



THE VIRGIN ISLANDS
PORT AUTHORITY

TESTIMONY

Presented by
Carlton Dowe, VIPA Executive Director
to the 36th Legislature of the U.S. Virgin Islands
Committee of the Whole

The Honorable Milton E. Potter
Chairperson



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TESTIMONY OF CARLTON DOWE, EXECUTIVE DIRECTOR
OF THE VIRGIN ISLANDS PORT AUTHORITY

Good morning Honorable Senate President Milton Potter, Chairman of the Committee of the Whole; all senators of this 36th Legislature of the United States Virgin Islands present, legislative staff, and the listening and viewing audience. I am Carlton Dowe, the Executive Director for the Virgin Islands Port Authority (hereinafter referred to as VIPA). Thank you for the opportunity to present testimony regarding Bill No. 36-0138. I have with me here today Mr. Preston Beyer, Director of Engineering and Ms. Ava Penn, Director of Finance and Acting Property Manager. I am also accompanied by Mr. Larry Belinsky of Frasca & Associates, VIPA's financial consultants.

We are also please to have Mr. Kevin Goldstein of Cruise Terminals International (CTI) and Ms. Melissa Morales, Sr. Director of Destination Development, Americas and Caribbean of Royal Caribbean Cruise Lines, our development partners for the Crown Bay District Development Project. Mr. Goldstein and Ms. Morles may introduce other members of their team in attendance.

This very important bill transfers certain parcels of land in the Subbase area from the Government of the Virgin Islands, Department of Property

and Procurement to the Virgin Islands Port Authority. The importance of the bill is grounded in the future of cruise tourism and the economic development of the Virgin Islands .

In 1967 the United States of America deeded to the Government of the United States Virgin Islands, 197 acres of real property at No. 35 Estate Nisky No. 6 Southside Quarter St. Thomas. At that time, No. 35 Estate Nisky No. 6 Southside Quarter St. Thomas was primarily the location of the former submarine base area. The Estate was later changed from Nisky to Estate Submarine Base.

In December 1968, the Ninth Legislature of the U. S. Virgin Islands created the Virgin Islands Port Authority by Act No. 2375. In Act No. 2405, the Legislature approved the "Appendix list" of real properties that were transferred to the Port Authority by Act No. 2375. This Appendix list included 197 acres of property at No. 35 Estate Nisky No. 6 Southside Quarter (now known as Subbase No. 6 Southside Quarter St. Thomas).

In 1970, by Act No. 3075, the legislature directed that any property that was transferred to VIPA and that was not needed for marine or aviation activities should be returned to the Government of the Virgin Islands. The

legislation directed that the re-transfer be evidenced by appropriate deeds of conveyance. However, deeds were not recorded to evidence any re-transfer. As a result the records of the Recorder of Deeds still show all of the 197 acres of property belonging to the Port Authority. Over the years VIPA ceded certain properties in subbase to the control and jurisdiction of the Department of Property and Procurement for their commercial purposes. So any search of the title of the properties in Subbase will show that VIPA is the record owner of the properties, although the Department of Property and Procurement has been controlling the property as part of their commercial land inventory.

When the Legislature established the Port Authority and turned over the subbase properties to VIPA, it was with the vision that the properties would be used for the development of a second port for cruise ships in St. Thomas. The intent was to augment the cruise ship berth in the Port of St. Thomas and to have a cruise ship dock owned by the people of the Virgin Islands and not have the Danish West Indies have exclusive control of the cruise ship market. Shortly after the properties were transferred to VIPA, VIPA renovated and converted the two berths that were built by the U.S. military to civilian use for a cruise ship dock facility in Subbase . That was

adequate for the time, to allow St. Thomas to remain competitive in the Caribbean cruise ship industry. In 1987 VIPA constructed the current cruise ship dock to replace the old facility that was built by the U.S. military. The Crown Bay Center was completed in 2006. This new dock and the terminal building was built it was the aspiration that it would do accommodate the modern Quantum class cruise ships. Once again that action was taken by our predecessors to maintain St. Thomas' competitive edge in the market.

We have now come to the point where we get to decide if St. Thomas will continue to be the number one cruise ship port in the Caribbean. We must meet the challenge of accommodating the Icon class ships and the next generation of cruise ships to sail the Caribbean and Atlantic seas. The passage of Bill No. 36-0138 will be transformative, because it allows us to change the former submarine base and industrial enclave into a modern cruise ship destination, built on all the other wonderful attributes that are offered by St. Thomas. I believe this was the dream of the leaders on whose shoulders we stand and we now have the right partners to help us achieve this dream. This planned project will solidify St. Thomas in the cruise ship industry for generations to come.

Bill No. 36-0138 is intended to transfer certain parcels of property from the Department of Property and Procurement to the Port Authority. Which will show VIPA as the record owner. Since we are about to go into a transaction with hundreds of millions of dollars involved, we must all be concerned that the chains of title are accurate in the Recorder of Deeds office. This is in the best interest of all parties concerned with this project. While we may have ascribe the adage of "One Government", the entities making the investment need the clear sight of the ownership of the properties. All the properties designated in Bill No. 36-0138 are located in the Subbase Crown Bay area. VIPA has requested these parcels of properties for the purpose of primarily incorporating the properties into the project we referred to as the "Cown Bay Redevelopment Project."

