SECTION 1. Additional Residential Lands Should Not Be Included in the Amended Lease Because They Are Not Legally Eligible for Development

Executive Summary

The proposed Amended Lease significantly expands the property subject to the lease by adding approximately 145 acres of public land to the lease (the "GVI Tract"), and expands the property designated for residential development from 55 acres to 146 acres (the "Additional Resort Land" as defined in Section 1.1 and Exhibit B). Unlike the 2014 Lease, which did not include any Additional Resort Land in the lease and conditioned any sale of Additional Resort Land lands upon approval by the U.S. Department of the Interior (DOI), the Amended Lease immediately places these lands under a long-term lease of up to 101 years. Importantly, most of the parcels within these 146-acre Additional Resort Lands remain subject to deed restrictions, conservation designations, and federal and territorial approvals that have not been obtained, and likely will never be obtained.

This change substantially reduces the Government's control over public lands while providing no assurance which parcels within the Additional Resort Land, if any, can ever be legally developed. If approvals are ultimately denied, the lease contains no requirement that the undevelopable lands be returned to the Government.

The better approach is the one adopted in the 2014 Lease: public lands designated for private residential development should never become part of the leased premises, and sales of those properties should not be allowed until all legal authority exists to develop them.

I. The 2014 Lease Better Protected the Public Interest

The 2014 Lease recognized an important distinction between the existing hotel site and the Additional Resort Land that might later be developed for residential purposes.

The hotel property itself was leased immediately. The 55-acre Additional Resort Lands, however, were not included within the leased premises. Instead, those lands would be offered for sale at fair market value if the Department of the Interior approved their use for private residential ownership.

That structure protected the public in several important ways.

First, it prevented public lands from being tied up under a long-term lease before the Government knew whether development would ever be legally permissible.

Second, it preserved the Government's flexibility to use those lands for other public purposes if the required approvals were denied.

Third, if DOI approved the sale, the lands were to be conveyed at fair market value based upon independent appraisals, with the sale subject to governmental and legislative review.

The proposed Amended Lease reverses each of these protections.

The 2026 Amended Lease expands the 55-acre tract designated as "Additional Resort Land" to approximately 146 additional acres, all of which are immediately added to the leased premises for up to 101 years, even though many remain subject to deed restrictions, conservation requirements, and multiple federal and territorial approvals. If those approvals are never obtained, the lease nevertheless allows the developer to retain control of the property for the duration of the lease.

In effect, the Government transfers long-term control of public land before determining whether any of that land can legally be developed.

II. Background

The Department of the Interior transferred Water Island to the Government of the Virgin Islands through quitclaim deeds executed in 1996 and 2005.

Both deeds require that the transferred lands be used only for a public purpose and recognize hotel and resort development as satisfying that requirement. The deeds also impose restrictive covenants on certain parcels designated as Permanent Non-Development Areas, requiring approval from both the U.S. Fish and Wildlife Service and the Virgin Islands Department of Planning and Natural Resources before development may occur.

The 2014 Lease reflected these restrictions. The lease covered the former 48-acre hotel site but treated 55 acres of Additional Resort Lands separately. WIDC was provided 4 years to obtain DOI approval, and if approval was not obtained within four years, the lease required WIDC to either waive that condition and continue without a residential development program or allow the lease to terminate. WIDC ultimately waived the DOI approval requirement after failing to obtain DOI approval.

The proposed 2026 Amended Lease rescinds that waiver and instead expands the Additional Resort Lands to 146 acres and incorporates all 146 acres directly into the leased premises. Most of those parcels remain subject to federal deed restrictions, conservation requirements, and permitting approvals that have not been obtained.

III. Public Policy Considerations

1. Public lands should not remain under private control without a corresponding public

benefit.

The Government is leasing these lands because they are expected to produce identifiable public benefits through economic development, employment, tax revenues, and tourism. **If portions of the property cannot legally be developed, those anticipated benefits disappear while the public permanently loses the use and control of those lands.**

2. Public assets should not be warehoused.

A lease should not permit a private entity to control public lands leased indefinitely, simply because those lands were included within an initial lease boundary. Public lands are valuable assets that should remain available for future conservation, recreation, public access, or alternative public uses if they cannot fulfill the development purpose for which they were leased.

