Legislature of the Virgin Islands

P.O. Box 1690, Emancipation Garden Station

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POST AUDIT DIVISION

May 12, 2025

MEMORANDUM:

TO: Honorable Novelle E. Francis, Jr.
Chairperson,
Committee on Budget, Appropriations and Finance
36th Legislature of the Virgin Islands

FROM: Post Audit Division

SUBJECT: Lease Agreement

LESSOR: Department of Property & Procurement

LESSEE: PEO Productions, LLC d/b/a WSTA Radio

PREMISES: **a.** Parcel No. 121 Submarine Base, No. 6 Southside Quarter, St. Thomas, U.S. Virgin Islands, consisting of approximately 12,160.35 sq. ft. or 0.279 acres of improved land more or less, and
b. Parcel No. 167 Sub Base, No. 6 Southside Quarter, St. Thomas, U.S. Virgin Islands, consisting of approximately 2,971.58 sq. ft. or 0.0682 acres of improved land more or less; and
c. Parcel No. 171 Sub Base, No. 6 Southside Quarter, St. Thomas, U.S. Virgin Islands, consisting of approximately 1,437.75 sq. ft. or 0.033 acres of improved land more or less.

TERM: Twenty (20) year period, with an option to renew for two (2) five (5) year periods. The initial lease term commences on the first day of the month following approval by the Legislature and the Governor of the Virgin Islands.

PURPOSE: The property will be used to operate a radio station and radio tower, and for other related purposes.

LEASE SUMMARY

BACKGROUND: PEO Productions, LLC, operating as WSTA Radio, is a locally owned radio station in the U.S. Virgin Islands. As the first station to broadcast in the territory, WSTA offers a full-service variety format and is well-known for its commitment to community engagement and public service, often continuing operations during major hurricanes.

REQUIRED SUPPORTING DOCUMENTATION

DOCUMENT	EXPIRATION DATE
Business License	4/30/2025
Trade Name Registration	3/01/2027
Certificate of Liability Insurance	3/12/2026
Certificate of Good Standing	6/30/2025

PAYMENT TERMS

The lease outlines an annual rent of $30,000, which must be paid in equal monthly installments of $2,500.00, due on the first of each month throughout the lease period. If the lease is assigned or transferred, however, the Assignee must pay the Lessor an Annual Rent of $90,000.00, also payable in monthly installments. After the first year of the initial term and each year thereafter, the rent will be adjusted according to the Consumer Price Index, but any increase will be capped at 3% of the preceding year’s rent. Moreover, the rent will never drop below the original annual amount of $30,000. A late fee of 10% will be applied to the monthly payment if the rent is not received within ten (10) days of the due date.

IMPROVEMENTS

According to the lease terms, the Lessee shall provide the improvements listed below at its own cost and expense, which are estimated to cost approximately One Hundred Thousand Dollars ($100,000.00). Improvements to the property include the following:

a. Security Fencing;
b. Repair Roofing; and
c. Install hurricane shutters.

The improvements shall be completed no later than twenty-four (24) months after the Commencement Date of this Lease.

Lessee agrees to keep the said Premises and appurtenances as repaired, in a clean, sightly, and tenantable condition, and to return said Premises to Lessor upon the expiration or other termination of this Lease, in as goof condition as it was since the last repairs were made, less reasonable wear and tear from intervening use.

LIABILITY INSURANCE

Under the terms of the Lease, the Lessee agrees to:

- Keep in force a policy of public liability and property damage insurance with limits of not less than:
  - One Million Dollars ($1,000,000.00) property damage,
  - One Million Dollars ($1,000,000.00) for one person injured or killed, and
  - One Million Dollars ($1,000,000.00) for any number of persons injured or killed in any one accident.

- All of the said insurance shall be in a form satisfactory to Lessor and shall provide that it shall not be subject to cancellation, termination, or change, except after thirty (30) days prior written notice to Lessor.

