

*Testimony of*  
***Vincent Richards***  
*Assistant Commissioner of the*  
*Department of Property and Procurement*  
*On behalf of*  
***Lisa M. Alejandro***  
*Commissioner of the Department of Property & Procurement*

*On*

*Lease Agreements between the Department of Property and Procurement on behalf of the*  
*Government of the Virgin Islands and Tropical Marine, Inc. and Charles M. Kim V.I.*  
*Foundation, Inc. d/b/a Virgin Islands Museum of Art*

*Before*

***Committee on Budget, Appropriations, and Finance***

*March 18, 2025*

***Earle B. Ottley Legislative Chambers***  
***ST. THOMAS, U.S. VIRGIN ISLANDS***

Good morning, Committee Chair Novelle E. Francis, Jr, Vice-Chair Marvin A. Blyden, Jr., Committee members, Honorable Senators, Non-Committee members, Central and Legislative Staff, fellow testifiers, visitors present in the chambers, and members of the viewing and listening audience.

I am Vincent Richards, Assistant Commissioner of the Virgin Islands Department of Property and Procurement. I am testifying today on behalf of Commissioner, Lisa M. Alejandro, to support the proposed Lease Agreements in the St. Thomas/St. John District before this Committee for consideration. Today, DPP respectfully requests this Committee's, and ultimately the full Senate's approval of the Lease Agreements between the Government of the Virgin Islands and Tropical Marine, Inc. (*hereafter "Tropical Marine" – Bill No. 36-0028*) and Charles M. Kim V.I. Foundation, Inc. d/b/a Virgin Islands Museum of Art (*hereafter "Charles M. Kim" – Bill No. 36-0040*).

These Lease Agreements all require legislative approval in accordance with 31 V.I.C. § 205 (c). Their terms all commence on the first (1<sup>st</sup>) day of the month following the approval of the Governor and Legislature of the Virgin Islands. The rent payable under one of these leases shall be adjusted annually, including any renewal term, in accordance with the Consumer Price Index (CPI) increase established by the U.S. Department of Labor, Bureau of Labor Statistics. These Agreements require a minimum of **One Million Dollars and Zero Cents (\$1,000,000.00)** for all limits of general liability coverage.

As the Premises owner, DPP will be required to approve all permits and licenses required for the development of the premises. These potential Lessees have provided the applicable documentation to support the processing of their respective Lease Agreements with the GVI, including any respective Business License and Certificates of Good Standing.

#### **I. Bill No. 36-0028 (Tropical Marine, Inc.)**

The Lease Agreement between Tropical Marine and the GVI acting through the DPP is for Parcel No. 37-1 Estate Nadir, No. 2 Red Hook Quarter, St. Thomas, United States Virgin Islands, consisting of 20,908.8 U.S. sq. ft. or 0.48 U.S. acre(s) of land more-or-less, and a portion of unsurveyed Estate Nadir, No. 2 Red Hook Quarter, St. Thomas U.S. Virgin Islands, consisting of 7,083 U.S. sq. ft. or 0.163 U.S. acre(s) of land more-or-less. The properties will be used for the operation of a retail shop, commercial spaces, marine engine repair shop, the import and sale of goods, parking lot, and for other related purposes.

The term of this agreement is fifty (50) years and provides for two (2) additional terms of ten (10) years. The annual rent will be **Thirty Thousand Dollars and Zero Cents (\$30,000.00)** payable in equal monthly installments of **Two Thousand Five Hundred Dollars and Zero Cents**

**(\$2,500.00)** during the term of this Lease. A Construction Period of twenty-four (24) months has been granted to the Lessee.

Tropical Marine has been the Lessee of the premises since November 2005. They have consistently kept their account in good standing. Tropical Marine has made significant investment on both the upland and submerged property beautifying the premises by creating a lighted and secure parking area. The Ruan family are role models in the local marine & boating business.