In this bill there are three groups of properties. First of all, there are parcels that are undisputedly owned by VIPA, however, since 1969 the parcels have been divided into separate parcels and we need to have the affirmation that the individual properties are owned by VIPA. With the passage of Act No. 3075, which authorized the re-transfer of certain properties to the central government, the Recorder of Deeds records

should show all of the properties involved in this Crown Bay District Redevelopment Project are properly held by VIPA.

The second group of parcels are the properties that have been under the control and jurisdiction of the Department of Property and Procurement by the authority of Act No. 3075.

The third group of parcels are filled land under the current Crown Bay Center and the submerged land seaward from there. This group also includes the submerged land occupied by the existing dock and the submerged land to the south on which the third berth will be built.

It is our intention to develop these properties jointly as one development and turn the subbase area into a spectacular attractive new tourist attraction. The development will consist of a new Crown Bay Village at the Austin "Babe" Monsanto Marine Facility; a day resort facility for cruise passengers, other visitors to the island and public patrons; and most importantly a third berth for cruise ships visiting St. Thomas. I will allow our partners who are here with us to describe the development in more detail. This new attraction will advance the Port of St. Thomas to remain the premier cruise ship destination in the Caribbean with fresh activity for

passengers. This development will also be a new activity for over night guest to St. Thomas. We intend to transform the Subbase area from a decaying industrial area to a modern exciting and lively visitor attraction center.

In 2019, VIPA received a proposal from Royal Caribbean Cruises, Ltd. (hereinafter Royal Caribbean Group) to develop the Austin Babe Monsanto Marine Terminal and Crown Bay Center into an upgraded modern tourist centric facility including a new water-based day resort. Their proposal also included the construction of a new third berth for cruise ships to be incorporated into the Austin Babe Monsanto Marine Terminal (ABM). VIPA's Board of Governors reviewed the proposal and authorized me as the Executive Director to pursue negotiations with Royal Caribbean Group, regarding their proposal. Since 2020, we have been negotiating towards the redevelopment of the Crown Bay. Over the past 5 years Royal Caribbean has remained interested in the project. There have been several partners presented with Royal Caribbean and there have been reiterations of the specific activities of the development. However, Royal Caribbean has remained a committed partner in this project. The changes account for the long time that the negotiations have taken.

In 2023, we were introduced to iCON Infrastructure (iCON), an international infrastructure financing and development company which is now partnering with Royal Caribbean Group to develop several projects in the United States, Europe and in the Caribbean. VIPA's Crown Bay Development Project is one of those projects. iCON has been a steady presence in the negotiations through the joint venture entity, Cruise Terminals International (CTI). We have been negotiating with CTI since 2023. The negotiations have been very long and detail, which is still ongoing so I am unable to provide details of the agreement at this time. We expect to execute an agreement before the end of this year. The passage of Bill No. 36-0138 is essential to us being able to complete the agreement and commence this project.

THE PARCELS TO BE TRANSFERRED

I am sure everyone is familiar with the Crown Bay Center in Subbase. Directly across the street are several parcels of land that are owned and controlled by VIPA, including the VIPD academy (which is non-revenue for VIPA). The buildings which housed the former Island Laundries is included. Those buildings sit on Parcels 164, 165, 153, & 116. These

parcels have been under the control of DP&P. To the west of the former Island Laundries building is **Parcel No. 86**, which houses the business known as Import Supply, which sells generators and generator supplies. Parcel 86 has also been under the control of the Government of the Virgin Islands.

The next metal building is owned and controlled by VIPA, and been leased to automotive type businesses, building supplies and cabinet manufacturing over the years. VIPA had discussions with the proprietors of those businesses and has made offers of financial assistance after they vacate the premises. We have offered financial assistance to tenants in good standing and some tenants were offered relocation opportunities. VIPA owns Parcel No. 36 Estate Nisky, which we intend to construct a warehouse facility to relocate the tenants of the E building in Subbase. We are currently in the design phase for that project. We expect that the new warehouse will be ready for occupancy before the E building is demolished.

The next parcel going south is **Parcel 70A Subbase** which is controlled by the Government of the Virgin Islands. Up until recently, the parcel was leased by Bryan's Electric, Inc. which has since surrendered the

lease. This is the property on the corner across from the school lunch program warehouse. Parcels 70B (Rem), 70B-1, 70B-2, and 70B-4 are the parcels to the east of Bryan Electric, that runs all the way to the VIPA fence line and in front of Department of Property and Procurement. By transferring these properties to VIPA, it will allow us to incorporate them into the project and thereby enclose the project area from the sea to the highway. It is a very natural and logical reconnection of the properties. As part of our discussions with DP&P, we have committed to creating a designated area for exclusive parking for DP&P and other agencies which occupy the DP&P building. That parking will be separate from the project parking area.