3. The Government should maximize flexibility for future generations.

A ninety-nine-year lease effectively removes public land from governmental control for several generations. Land that proves unsuitable for development should not remain unnecessarily encumbered for nearly a century when it may later serve important public purposes, including parks, conservation, public access, historic preservation, recreation, or future governmental facilities.

4. Territorial Policy requires sound planning prior to disposition of public property.

The Virgin Islands Coastal Zone Management Act establishes the Territorial policy that coastal lands are valuable public resources whose management must balance economic development with conservation and long-term planning. In 12 V.I.C. § 903 the Legislature expressly found that:

- the coastal zone constitutes a **"distinct and valuable natural resource of vital importance"** to the people of the Virgin Islands;
- protection of natural resources is of **"vital concern to present and future residents";**
- certain coastal lands are held **in trust for the benefit of the people of the Virgin Islands**; and
- government planning should promote orderly development while preserving environmental, recreational, and scenic resources.

Section 906 of the Coastal Zone Management Act further provides that development within the coastal zone must be consistent with the goals established by the Legislature. Among those policies are:

- directing development toward appropriate locations;
- minimizing cumulative impacts;
- protecting environmentally sensitive resources;

- preserving public recreational opportunities; and
- ensuring that development is compatible with long-term public interests. (Justia)*V.I. Code tit. 12, § 906 (2019)*

These findings demonstrate that public lands are not ordinary commercial assets. They are public trust resources that must be managed for the long-term benefit of the people.
Accordingly, land disposition—including a 99-year lease—should follow adopted planning policies rather than the "lease now, plan later" approach that is being pursued here.

Much of the land included in the lease as Additional Resort Lands are presently designated as public use only, non-developable, preserved, or otherwise protected. That designation reflects a prior governmental determination that the public interest is best served by prohibiting or limiting development. These designations are based on important public benefit features that must be protected, such as:

- environmentally sensitive habitats;
- shoreline resources;
- scenic landscapes;
- historic resources;
- public recreation; and
- public access.

Those protections should not be treated as temporary obstacles to be negotiated away after execution of a long-term lease.

The federal courts have recognized that the Virgin Islands Coastal Zone Management Act was enacted to harmonize environmental protection with economic development and to ensure the orderly, balanced utilization and conservation of coastal resources. *Virgin Islands Conservation Society vs. Virgin Islands Land Use Appeals 881 F.2d 28, (3rd Cir., 1989)*. This judicial interpretation reinforces the Legislature's intent that conservation policies are not be subordinated to development without careful public review.

Recommendation

The Government of the Virgin Islands should not sell, lease or otherwise dispose of public land for uses that are not legally permissible when the lease is executed. If land is currently protected from development by deed restrictions, conservation designations, or other legal limitations, the Government should first determine—through the established legislative, regulatory, and public participation processes—whether those restrictions may lawfully be modified, and if so whether it is in the public interest to do so. Only after those determinations have been made should the land be considered for inclusion in a long-term lease, or a sale.

This approach preserves the integrity of the Virgin Islands' land-use planning process, protects public trust resources, respects existing conservation decisions, and safeguards the ability of future generations to make independent land-use decisions based on the public interest rather than preexisting contractual obligations.

Accordingly, the proposed Amended Lease should be modified to specifically identify which parcels or tracts are part of the residential housing development plan, and exclude those lands from the lease until the developer has received all necessary legal pre-authorizations for development before it is offered for sale. This approach, which is the approach incorporated into the 2014 Lease, protects valuable public lands while allowing the proposed resort project to proceed on those areas that are lawfully approved and suitable for residential housing development.

SECTION 2. All Language in the Amended Lease Purporting To Waive the Senate's Authority To Review and Approve Future Leases or Sales of GVI Owned Land Must Be Removed

The 2026 Amended Lease purports to waive the VI Legislature's authority to review and approve sales or leases of GVI property. (*See* July 8, 2026 Amended Lease, fifth preamble clause: "The Commissioner is authorized and directed, **without any further legislative act**, to execute and record deeds for such Residential Unit Conveyances . . .")