ADDITIONAL INFORMATION
Detailed information on the following items can be found in the attached lease document:

EXECUTIVE BRANCH APPROVALS

Signee	Title	Department	Date of Signature
Lisa M. Alejandro	Commissioner	Department of Property & Procurement	3/19/2025
Lauren Doudreaux	Assistant Attorney General	Department of Justice	3/26/2025
Honorable Albert Bryan Jr.	Governor	Office of the Governor	4/1/2025

ANALYSIS
WSTA Radio, known as "The People's Station" is a historic radio station licensed in St. Thomas U.S. Virgin Islands. Serving as the territory's primary entry point station in the Emergency Alert System, it plays a critical role in ensuring residents receive vital information during emergencies, Previously owned by Ottley Communications Corporation, the station now operates as PEO Productions, LLC and maintains a full-service variety format, featuring a mix of music, news, and talk programming.

Based on budgetary information submitted in prior years to the Post Audit Division by the Department of Property & Procurement, the previous rental rates for Parcels No. 121, 167 and 171 – comprising the radio station, parking area, and tower site, respectively – are provided in the table below.

Category	Amount
Rent Range from 1996 – 2021*	$898.00 - $1,078.82
New Rent Amount	$2,500.00
Min. - Max. Increase	$1,421.18 - $1,602.00
Min. - Max. % Increase	131.7% - 178.4%

*** The rent range was based on the Lease Agreement between Property and Procurement and Ottley Communications.**

The lease agreement presents several internal inconsistencies that warrant closer examination, particularly regarding provisions related to assignment, transfer, and subleasing. Subsection (a) of Section 3.01 stipulates that in the event the Lessee assigns or transfers the lease, the annual rent shall increase from ***$30,000 to $90,000—a 200% escalation***. However, this provision appears to deviate from standard leasing practices historically administered by the Department of Property and Procurement. A review of prior lease agreements submitted to the Post Audit Division revealed no such clause applying a rent tripling upon assignment or transfer, making this clause a significant departure from precedent.

Moreover, this provision is in direct conflict with Section 9.04 of the same agreement, which explicitly prohibits any assignment or transfer of the lease or its interests without the prior written consent of the Lessor. This contradiction raises concerns about enforceability and intent: if such actions are prohibited without consent, the imposition of a financial penalty for an action that ostensibly cannot occur under the terms of the lease appears both redundant and misleading.

Further compounding the issue is Section 9.05, which addresses subleasing. It states that any subleasing arrangement shall require the Lessee to remit an ***additional 30% of monthly sublease income to the Lessor as supplemental rent***. This provision introduces a third and conflicting financial consequence tied to the use of the leased premises by third parties. The coexistence of a $90,000 penalty in Section 3.01(a) and a 30% surcharge on sublease income in Section 9.05 creates ambiguity in how violations or lease modifications are to be handled, and may suggest overlapping or duplicative penalties. These contradictions should be clarified to ensure consistent enforcement, transparency in financial expectations, and alignment with established leasing practices.

CONCLUSION

The proposed 20-year lease between the Department of Property and Procurement and PEO Productions, LLC, operating as WSTA Radio, seeks to formalize the continued use of government property for the operation of a radio station, radio tower, and related activities. WSTA Radio, a locally owned station, plays a vital role in enhancing community awareness, delivering public service programming, and maintaining operations during emergencies and natural disasters. As such, the lease would support the continuity of a critical public communications resource within the Territory.

However, the terms of the lease raise substantive concerns. Specifically, Subsection (a) of Section 3.01 imposes a **200%** increase in annual rent – from **$30,000 to $90,000** – should the Lessee assign or transfer the lease. This provision is inconsistent with prior lease agreements reviewed by the Post Audit Division, none of which have included such a penalty. Moreover, this clause appears to conflict with standard language typically included in leases issued by the Department of Property and Procurement.

Section 9.04 of the lease prohibits any reassignment or transfer of the lease or any interest without the prior written consent of the Lessor – consistent with standard lease language. Additionally, Section 9.05 states that any subleasing arrangement requires the Lessee to remit an additional ***30%*** of subleasing income to the Lessor as additional rent. This further contradicts the ***200%*** penalty provision in Section 3.01, creating ambiguity in enforcement and application.

Given these inconsistencies and overlapping penalties related to assignment, transfer, and subleasing, the Post Audit Division does ***not recommend approval*** of the lease in its current form.