## **II. Bill No. 36-0040 (Charles M. Kim V.I. Foundation, Inc. d/b/a Virgin Islands Museum of Art)**

The proposed Lease Agreement between Charles M. Kim and the GVI acting through the DPP is for a portion of Lot No. 48b Norre Gade, Kings Quarter, St. Thomas, Virgin Islands, consisting of a multi-story building of 12,300 U.S. sq. ft. residing on 10,000 U.S. sq. ft. or 0.229 U.S. acre(s) of improved property more-or-less. The Lessee will use the premises to demolish, renovate, and/or rebuild a historical-looking, substantially similar, but not identical, replica of the existing building, which complements the historic district of not less than 7,500 square feet of interior, and not including any tower or lookout-type structure. Lessee shall permit use of the Premises for the operation of museums, galleries, and exhibition, for community and civic purposes, studios, and production of art, culture, and historical materials and associated office and/retail use and other related purposes.

The subject building was originally constructed in 1914 by Hamburg-America Shipping Lines and served as their administrative office in Charlotte Amalie, St. Thomas. It later housed U.S. federal agencies, including the U.S. Customs, Immigration and Naturalization Service, the U.S. Marshal Service, and the U.S. District Court. More recently, the building was home to the 19th, 20th, and 21st Legislatures of the Virgin Islands.

After numerous walkthroughs and assessments from multiple structural engineers, it has been concluded that the building has reached the end of its lifecycle. The building is the first building of its kind in the US Virgin Islands, but unfortunately was originally constructed using “beach sand,” which has led to the corrosion of the rebar, causing severe spalling of the concrete. As a result, the building is now considered structurally unsound and unfit for occupancy.

During renovation of a nearby building, DPP had the subject building wrapped in a meshed fabric to improve its visual aesthetics and, more importantly, to mitigate potential hazards and liabilities.

The term of this proposed lease agreement is 99 years, with two (2) additional renewal options. The annual rent will be \$1,200.00 during the term of the lease A Construction Period of sixty (60) months has been granted to the Lessee. The project is currently estimated to cost well over Five

Million Dollars (\$5,000,000.00). The proposed lease agreement requires the Lessee to place Five Million Dollars (\$5,000,000.00) in cash in escrow as a Performance Bond before beginning demolition. Upon completion of demolition, the escrowed funds will be released by Lessee, and the contractor will obtain a \$5,000,000.00 performance bond in favor of the GVI as security for the Lessee's obligation and performance of the construction.

This proposed lease agreement will support an ongoing revitalization of the historic downtown Charlotte Amalie and will be a catalyst for further similar redevelopment projects. The rehabilitation of this property will also positively impact the property value of surrounding properties -increasing the GVI property tax role. This agreement will also remove one more derelict property from the GVI inventory of real estate.

This proposed lease agreement represents a once-in-a-lifetime opportunity. The development of the new structure will provide immense benefits to the community. The project is a "win-win" for the people of the Virgin Islands, and we respectfully seek this Committee's support.

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As the custodian of all GVI-owned properties, the Department of Property & Procurement remains committed to developing mutually beneficial partnerships that unlock the true value of GVI owned properties. Commissioner Lisa M. Alejandro is dedicated to fostering agreements that benefit both the government and the community at large.

These lease agreements will (1) assist a locally owned family business in expanding and improving its operation in the boating industry in the St. Thomas/St. John District, and (2) assist a local non-profit to rehabilitate an iconic piece of Virgin Islands' history while creating a much-needed venue for both locals and visitors. These investments individually and together demonstrate two families' multi-generational commitment to the territory, and will contribute significantly to the long-term expansion of the Virgin Islands' economy. Furthermore, at the end of the lease terms, the properties will be returned to the GVI in much-improved conditions.

DPP respectfully requests that the Committee on Budget, Appropriations, and Finance vote in favor of these Lease Agreements.

Thank you for your consideration. I am available to answer any questions the Committee may have regarding the proposed Lease Agreements.