Any discussion of this issue should start by quoting from then Governor de Jongh when he issued a press release announcing the 2014 hotel lease for Water Island: "the government as a general policy only leases land for business and commercial activity and not for residential development." A sound policy then, and now.

The 2026 Lease Amendment before the Senate not only proposes selling public lands for residential development, but it also purports to exclude the Senate from any review of such sales. The Amended Lease implements that exclusion through legalese that is somewhat difficult to navigate.

> The Fifth preamble clause states: "upon the enactment of an act of the Legislature of the Territory . . . approving this amendment . . . the Commissioner is authorized and directed, **without any further legislative act**, to execute and record deeds for such Residential Unit conveyances. . .

The above preamble statement is implemented through Section 2 of the 2026 Amended Lease, which states:

> The permitted uses of the Premises, including the Additional Resort Land, shall include the subdivision and development of certain portions of the Premises, as expressly identified in Exhibit A, for residential or short-term rental vacation housing (including condominiums, townhouses, and single-family lots (collectively, "<u>Residential Units")</u>
>
> To facilitate the Residential Units (and resulting Residential Sales), the Lessee is hereby granted an option (the "Acquisition Option") to acquire such certain portions of the Premises in fee simple under the terms hereinafter set forth.

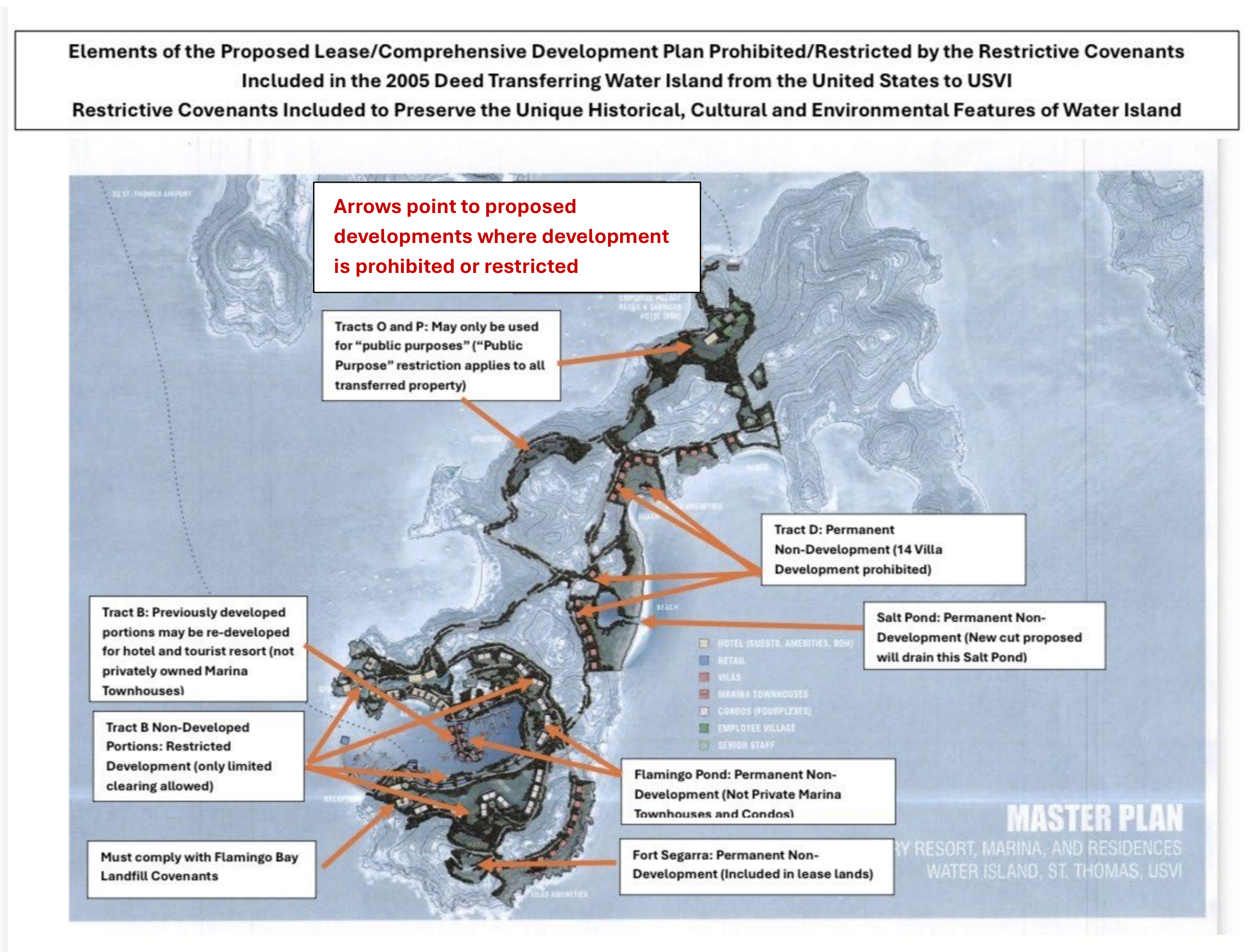
The Amended Lease does not include any information regarding the terms of these sales of public lands, so the Senate will have no opportunity to evaluate the public benefit and public harm of such sales. This abdication of Senate oversight is found in Section 2.3, which eliminates the Senate from ever reviewing the terms of those sales of public lands.