Theodora Philip, DBA.
Post Auditor

APPENDIX I

US Virgin Islands May 13, 2025

Parcel 121 & 167

Property information

Property ID	105204080177
Location	121 167&171 SUB BASE SOUTHSIDE QTR.
Owner	OTTLEY COMMUNICATIONS

MAP FOR REFERENCE ONLY
NOT A LEGAL DOCUMENT

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Geometry updated 04/2025
Data updated 09/2024

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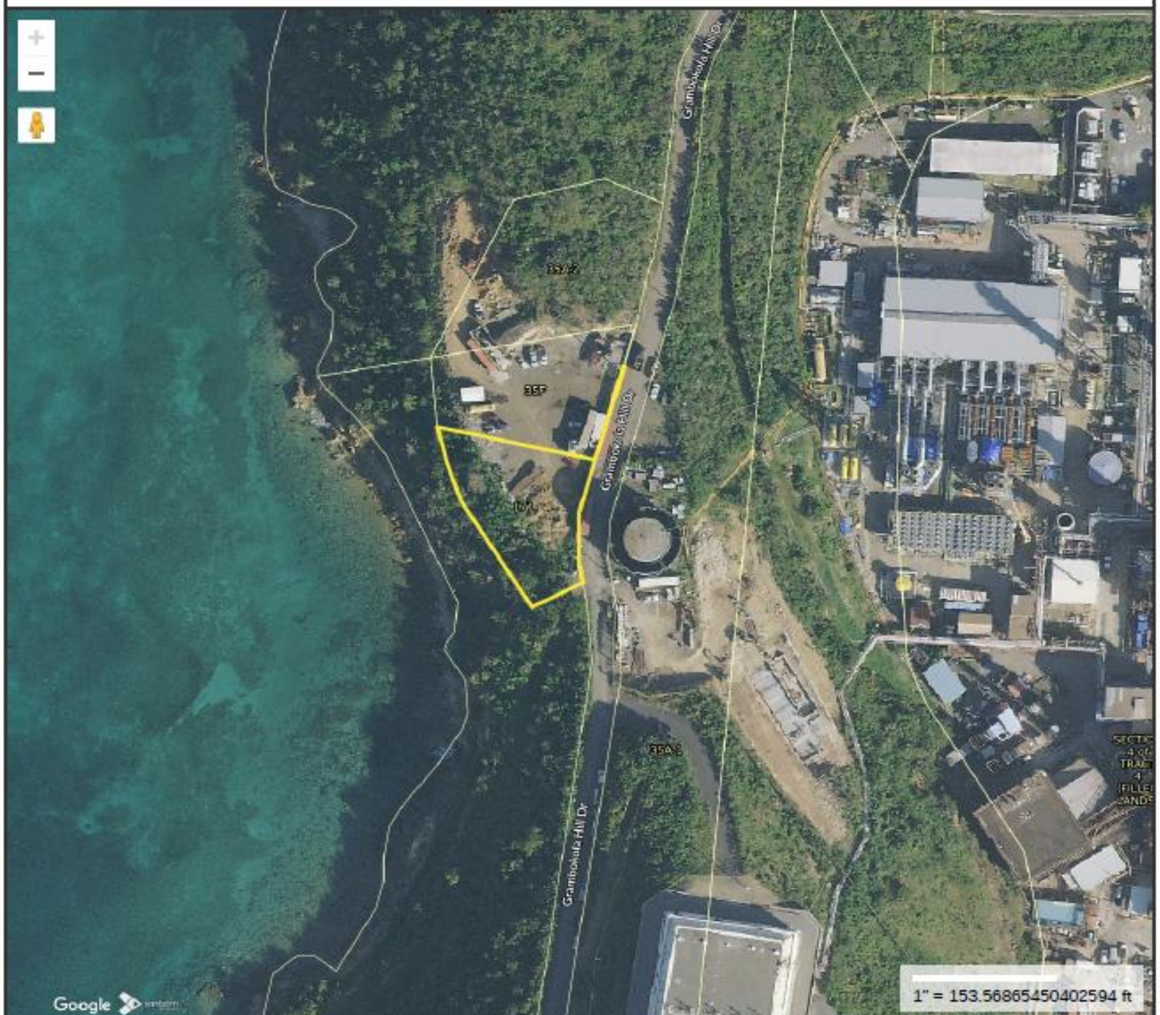
US Virgin Islands

May 13, 2025

Parcel 171



Property Information

Property ID	105204050177
Location	121 167&171 SUB BASE SOUTHSIDE QTR.
Owner	OTTLEY COMMUNICATIONS

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