Testimony of

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On behalf of

Lisa M. Alejandro
Commissioner of the Department of Property & Procurement

On

Reinstated & Amended Lease Agreement between the Government of the Virgin Islands and Water Island Development Company, LLC

Before

Committee of the Whole

Friday, June 26th, 2026

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

Good Morning, Committee Chair Milton E. Potter, Vice-Chair Kenneth L. Gittens, Honorable Senators, 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 Department of Property and Procurement (DPP).

I appear today on behalf of Commissioner Lisa M. Alejandro to offer testimony on the *Amended Lease Agreement between the Government of the Virgin Islands and Water Island Development Company, LLC*. in the St. Thomas/St. John District for Water Island, U.S. Virgin Islands, which is before this Committee for consideration. DPP requests this Committee's and ultimately the full Senate's approval of this Reinstated & Amended Lease Agreement ("Amendment").

In 2014, following the issuance of a Request for Proposals (RFP), the Government of the Virgin Islands (GVI) entered into Lease No. BCT-383 with Water Island Development Company, LLC for the development of a resort project on an assemblage of government-owned properties on Water Island. The lease was originally executed on December 23, 2014, and became effective on January 1, 2015.

The project subsequently experienced significant delays and reduced performance due to a series of extraordinary events, including global geopolitical and economic challenges, the devastating impacts of Hurricanes Irma and Maria, and the COVID-19 pandemic. As a result, project progress slowed considerably. On April 11, 2025, the Department of Property and Procurement initiated proceedings to terminate the lease agreement, which was subsequently timely rescinded.

Thereafter, the Department was approached by Bluewater Global Advisors, LLC and Innovative Architecture regarding the potential restructuring and revitalization of the project. The Department engaged the services of Duane Morris, LLP and entered into extensive negotiations with a restructured Water Island Development Company, LLC team involving Bluewater Global Advisors and Innovative Architecture. These negotiations resulted in updated terms designed to restore the project's financial stability, advance it toward successful implementation, and better protect the interests of the Government of the Virgin Islands.

Under the proposed amendment, the Government will lease Tract B, Water Island, consisting of approximately 32.335 U.S. acres; Lots 24 and 25, consisting of approximately 1.492 U.S. acres; Flamingo Parcels totaling 1.194 acres and additional acreage in Areas V, Y, Tract E, Areas W, X, I, L, N, M, M-1, K, O, and P, Tracts A and D, Areas R, S, T, Tract F, and Plot D, consisting collectively of approximately 144 U.S. acres more or less. The amendment notably removes the Catchment Area and Tract C from the leasehold, returning those areas to the possession and control of the Government of the Virgin Islands.

The reinstated and amended lease agreement provides for a term of ninety-nine (99) years commencing on May 1, 2026, with an option to renew for one additional two-year term. Pursuant to 31 V.I.C. § 205(c), the amendment requires approval by the Legislature of the Virgin Islands.

Corresponding extensions to project milestones and development deadlines are included to align with the revised project schedule.

The annual rent for the leased premises will be One Hundred Twenty Thousand Dollars ($120,000), payable in equal monthly installments of Ten Thousand Dollars ($10,000) during the initial term. Beginning in the twentieth year, annual rent will increase to Two Hundred Forty Thousand Dollars ($240,000), payable in monthly installments of Twenty Thousand Dollars ($20,000). Beginning in the twenty-fifth year and every five years thereafter, annual rent will increase by five percent (5%).

The amendment further provides for a construction period of up to sixty (60) months following the receipt of all required permits and approvals, during which monthly rent will be reduced to One Thousand Dollars ($1,000).

A key component of the amended agreement is the requirement that the developer invest a minimum of Three Hundred Million Dollars ($300,000,000) in private capital, including approximately Forty Million Dollars ($40,000,000) dedicated to critical needed infrastructure improvements. This represents a substantial increase from the One Hundred Forty Million Dollar ($140,000,000) investment contemplated under the original lease. Planned infrastructure improvements include roads, drainage systems, potable water infrastructure, wastewater and solid waste management systems, utility improvements, and marine-related infrastructure. These investments are expected to benefit both the project and the broader Water Island community while reducing financial obligations that might otherwise fall upon the Government.

The Government retains ownership of the property and receives value through lease payments, a minimum $300 million private investment commitment, substantial infrastructure improvements, performance security, revenue-sharing provisions, and other contractual obligations. Accordingly, the Government evaluated the Amendment based on the total economic package and long-term public benefits being provided rather than the standalone value of the unimproved land.

The proposed development consists of a five-star resort destination featuring an 88-key branded hotel, marina, spa, and restaurants. The project also includes approximately 90 branded residential units consisting of condominiums, townhomes, and villas. Additionally, the development plan includes workforce and employee housing, a retail village, and facilities to support police, fire, medical, and security services. The amendment further returns Honeymoon Beach and the Catchment Area to Government control.

The agreement incorporates additional financial protections for the Government through a Three Million Dollar ($3,000,000) performance bond issued by a financial institution approved by the Government. The bond secures the developer's pre-development and early-stage obligations, including obtaining permits and approvals, and may only be reduced upon the achievement of specified project milestones.

Water Island, the fourth and smallest of the U.S. Virgin Islands, consists of approximately 491 acres and is located just south of St. Thomas within the Charlotte Amalie Harbor area. In 1996, substantial portions of Water Island were transferred to the Government of the Virgin Islands, creating opportunities for local planning and economic development. Today, despite its strategic location, much of the island remains.

