factors such as size, topography, access, visibility, and the availability of utilities have a direct impact on the desirability of a particular site.

The Coral Bay Marina Resort is situated along the south side of Route 10, and flanks both the west and east sides of Route 107, on the southeastern shoreline of the island of St. John, in the U.S. Virgin Islands (USVI), approximately eight miles east of the town of Cruz Bay. St. John is located roughly five miles east of St. Thomas, and is the smallest of the three developed U.S. Virgin Islands, encompassing roughly 11,500 acres. Of the total land mass on St. John, roughly 9,500 are owned and operated by the U.S. National Park Service. Over 5,500 acres of these lands were donated by Laurance Rockefeller in 1956. Having over two-thirds of the island designated as national park lands not only ensures the availability of surrounding natural beauty, but also mitigates the potential for the development of a comparable resort on the island.

### Physical Characteristics

The subject site measures approximately 12.81 acres, or 557,916 square feet as shown below. The parcel's adjacent uses are described in the following table.

**FIGURE 2-1 SUMMARY OF SUBJECT PROPERTY SITE AREA**

Parcel	Site Area Square Feet	Acres
Tract One	358,063	8.22
Tract Two	36,678	0.84
Tract Three	36,678	0.84
Tract Four	<u>126,498</u>	<u>2.90</u>
Total	557,916	12.81

**FIGURE 2-2 SUBJECT PARCEL'S ADJACENT USES**

Direction	Adjacent Use
North	Vacant Land, Church, Cemetary, Office/Retail
South	Coral Bay Harbor
East	Vacant Land, Residential, Restaurant
West	Vacant Land, Residential



## TOPOGRAPHIC AERIAL VIEW OF THE ISLAND OF ST. JOHN



The subject parcel is irregularly shaped, with the majority of the proposed resort situated at the head of Coral Bay. As the shoreline bends from northeast to east, the primary beach will be located adjacent to two hotel buildings next to the marina.

It should be noted that we have assumed that the marina and related facilities have been built and are functional prior to the construction of the resort hotel. Over the development period of the marina, site infrastructure will be completed including a dredging of the harbor, which will be utilized to accommodate a beach shoreline for the future hotel.

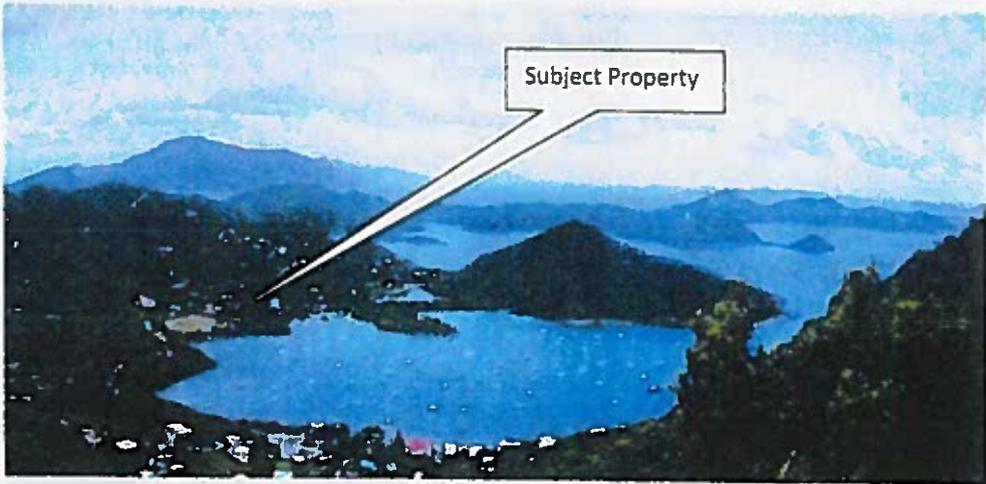
In summary, the subject site is highly conducive to the operation of a destination resort. The property's beaches and panoramic views will make it one of the premier resorts in the Caribbean, offering one of the most picturesque locations. The topography of the site successfully contributes to these panoramic views, and does not inhibit the site's accessibility.



