



Legislature of the Virgin Islands

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POST AUDIT DIVISION

November 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: Commercial Investments, LLC.

PREMISES: Parcel No. 30 Submarine Base, No. 6 Southside Quarter, St. Thomas, United States Virgin Islands, consisting of a one (1) story building residing on 17,396 U.S. sq. ft. or 0.399 U.S. acre(s) of improved land more-or-less.

TERM: Thirty (30) year period, with an option to renew for two (2) ten (10) 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: These properties will be utilized as a logistic storage warehouse and for other permitted purposes.

LEASE SUMMARY

BACKGROUND: Commercial Investments, LLC is a newly established, locally owned and operated business in the United States Virgin Islands (USVI) that aims to revitalize undermaintained and underutilized properties by transforming them into essential logistical infrastructure for disaster recovery supply chains.

REQUIRED SUPPORTING DOCUMENTATION

DOCUMENT	EXPIRATION DATE
Business License	2/28/2026
Trade Name Registration	N/A
Certificate of Liability Insurance	N/A
Certificate of Good Standing	6/30/2025

PAYMENT TERMS

The Lease requires \$48,000.00 per annum, payable in equal monthly installments of \$4,000.00 due on the first of each month after the Construction Period of twenty-four (24) months. During the Construction Period there will be a reduced rent of \$500.00 per month. After the first (1st) year of the initial term, and every year after, including the renewal term, the rent shall be adjusted in accordance with the Consumer Price Index but not more than 3% over any preceding year period. At no time will any rent determined in the above manner be reduced below the annual rent of \$48,000.00. A late charge will be assessed after ten (10) days of the due date for an additional ten percent (10%) of the monthly payment.

In the event that the Lessor consents to sublease the Premises or any part thereof, as a part of the consideration for the Lessee's Improvement to the premises in this agreement, Lessee shall pay to the Lessor an additional amount of:

- a. Five percent (5%) of all base rent actually collected monthly by Lessee per month from the first (1st) year through the fifth (5th) year of the initial term.
- b. Ten percent (10%) of all base rent actually collected monthly by Lessee per month from the sixth (6th) year through the tenth (10th) year of the initial term.
- c. Fifteen percent (15%) of all base rent actually collected monthly by Lessee per month from the eleventh (11th) year through the fifteenth (15th) year of the initial term.
- d. Twenty percent (20%) of all base rent actually collected monthly by Lessee per month from the sixteenth (16th) year through the twentieth (20th) year of the initial term.
- e. Twenty-five percent (25%) of all base rent actually collected monthly by Lessee per month from the twenty-first (21st) year through the thirtieth (30th) year of the initial term.
- f. Thirty percent (30%) of all base rent actually collected monthly by Lessee per month from the thirtieth (30th) year and continuing through the renewal terms.

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 Six Hundred Thousand Dollars (\$600,000.00). Improvements to the property include the following:

1. Demolish and rebuild the interior offices,
2. Repair or replace roof, exterior metal wall panels, and insulation,
3. Replace or upgrade plumbing and electrical, and HVAC systems,
4. Replace rollup doors,
5. Install exterior lighting and perimeter fencing,
6. Install a security and surveillance system,
7. Container loading dock, and
8. Installation of an emergency generator & optional solar panels with battery system.

B The Improvements shall be completed no later than twenty-four (24) months of the effective date, the twenty-four-month period referred to herein as the “Construction Period”.

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 good 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:

Items	Page
• Improvements	4-5
• Mechanic’s Lien	6
• Insurance and Indemnity	6-7
• Entry by Lessor	7
• Condemnation	8
• Cancellation, Termination, Assignment, and Transfers	8-10
• General Terms and Conditions	11-15

EXECUTIVE BRANCH APPROVALS

Signee	Title	Department	Date of Signature
Lisa M. Alejandro	Commissioner	Department of Property & Procurement	5/30/2025
Lauren Doudreaux	Assistant Attorney General	Department of Justice	6/5/2025
Honorable Albert Bryan Jr.	Governor	Office of the Governor	6/10/2025

ANALYSIS

Commercial Investments, LLC proposes to renovate a 7,000 sq. ft. undermaintained government-owned facility into a modern logistics and disaster-recovery warehouse. The total project cost is estimated at **\$1.6 million**, with **\$1.2 million in required equity investment**. Revenue will be generated from long-term contracts, short-term warehouse rentals, customs brokerage, freight handling, and value-added logistics services.

Based on conservative revenue assumptions and realistic operating costs, the project demonstrates positive cash flow potential within the first 18–24 months of operations and achieves full financial feasibility under the proposed lease terms.

Budget Overview

Category	Estimated Cost
Structural Renovation	\$600,000
Equipment & Infrastructure	\$600,000
Contingency (20%)	\$400,000
Total Estimated Cost	\$1.6 million

The total project cost and capital requirements are structured around \$1.2 million in equity investment, complemented by up to \$400,000 in potential debt financing used primarily as a contingency reserve. This structure results in a 25% debt / 75% equity leverage ratio, providing financial flexibility while maintaining low overall leverage.

CONCLUSION

The Department of Property and Procurement has signed a lease with Commercial Investments, LLC to renovate and repurpose an undermaintained building into an upgraded logistics and distribution center. The premises under this lease agreement are currently occupied by the Department of Education – School Lunch. The lessee does not remit payments until they have acquired the property. If the Lessee is unable to acquire the property within a reasonable timeframe, they may terminate this lease agreement. According to documents, this agreement complies with all relevant updated policies and regulations. Based on this confirmation, the Post Audit Division recommends the approval of the lease between the Department of Property and Procurement and Commercial Investments, LLC.



Theodora Philip, DBA.
Post Auditor

APPENDIX I



Honorable Novelle E. Francis, Jr.
Lease Agreement between Property & Procurement and Commercial Investments, LLC.
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