According to the 2020 Census, Water Island has a population of approximately 164 residents. Development remains scattered private properties, while significant portions of the island remain undeveloped or publicly owned. Water Island attracts substantial visitor activity due to Honeymoon Beach, marine recreation, boating, day tourism, due to its proximity to Charlotte Amalie and the cruise port district.

The Government-owned lands on Water Island represent one of the most strategically located undeveloped public assets within the Virgin Islands. Situated adjacent to Charlotte Amalie Harbor, the island occupies a central position within the Territory's tourism, maritime commerce, and cruise sectors. Its visibility from cruise ships, ferry routes, and yacht traffic, coupled with its proximity to downtown Charlotte Amalie and the West Indian Company dock facilities, creates significant economic potential.

The project also presents opportunities for tourism diversification through new attractions and amenities that can increase visitor spending and encourage longer stays. Potential benefits include expanded eco-tourism offerings, marina and marine recreation facilities, boutique hospitality accommodations, cultural and heritage attractions, waterfront dining, and public recreational amenities. With appropriate planning, Water Island has the potential to serve as a complementary harbor district expansion while preserving its low-density character and natural environment.

The Virgin Islands continues to face housing shortages affecting workforce recruitment, hospitality operations, public services, and economic growth. The proposed workforce and employee housing components are intended to help address these challenges while easing housing pressures on St. Thomas.

Water Island's location within Charlotte Amalie Harbor also provides opportunities to strengthen the Virgin Islands' marine and blue economy sectors through yacht servicing, maritime training, small-vessel infrastructure, ferry transportation improvements, marine research, and environmental programs. These opportunities could contribute to greater economic diversification beyond traditional cruise tourism.

The amendment does not require approval by the U.S. Department of the Interior in order to be enacted, approved by the Legislature, or become effective. Department of the Interior approval applies only to the future conveyance of certain residential lots contemplated by the project and is expressly addressed in the Amendment as a condition precedent to any such conveyance.

Accordingly, the Amendment may be approved and implemented without prior Department of the Interior approval. No residential lot conveyance may occur unless and until any required federal approval has been obtained. This provision functions as a standard third-party consent requirement and serves to protect the interests of the Government of the Virgin Islands by ensuring that no conveyance is completed unless all applicable federal requirements have been satisfied.

The Department of Property and Procurement has undertaken community outreach efforts regarding the proposed amendment, including a virtual town hall meeting that was made available to approximately 200 interested residents and stakeholders. Approximately 70 individuals participated in the meeting, which was extended beyond its originally scheduled ninety-minute duration to ensure all attendees had an opportunity to be heard. The developer subsequently provided written responses to 18 pages of questions submitted by residents and stakeholders.

The Department believes that the proposed amended agreement places the project in a stronger position for successful implementation than at any time in recent history. Combined with the Virgin Islands' status as a United States jurisdiction operating under U.S. legal and financial systems, VI Hotel Development Act, Virgin Islands EDA incentives, advancements in construction technology, modular building systems, resilient engineering practices, and sustainable infrastructure solutions further enhance the project's potential viability. These innovations may reduce development costs, shorten construction timelines, improve hurricane resilience, and support environmentally responsible development while preserving Water Island's unique character and natural beauty.

Finally, It is also important to emphasize that approval of this Amendment authorizes a lease and endorses a conceptual development framework; it does not approve any specific building, road, marina facility, utility system, environmental impact, or construction activity. The conceptual Comprehensive Plan attached to the Amendment serves only as the initial framework upon which future development applications will be based. Every aspect of the proposed project—including final site design, density, infrastructure, environmental impacts, and construction plans—must still undergo detailed review and approval through the applicable permitting and regulatory processes, including review by the Department of Planning and Natural Resources, the Coastal Zone Management Commission, the U.S. Army Corps of Engineers, the U.S. Fish and Wildlife Service, and any other agencies with jurisdiction before any construction may commence.

Residents and stakeholders do not lose any rights through approval of this Amendment. All existing rights to participate in public hearings, submit comments, raise concerns, and engage in the permitting and environmental review process remain fully intact and will continue throughout subsequent stages of project review.

The proposed Amendment also represents a substantially stronger agreement for the Territory than the original lease. While the original lease was terminated and is now being reinstated in amended form, the revised agreement provides greater economic protections and benefits to the Government and the people of the Virgin Islands. These enhancements include increased rental revenues, a binding minimum private capital investment commitment of $300 million, a $3 million performance bond to secure early-stage obligations, revenue-sharing provisions, and the return of Honeymoon Beach to public control and access.

The project has also been significantly reshaped in response to public input and stakeholder concerns. As part of the revised development framework, Honeymoon Beach, the hillside areas, and the Catchment Area have been removed from the leasehold and returned to Government control. In addition, the proposed hotel program was reduced from 157 hotel keys to 88 hotel keys. While those hotel units were eliminated, the development program was rebalanced by reallocating those development rights, together with a limited number of additional units, toward residential uses. As a result, the overall development concept has shifted toward a greater residential component consisting of condominiums, townhomes, and villas while reducing the scale of the hotel component originally contemplated.

Chairman and Members of the Committee, thank you for the opportunity to present this testimony and for your consideration of this lease amendment. This concludes my Testimony, and I am prepared to answer any questions the Committee may have regarding the proposed lease amendment. I am available to answer any questions the Committee may have.