**AERIAL VIEW OF SUBJECT SITE**

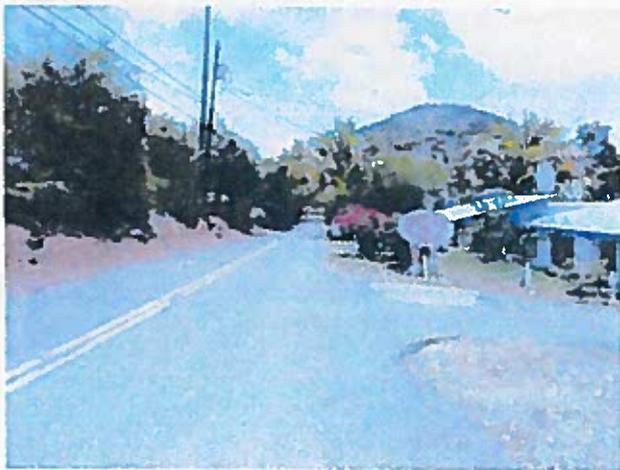


**PHOTOGRAPH OF CORAL BAY FROM MAMY'S PEAK**

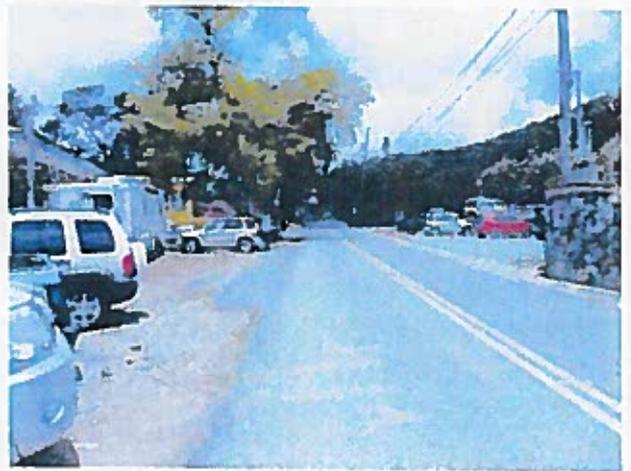




**VIEWING EAST ALONG ROUTE 10 – SUBJECT PROPERTY ON THE RIGHT**



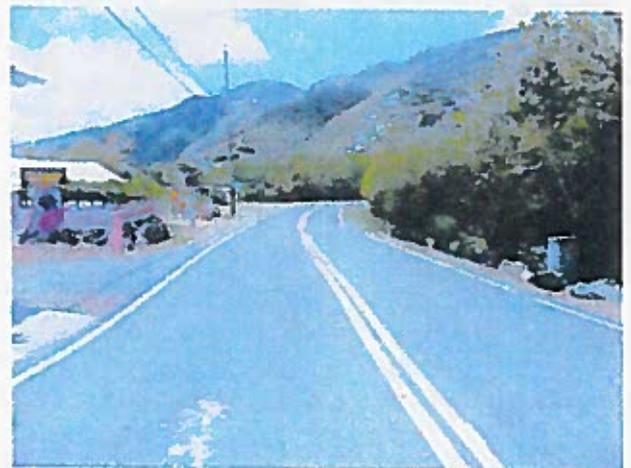
**VIEWING WEST ALONG ROUTE 10 – SUBJECT PROPERTY ON THE LEFT**



**VIEW ALONG ROUTE 10 LOOKING WEST**



**VIEW ALONG ROUTE 107 LOOKING SOUTH**



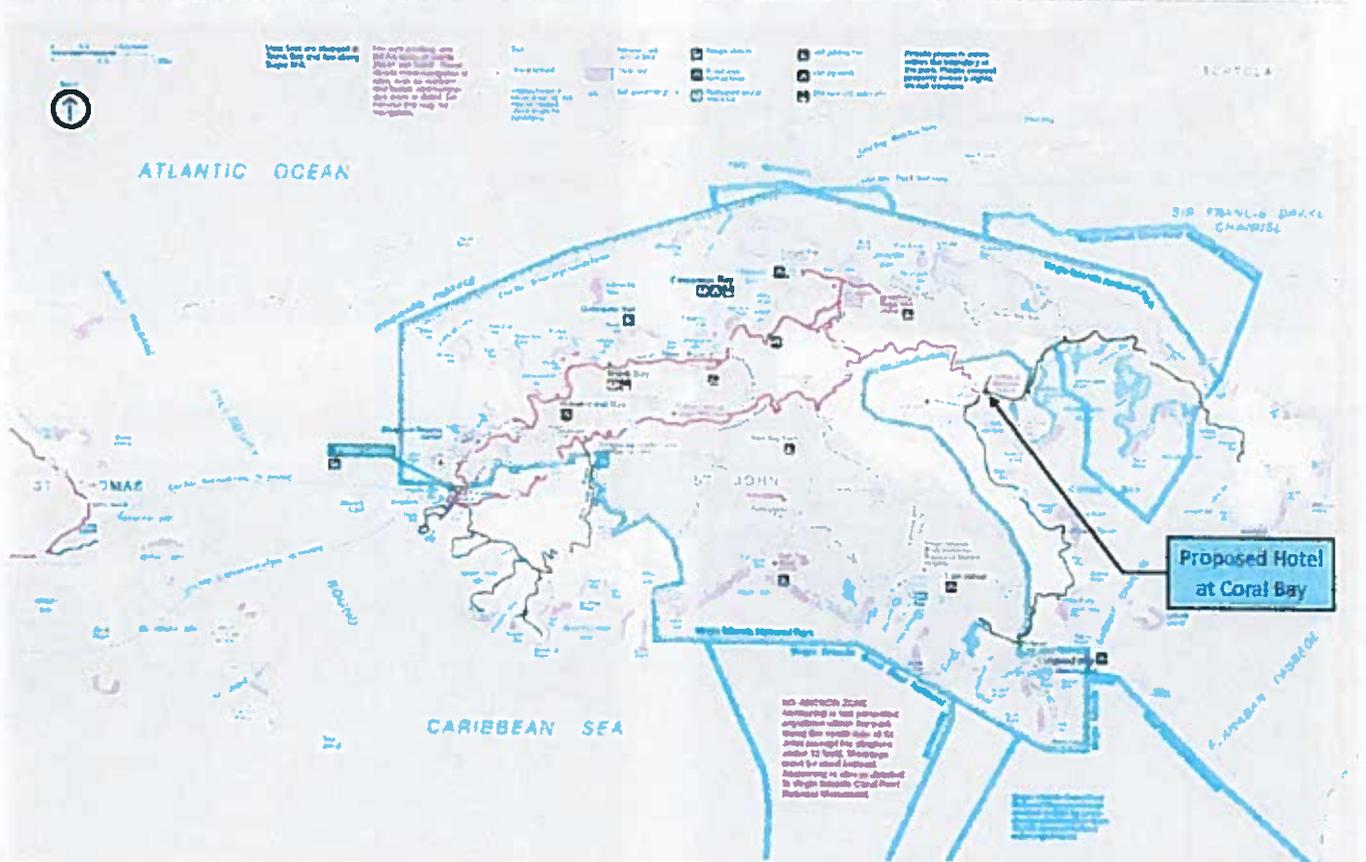
Primary vehicular access to the proposed hotel and marina will be provided by along the south side of Route 10. Access will also be available from Route 107 to the western portions of the site. The topography of the parcel is generally flat, and the site's shape is irregular.