> "Upon enactment of the Approving Act, the Commissioner is authorized and directed, **without any further act of the Legislature**, to execute, acknowledge, deliver and record deeds conveying fee simple title to those portions of the Premises identified in the applicable Option Notice(s) to the applicable Residential Purchaser(s)"

So, what are the public property "Premises, as expressly identified in Exhibit A" that can be developed and sold as private residential property through this Lease Amendment? Exhibit A is a listing of the 146 acres of GVI owned lands that are included in the lease. The following is the map from Exhibit A to the Lease Amendment that identifies the 29 Villas (in orange), the 20 Marina Townhouses (in orange with a line through), and the 52 Condos-Fourplexes (in pink), all designated for privately owned luxury residential development. The lease does not limit the residential development to these 100+ identified in the "conceptual plan." Rather, this is all we know about today. The Amended Lease designates all 146 of the Additional Resort Land acres for "subdivision and development" which includes Fort Segarra, the Ferry Dock lots, areas designated for transfer to the VI Territorial Parks System, and others.

What are the financial and other terms of these sales? Who will become purchaser? How will potential insider deals be avoided? Is the sale in the best interest of the residents, considering size, scope and infrastructure available? These are a few of the traditional issues the Senate evaluates when public property is sold. But none of that can occur under the terms of the proposed Amended Lease. And it gets worse.

When Water Island was transferred to the Virgin Islands in 2005, the United States Department of the Interior completed an Environmental Impact Statement to identify potential adverse impacts associated with the transfer. The EIS identified numerous cultural, archeological and environmentally sensitive features on Water Island in need of protection. Accordingly, the Transfer Deed requires that all transferred lands be used for "public purposes" and adds restrictive covenants to preserve and protect those features from development, forever. We overlaid the parcels designated for residential development and private sales with reference to the restrictive covenants included in the 2005 Transfer Deed, which is shown below:



These restrictive covenants will potentially end with the Senate's approval of the amended lease, because this developer, with the support of this administration, will seek their waiver, with no legislative oversight. Section 2 of the 2026 Amended Lease also refers to and incorporates Sections 2.01 and 4.09 of the 2014 lease, which provides as follows:

> "This lease and the Lessee's obligations thereunder are contingent upon approval to be obtained from the United States Department of the Interior, of the sale of the Residential Land to Lessee or its designee."

The Developers and DPP have stated that discussions with the US Department of Interior to seek those waivers are already underway. The Senate will have absolutely no oversight role in these discussions, because that role will have been eliminated through this proposed Lease Amendment. What cultural and archeological features will be eliminated? The Senate will never know. What sensitive environmental features will be compromised or eliminated? The Senate will never know. And who is confident that the current federal administrators care more about the unique cultural, historical and environmental features of the VI Territory than the desires of these developers to maximize profit?