As for **Parcel 181**, this parcel is located south of the Crown Bay Center. The parcel is occupied by Island Tri-Corp dba Subbase Dry Dock, Inc. Subbase Dry Dock currently leases an area from both VIPA and Department of Property and Procurement. We intend to consolidate those two separate parcels and use the property to develop the third berth for docking of cruise ships.

VIPA recognizes that the services provided by Subbase Dry Dock is a critical business for the marine industry in the Virgin Islands and the region. Therefore, once this transfer takes place pursuant to this Bill, VIPA's intends make necessary accommodations for the relocation of that business.

The properties identified in Bill No 36-0138 will all be included in this project. When we started the discussions with Royal Caribbean we considered leasing those properties for the project from Department of P&P, but as the negotiations progressed and the discovery of the title status, the complications of having two different owners of the project properties became more and more apparent. The project financiers expressed concerns that the need for owner's assurances and necessary subordinations will become difficult if VIPA could not speak and make decisions regarding the complete project properties, this will affect the financing and the project operations. Thus, we are therefore requesting the consolidation of the properties identified in the Bill because it will make the negotiations more effective and the financing of the project more bankable.

The third group of parcels in the bill is filled and submerged lands under the Crown Bay Center and under the existing docks and the area eastward.

While these lands (unmapped lands) are covered by a Commercial Lease Agreement, approved by the legislature in 1985 and the CZM permits that authorized the filling and occupying of the submerged land, it is necessary for us to change the relationship to get the project financed. In the bill, we are requesting that the filled land and the submerged land be transferred to VIPA in fee simple. That will make VIPA the owner of the filled and submerged land. Be reminded that VIPA is an instrumentality of the Government of the Virgin Islands, and subject to the legislature and the Governor, in land transactions. As a result, no rental fees or annual fees will need to be paid for the use of the filled and submerged lands that are covered in this project. Because the project is in the best interest of the people of the Virgin Islands and will eternally be an economic benefit to the U.S. Virgin Islands, the usual CZM fees will be waived for the term of the project which is forty (40) years. In exchange for the waiver of the fees and the release of the Commercial Lease, VIPA with its partners will be paying \$7 million dollars into the St. Thomas Capital Improvement Fund. This money will be paid to the government once the deeds are all prepared and ready for recording.

This request to transfer these properties is in keeping with the spirit and the vision of the previous Legislatures when VIPA was created. In T. 29 V.I.C. §561 the Legislature indicated that from time to time as the need arises, the government should convey property to VIPA to assist VIPA to carry out the purposes for which it was created. Section 561 says:

(a) For the purpose of aiding the Authority in carrying out the purposes of this chapter, the Governor of the Virgin Islands with the approval of the Legislature, may at the request of the Authority and upon such terms as shall be determined—

(1)convey, or lease any interest of the Government in any property or grant easements, licenses or any rights or privileges therein to the Authority;

This is what we are seeking to have done by this Bill No. 36-0138.

Mr. Chairman I hope the Committee will give favorable consideration to this Bill. This project is an important project for the U.S. Virgin Islands. It assures this territory a preeminent place in the tourism and cruise ship industry for years to come. We consider this to be a generational shift that keeps this territory from lagging behind in the industry and keeps us in the front as a desirable destination. We cannot do this without the transfer of these under performing properties to VIPA to be included in the project.

I know the members of this body are aware of the significant contribution that tourism generally and cruise tourism makes to the economy of the Virgin Islands. For the listening audience I must remind us that tourism accounts for over 50% of the GDP of this Territory. That is significant. We must do what is necessary to maintain our competitive position in this space.

Since 2017 to the current, Royal Caribbean has brought close to one million passengers to the U.S. Virgin Islands. In the last 5 years RCL has increased the passenger count to St. Croix by 5 fold. They continue to bring more passengers to our shores, especially to St. Croix where they have increased the passenger count and they have made commitment to increase it even more. As for St. Thomas, RCL has brought more passengers to our port than the three top cruise lines that come to our shores. Therefore, RCL has proven to be a good partner for VIPA and to the people of the Virgin Islands. This project in Crown Bay is budgeted for expenditure of over \$100 million dollars just for the development. After that we expect to see the arrival of more passengers to St. Thomas.

We have been mindful that when the waves rises all ships should rise. Therefore we have been sensitive to make sure our residents are able to

share in the economic activities that comes out of this project. We have negotiated to make sure that the existing tenants in Crown Bay Center will be secured in their leases. We have insisted that all leases must be honored for their full terms after we turn over the center. We have made provisions for the future opportunities for new vendors to have some access to the new Crown Bay Village as well as other businesses opportunities with products and services. We have been sensitive to the existing businesses that will be interrupted due to this project. Businesses in good standing have been offered either financial assistance for relocation or retirement of their businesses. We also expect CTI and its operational partners to provide jobs for residents to the fullest extent possible and required by law.

Mr. Chairman I thank you again for this opportunity to testify and my staff and I will be available to answer any questions the committee members may have.