### Site Utility

Upon completion of construction, the subject site will not contain any significant portion of undeveloped land that could be sold, entitled, and developed for alternate use. The site is expected to be fully developed with site or building improvements, which will contribute to the overall profitability of the hotel and the marina.

### MAP OF ST. JOHN



### Access and Visibility

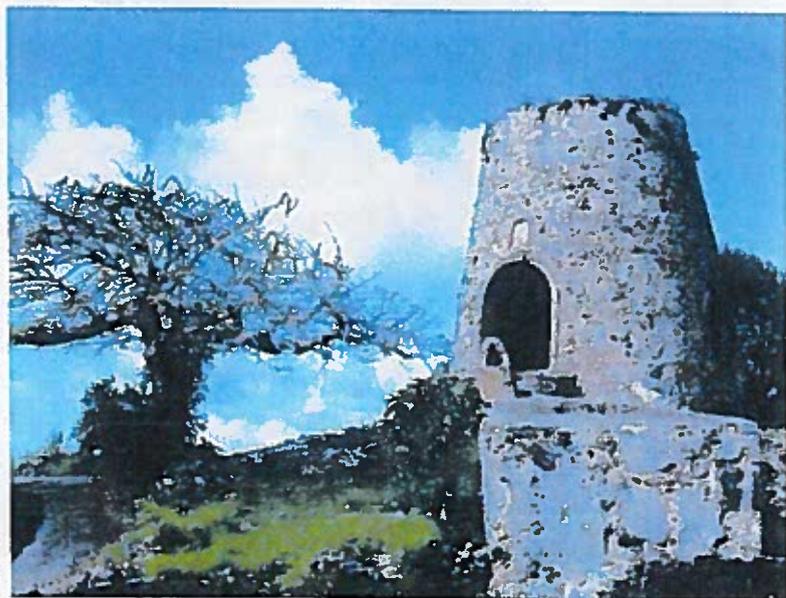
With respect to destination resort hotels, the factors of access and visibility are somewhat less important than transient lodging facilities. For a transient lodging facility, access and visibility are of primary importance in determining future operating levels, as guests of these properties tend to select a hotel on the basis of proximity to their destination and convenient access to major transportation routes. The subject market is served by a variety of local highways, which are illustrated on the map above.



In the case of a resort facility, the hotel itself is the destination – i.e., the primary reason for the trip. It is, therefore, important that the guest be able to reach the resort as directly and simply as possible. However, once there, it is not important that the guest have direct access along major transportation routes. In fact, one of the primary qualifications of many upscale resorts is the privacy and remoteness of the location, including the removal from traffic and other evidences of civilization. Getting to the property in itself is often part of the adventure and lure of the destination.

The subject property is readily accessible from most points on the island via local roadways. The primary two-way, undivided roadway on St. John is Centerline Road (Route 10), which runs eastward from Cruz Bay in the west through the central portion of the island to the east end of St. John. Although Route 10 is paved, it winds extensively over a route which is extremely mountainous. Route 10 is used primarily by motorists exploring the island and wishing to visit such sites as the Annaberg Historic Sugar Mill Ruins, the Reef Bay Trail, and the island's eastern end. Additionally, Route 10 provides access to the island's medical facility and the main heliport.

### **ANNABERG HISTORIC SUGAR MILL RUINS**



Two secondary routes on the island that connect with Centerline Road in Cruz Bay are Route 20 and the much smaller Route 104. Route 104 extends from Cruz Bay

along the southwestern portion of St. John, accessing Fish Bay a few miles to the east, after which it turns northward and rejoins Route 10 to the east of Cruz Bay. Route 104 is used by motorists wishing to access Great Cruz Bay, which houses the Westin St. John Resort. Route 20 is utilized primarily by motorists wishing to access Caneel, Trunk, and Cinnamon Bays, as well as the majority of the island's most popular beaches along the northern side. Route 20 is somewhat winding, although not to the extent of Route 10, and offers many of the island's most beautiful views. Two smaller roads numbered Routes 107 and 108 extend southward from Route 20 to access various areas of St. John.