We have a lot of other concerns with the scope of this project, some of which identified in other sections of this report. But this attempt to write the Senate out of its important oversight and approval role when public lands are being sold should never occur. That should be a non-starter, and the Senate's General Counsel agrees.

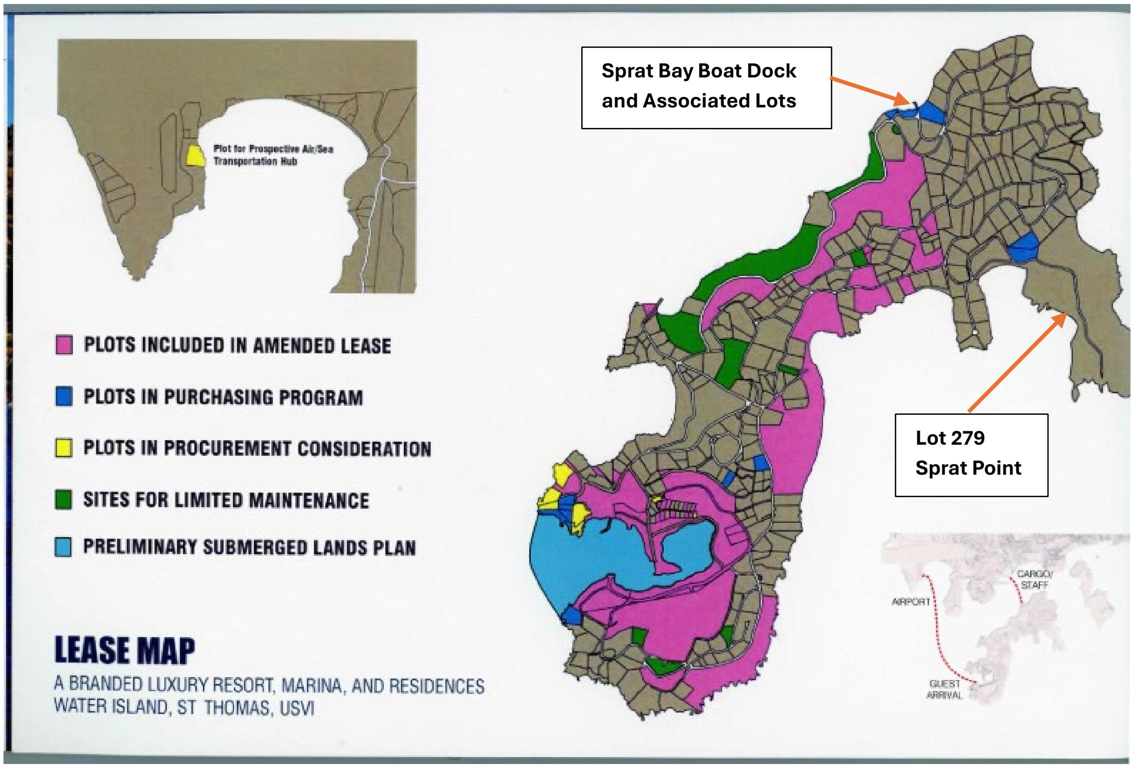
SECTION 3. The Errors in the Amended Lease Must Be Corrected

Errors or ambiguities in the Amended Lease that must be corrected or clarified include:

Druif Bay Mooring Field. The 2026 Lease Amendment purports to lease submerged lands rights to the Druif Bay Mooring Field, yet there is nothing in the development plan associated with Druif Bay, and it should be excluded. When this error was brought to the attention of WIDC, it was acknowledged as an error, but the lease has not yet been revised to remove the erroneous reference to Druif Bay.