St. John does not have a commercial airport, and one will most likely never be constructed on the island, due to the mountainous terrain and National Park Service ownership of much of the island's land. Therefore, visitors to the island must arrive by boat or helicopter. Visitors from the continental United States, Canada and Europe arrive via St. Thomas' Cyril E. King Airport, which is located on the southwestern side of that island. A more detailed discussion regarding air transportation is provided later in this study.

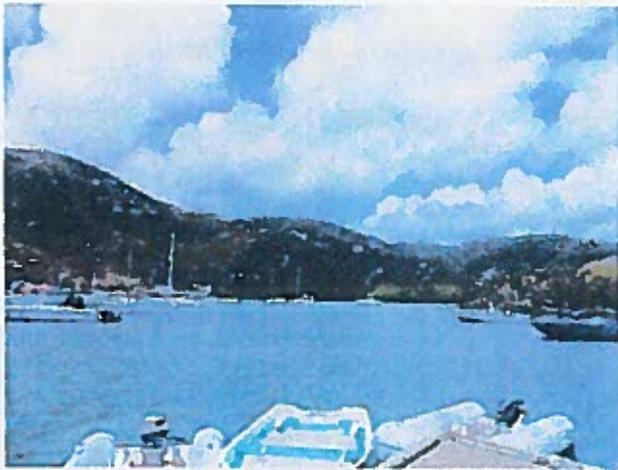
Because the ferry to St. John is launched from Red Hook Bay on the eastern side of St. Thomas, air travelers wishing to reach St. John by ferry must take a 20- to 30-minute taxi/shuttle ride to the ferry port for St. John. An additional ferry departs from downtown Charlotte Amalie, less than three miles from the airport; however, the ferry is a 45-minute ride, as opposed to the 15-minute ferry ride from Red Hook. Ferry service from Red Hook and Charlotte Amalie on St. Thomas is provided hourly to Cruz Bay, which lies approximately eight miles west of the subject property, on St. John. In addition, St. John's heliport may offer a potential means of rapid transport to the island, particularly from neighboring islands and cruise ship debarkation points.

Many of the previously described characteristics in terms of accessibility of a destination resort also apply to the visibility of a resort. The property should be visible enough so that the guests can locate it; however, visibility of the resort should be sufficiently limited to preserve the sense of privacy. It is the view from – rather than the view of – the property which contributes most to a resort's success.

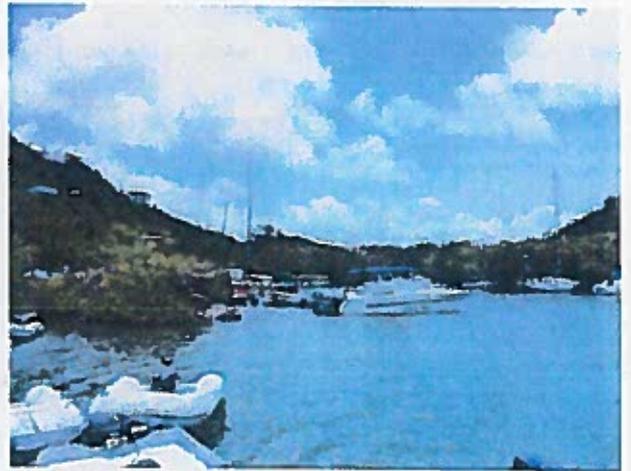
With this in mind, the proposed Coral Bay Marina Resort's visibility provides a unique and highly desirable guest experience. The subject property's seclusion, tropical setting and unique location combine to make the site highly conducive for the operation of a destination resort. The proposed subject property is expected to have adequate signage along Route 10; thus, the proposed hotel should benefit from very good visibility from within its local neighborhood. Overall, the subject site benefits from relatively good accessibility, and the proposed hotel is expected to enjoy very good visibility attributes.



**VIEW FROM SITE OF CORAL BAY**



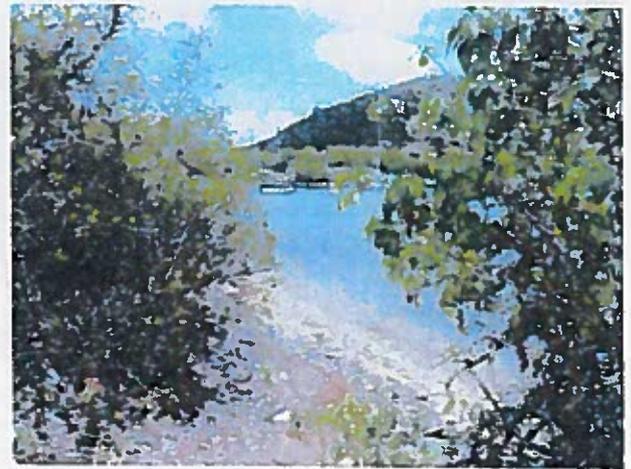
**VIEW FROM SITE TO THE EAST**



**VIEW FROM SITE TO THE EAST**



**VIEW FROM SITE TO THE EAST**



**Airport Access**

The proposed subject hotel will be served by the Cyril E. King International Airport, which is located on the island of St. Thomas. From the airport, motorists travel northeast on Airport Road until executing a right-hand turn onto Route 30 (Veterans Drive). Motorists continue on Route 30, passing through the downtown area (the Caribbean Sea will be located on motorists' right-hand side while a number of retail outlets and restaurants will be located on the left-hand side). Motorists continue traveling along Route 30, to Route 32 at Nadir and continue

east to Red Hook. Ferry service to the island of St. John is provided at the Red Hook Ferry Terminal. A route map is shown below.

#### AERIAL VIEW OF HIGHWAY LINKAGE FROM THE AIRPORT TO THE RED HOOK FERRY TERMINAL



Leaving Cruz Bay motorists take Northshore Road or alternatively, Centerline Road. The Northshore Road passes the Caneel Bay Resort, Peter Bay, Hawksnest and Trunk and Cinnamon and Maho Bays that are part of the National Park. The road turns up the hill at Maho Bay. Motorists go to intersection and turn left on Route 10/Centerline Road, and then east to Coral Bay over the ridge at Mamy's Peak. Visitors can view Coral Bay from 1,000 feet at this point of the journey. At bottom of hill, at the so-called "Triangle", motorists follow Route 10 east and the subject property is on the right-hand side, opposite to the historic Moravian Church. Continuing east on Route 10, on the left beside the church is Johnny Horn Trail, a historic road over the mountain. Continuing along Route 10 past the church, on right is the Guy Benjamin historic school, a fire department and paramedic station and Skinny Legs restaurant, a popular tourist destination.



## AERIAL VIEW OF HIGHWAY LINKAGE FROM CRUZ BAY TO CORAL BAY

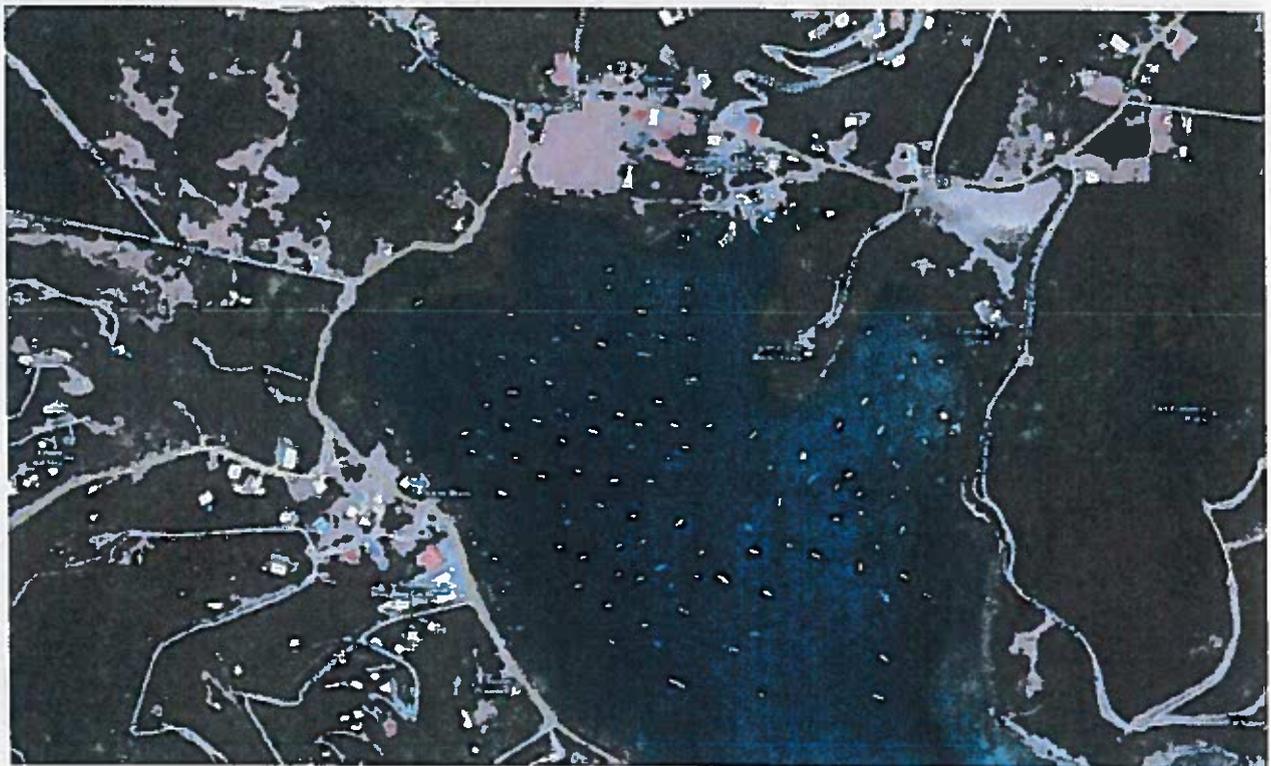


### Neighborhood

The neighborhood surrounding a lodging facility often has an impact on a hotel's status, image, class, style of operation, and sometimes its ability to attract and properly serve a particular market segment. This section of the report investigates the subject neighborhood and evaluates any pertinent location factors that could affect its future occupancy, average rate, and overall profitability.

Coral Bay is the community surrounding Coral Habor, an extension off the body of water that includes Hurricane Hole, one of the most sheltered harbors in the Caribbean. Coral Bay was the site of one of the earliest settlements on the island, chosen for its protected waters and fairly deep water up to the beach, which made for easy offloading of cargo from sailing ships. The island was settled from the late 1600s, and was claimed by the Danish in 1718. The surrounding countryside offered places to farm and raise farm animals. Some say the term Coral Bay began as Krall Bay, meaning corrals for cattle. It was the largest community on the island until the introduction of a ferry into Cruz Bay, on the western end, near St. Thomas, which is now the largest town.

## AERIAL OF THE NEIGHBORHOOD



Coral Bay has a thriving, yet somewhat sleepy character, and has grown rapidly in recent years. Much of the activity has been centered near the historic Moravian Church. The church property includes a soccer and baseball field, which is used for community events. Small local shops and restaurants of all description are scattered along the waterfront, and homes and small condominium projects are perched on the mountainsides. The harbor has long been a haven from the sea, and many live on sailboats, although they are gradually being moved to mooring balls by the US Park Service. The well-known Skinny Legs bar is located at Coral Bay, and Coral Bay Marine has offered boat repairs since 1984, continuing a 300 year-old tradition. They have only a dinghy dock, and boats are hauled from the sea on trailers up a boat ramp.

St. John is world renowned for its many beautiful beaches, but has only two harbors, including the small densely developed Cruz Bay at the west end that mainly is a government-owned area offering few boat slips. The only other harbor suitable for development is Coral Bay.



The area immediately surrounding the subject property is characterized by National Park land replete with natural vegetation and fauna. The undeveloped, pristine character of the area enhances the subject property's appeal as a resort destination. Overall, the supportive nature of the development in the immediate area is considered appropriate for and conducive to the operation of a hotel.

#### Utilities

According to property ownership, the subject site will be served by all necessary utilities. We note that the subject property should incorporate an on-site reverse-osmosis water treatment plant, as well as an on-site sewage treatment plant. We assume that all other utilities have been acquired from the most cost-effective providers within the local market.

#### Soil and Subsoil Conditions

Geological and soil reports were not provided to us or made available for our review during the preparation of this report. We are not qualified to evaluate soil conditions other than by a visual inspection of the surface; no extraordinary conditions were apparent.

#### Nuisances and Hazards

We were not informed of any site-specific nuisances or hazards, and there were no visible signs of toxic ground contaminants at the time of our inspection. Because we are not experts in this field, we do not warrant the absence of hazardous waste and urge the reader to obtain an independent analysis of these factors.

#### Zoning

According to the local planning office, the subject property is zoned as follows: W-1, W-2 and R-2. This zoning designation allows for most waterfront pleasure and waterfront industry uses, and the R-2 zoning is designated for low-density residential uses. We assume that all necessary permits and approvals will be secured (including the appropriate liquor license) and that the subject property will be constructed in accordance with local zoning ordinances, building codes, and all other applicable regulations. Our zoning analysis should be verified before any physical changes are made to the site.

Specifically, the Coral Bay site is part W-1 and part W-2, and R-2 west of the road. W-1 is the recreational marine; W-2 is the heavy marine, which is required for the eastern portion of the site. The future ball field and customs office is west of 107 and the R-2 zoning will need to be amended. In summary, the west end of the site will need amendment from W-2 to W-1. It is our recommendation that the process of determining future project density to be a joint effort, collectively including the developer, the architect, and knowledgeable representatives from the selected hotel brand to assist in presenting an applicable model of the future site plan.

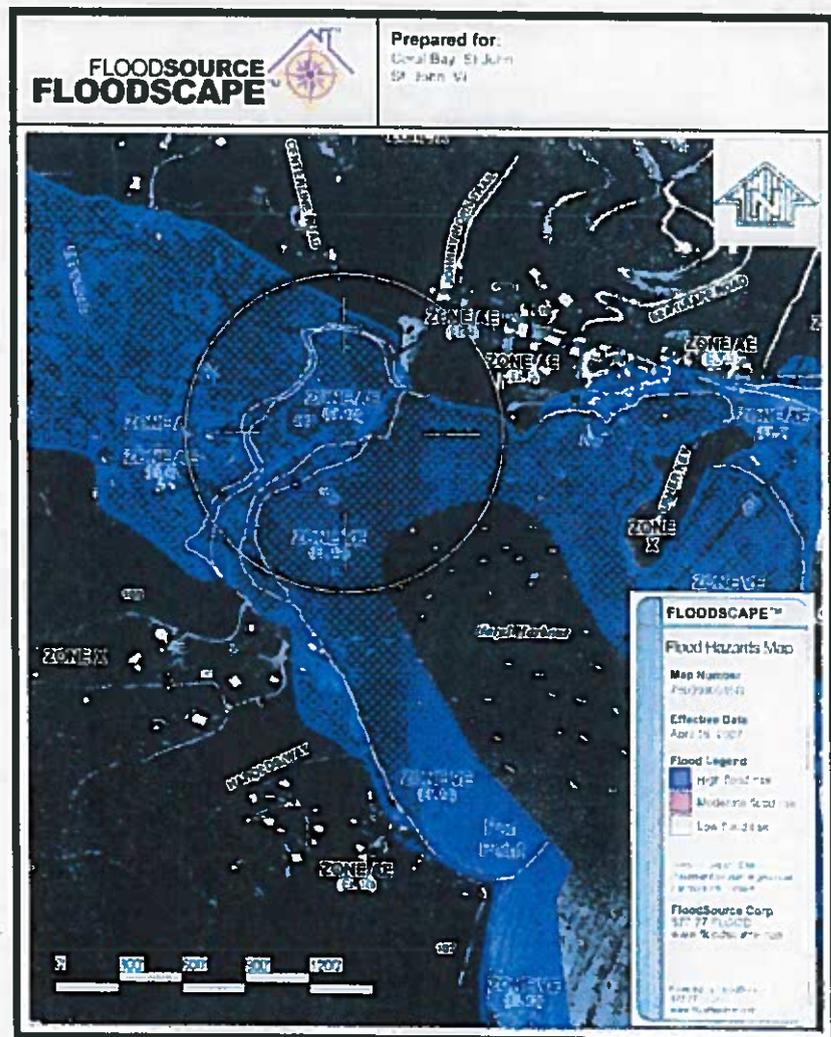




### Flood Zone

According to the Federal Emergency Management Agency map illustrated below, the subject site is located in flood zone AE and VE.

### COPY OF FLOOD MAP AND COVER



The flood zone definition for the AE designation is as follows: areas of 100-year flood; base flood elevations and flood hazard factors not determined (flood insurance required; refer to FEMA for more specific information on A codes). The flood zone definition for the VE designation is as follows: areas of 100-year coastal flood with velocity (wave action); base flood elevations and flood hazard factors



not determined (flood insurance required; refer to FEMA for more specific information on V codes). It should be noted that St. John is subject to heavy rains, particularly during the months of August, September, and October.

**Easements and Encroachments**

We are not aware of any easements attached to the property that would significantly affect the utility of the site or marketability of this project.

**Conclusion**

We have analyzed the issues of size, topography, access, visibility, and the availability of utilities.

The subject site is extremely well suited for the operation of a destination resort. The size of the site is more than sufficient for the operation, and the topography of the land complements the resort's unique surroundings. The resort's setting will be highly rated in the international resort market, which will greatly enhance the property's appeal within the competitive market. In particular, the site benefits from both good airlift via St. Thomas and its remote and exclusive location on the Island of St. John.

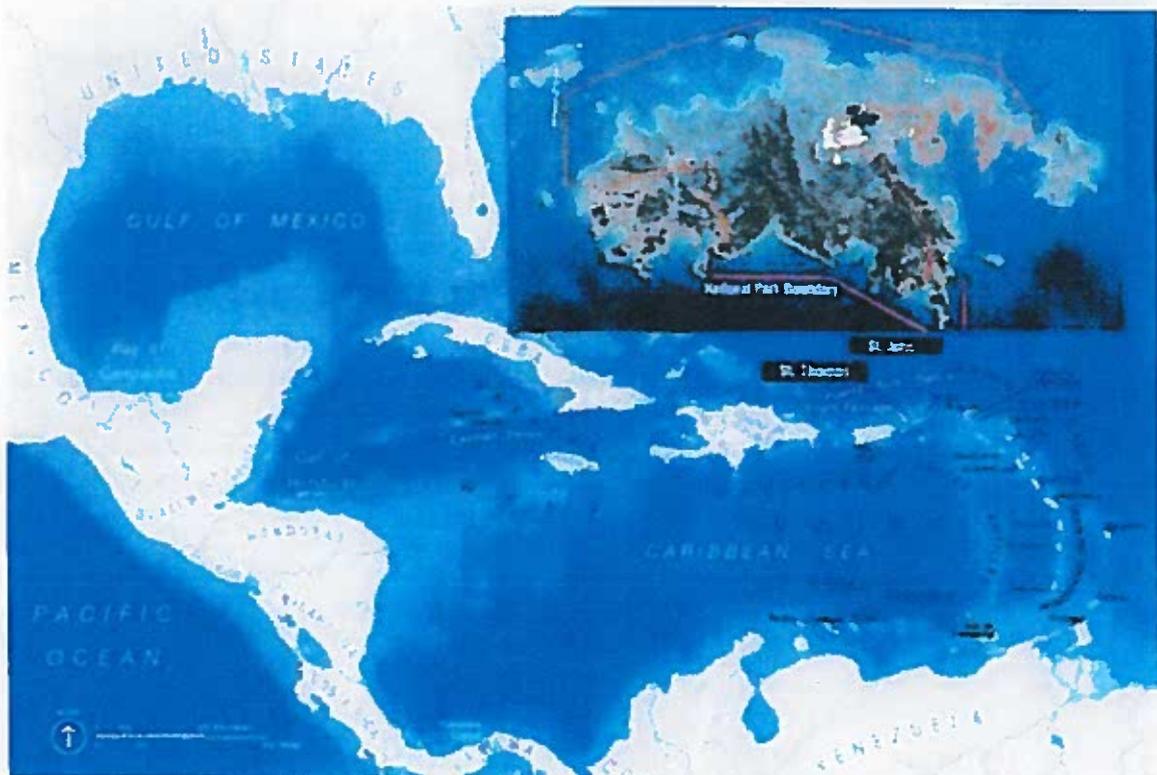
While all lodging properties in the St. John market, the many world-renowned beaches and the historic ruins within the National Park, the proposed Coral Bay Marina Resort is the only property to have the ability to market a true marina resort, taking advantage of the sailing and fishing and other water-oriented recreational opportunities. Destinations in the British Virgin Islands are a short boat ride across the Sir Francis Drake channel, which offers the best sailing waters in the world.



### 3. Market Area Analysis

The economic vitality of the market area and neighborhood surrounding the subject site is an important consideration in forecasting lodging demand and future income potential. Economic and demographic trends that reflect the amount of visitation provide a basis from which to project lodging demand. The purpose of the market area analysis is to review available economic and demographic data to determine whether the local market will undergo economic growth, stabilize, or decline. In addition to predicting the direction of the economy, the rate of change must be quantified. These trends are then correlated based on their propensity to reflect variations in lodging demand, with the objective of forecasting the amount of growth or decline in visitation by individual market segment (e.g., commercial, meeting and group, and leisure).

#### MAP OF MARKET AREA





The following exhibit illustrates the location of St. John relative to the other destinations in the Caribbean basin and its primary source of tourism demand, the United States.

### MAP OF MARKET AREA



#### Market Area Definition

The market area for a lodging facility is the geographical region where the sources of demand and the competitive supply are located. The subject site is located on the island of St. John, in the US Virgin Islands. St. John, described as one of the most beautiful islands in the Caribbean, is about two-thirds national park ( $\pm 7,700$ -acre), attracting thousands of visitors annually.

The primary source of demand for hotel room nights in St. Thomas-St. John-St. Croix is mainland United States. In general, lodging facilities in tri-islands currently compete with other facilities in the greater Virgin Islands (U.S. and British), and, to a lesser degree, other facilities in the collective Caribbean basin.



## ST. JOHN – NORTHERN COASTLINE



St. John (along with St. Thomas and St. Croix) was purchased by the United States in 1917 to serve as a strategic position during World War I. The United States utilized these islands to protect the Panama Canal and to maintain a strong presence in the Caribbean Sea.

The jurisdictions governing the subject property are the Territorial Government of the Virgin Islands and the Federal Government of the United States. The United States Virgin Islands, an Unincorporated Territory of the United States, are located in the Caribbean Sea, some 1,500 miles southeast of New York, 1,100 miles southeast of Miami, and 70 miles east of San Juan.

We note that the subject market extends beyond the conventional borders of the U.S. Virgin Islands, as it covers the central portion of the Caribbean basin, including territories such as the British Virgin Islands, Anguilla, St. Martin, and Nevis. For the purpose of this analysis, however, we have concentrated our discussion on economic and demographic indicators pertaining to the subject property's local governing jurisdiction – the USVI.

More than 50 islands comprise the group under the sovereignty of the United States; of these, only three – St. Croix, St. Thomas and St. John – have a size or population of any significance. All of the other islands in the American Group, with a total land area of 130 square miles, are either uninhabited or lack the facilities necessary to be habitable. St. Croix, with 84 square miles, is the largest; followed by St. Thomas, containing 32 square miles; and St. John, the smallest of the three, with 20 square miles. The capital of the Virgin Islands is Charlotte Amalie, on the Island of St. Thomas. The Virgin Islands have a republican form of government headed by a Governor and a Lieutenant Governor, both of whom are elected by popular vote.

Although English is the predominant language, the inhabitants of the Virgin Islands represent a variety of races and cultural heritages, and are of many backgrounds - American, French, African, Danish, Spanish, Scottish and Portuguese - reflecting successive periods of colonization. The islands were discovered and named by Columbus when he landed in the Salt River Bay on St. Croix. In 1917, the United States purchased the Virgin Islands from Denmark for \$25,000,000. The history of the islands under the U.S. flag has been one of evolution to more modernized land uses, higher levels of education, greater emphasis on a tourist-oriented economy and increased local autonomy.

The climate of the Virgin Islands is quite temperate, with a year-round average temperature of 78° F. and relatively low humidity. Rainfall averages 45 inches per year, in the form of brief showers. The islands, containing no rivers, streams or lakes, are of volcanic origin, and are characterized by mountainous terrain, although the topography of St. Croix is somewhat more level than that of St. Thomas and St. John. It should be noted that the U.S. Virgin Islands in general and the Island of St. John in particular, have no active volcanoes. Aside from the sun, sand, and sea, the Virgin Islands have few natural resources, but do offer an abundance of tropical flora, such as hibiscus, oleander, poinsettia and wild orchids, and tropical fruits, including mangoes, limes, avocados and papayas.

The publicity surrounding the devastating impact of Hurricanes Marilyn in 1995, Georges in 1998, Jose and Lenny in 1999, and Hurricane Debby in 2000 was an obvious reminder of the threat of destructive tropical storms and hurricanes in the area. For example, Hurricane Marilyn inflicted severe damage to the economy of St. Thomas and more moderate damage to the Islands of St. John and St. Croix. According to Bureau of Economic Research estimates, roughly \$350 million in tourist-related revenue is estimated to have been lost, due to ships and air tourists substituting non-USVI ports after Hurricane Marilyn. In addition, prior to the hurricane, unemployment in the USVI was 5.5%; post-hurricane unemployment neared 25% (15,000 people).