Lot 279: Sprat Point. Exhibit A to the first version of the 2026 Amended Lease, the Comprehensive Development Plan, showed Lot 279-Sprat Point in Green which is designated for "Limited Maintenance." Sprat Point has a restrictive covenant designation for permanent non-development, and has been transferred to the VI Territorial Parks System. WIDC initially stated that "limited maintenance" would include the installation of bike and hiking trails, activities that would violate the restrictive covenants of the transfer deed. WIDC has more recently stated that it would not install bike and hiking trails within Sprat Point and changed the color of Sprat Point from green to brown. Since WIDC claims that the Comprehensive Development Plan is conceptual, this issue of whether WIDC has any rights or responsibilities with respect to Sprat Point needs clarification in the lease document. The Lease should state that "Lot 279-Sprat Point has been transferred to the VI Territorial Parks System and WIDC has no rights or responsibilities with respect to Lot 279-Sprat Point"

Sprat Point Boat Dock. Exhibit A to the first version of the 2026 Amended Lease placed the North shore boat dock and unloading area on Lot 112, property that is privately owned and not part of WIDC's leased lands. When this error was pointed out, WIDC prepared an updated Development Plan, Exhibit A to the July 8, 2026 Amended Lease, which now identifies the Sprat Bay boat dock, plus two privately owned lots in Sprat Bay, as "plots in purchasing program" for the North Shore boat dock and unloading area. WIDC has been advised that the Sprat Bay Boat Dock and associated lots are not for sale. WIDC must identify where the North shore boat dock will be located.



Term of Lease and "Reinstatement" of Lease.

The Senate's counsel stated during the June 26, 2026 Committee of the Whole hearing that the Amended Lease states that the term is for 99 years, and can be extended to 101 years, although the lease has already been in existence for 14 years. As a result the lease term is actually 113 years, with an extension available to extend the lease term to 115 years. This error was not corrected in the July 8, 2026 Amended Lease.

The Senate's counsel also stated that the Amended Lease purports to "reinstate" the 2014 Lease, without any evidence that the breach that led to the termination of the 2014 Lease has been cured. On April 11, 2025 DPP terminated the lease for failure to secure financing and permits, and abandoning the leased premises. To date, no evidence has been offered to demonstrate that WIDC's breach has been cured. No financing commitments or permits have been produced, and WIDC has continued to abandon both the leased premises and the ongoing obligations under the 2014 lease. The July 8, 2026 Amended Lease contains the same erroneous reference to "reinstatement" of the 2014 Lease.

On June 26, 2026, the same date as the Senate's Committee of the Whole hearing, DPP and WIDC secretly attempted to undo the termination through a letter. Importantly, there still is no evidence offered that the defaults have been cured.

SECTION 4. The Sixty Acres Designated for Transfer to the VI Housing Finance Authority (VIHFA), and the Fifteen-Percent Set-aside for Veterans Should Be Eliminated from the Amended Lease, and the Proposed Private Condominium Project Is Not a Viable Substitute for VIHFA Housing

I. The Amended Lease's affordable/veteran housing proposal unlawfully ignores Acts 6751 and 7321.

Act 6751, which was passed on July 12, 2005, includes two important provisions:

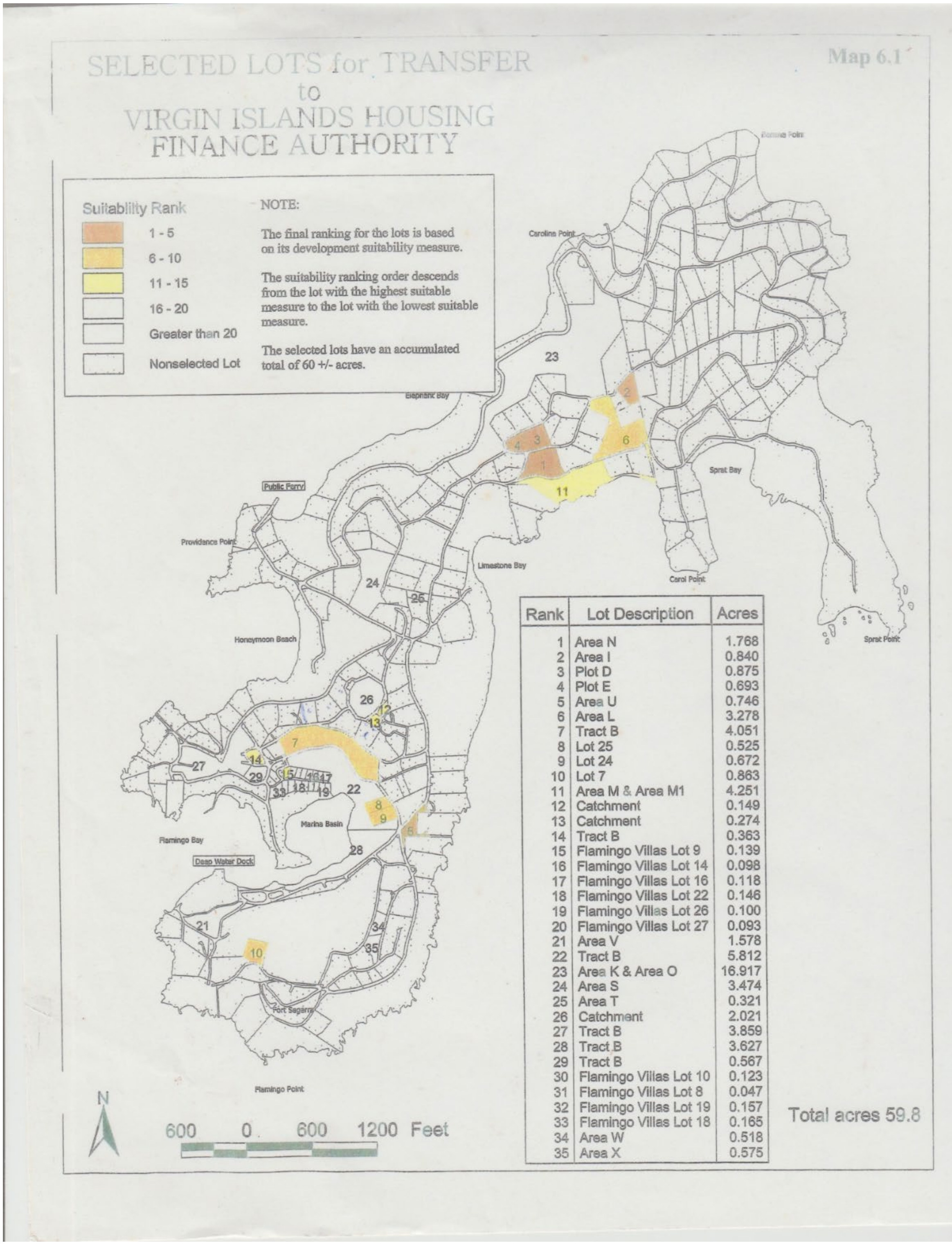
1) The Governor must transfer 30% of the 200 acres owned by USVI on Water Island to the VI Housing Finance Authority; and
2) The Governor must conduct a land use study and develop a land use plan for the 200 acres and submit it to the Legislature's Committee on Housing, Sports and Veterans' Affairs within 180 days. $75,000 was appropriated for the land use plan.

Act 7321, which was passed on October 27, 2011, specified that 15% of the property the Governor was required to transfer to VI Housing Finance Authority under Act 6751 must be reserved exclusively for sale to veterans.

On April 23, 2007 the University of the Virgin Islands issued the Water Island Land Use Study and Plan. Some key findings from that Plan:

- "Finally, during the decade of the 1990's, it appears that destruction caused by Hurricane Marilyn had the additional impact of reducing the number of housing units from 165 to 148. In sum, the Water Island community appears to have transformed from a more exclusive, absentee home owner, seasonal residential community to a smaller, more owner-occupied residential community exhibiting income levels closer to those found on St. Thomas/St. John." (page 3-2)
- All of the 58 Tracts included in the 200 acres of GVI owned property were evaluated based on six factors: soils, slope, roads, proximity, land use, and development restrictions. Each tract was then given a development suitability score, and ranked. "The top ranking 35 parcels were

selected to achieve 60 acres for transfer to the Virgin Islands Housing Finance Authority (see Map 6.1)." (page 6-7) A copy of Map 6.1 is reproduced below:



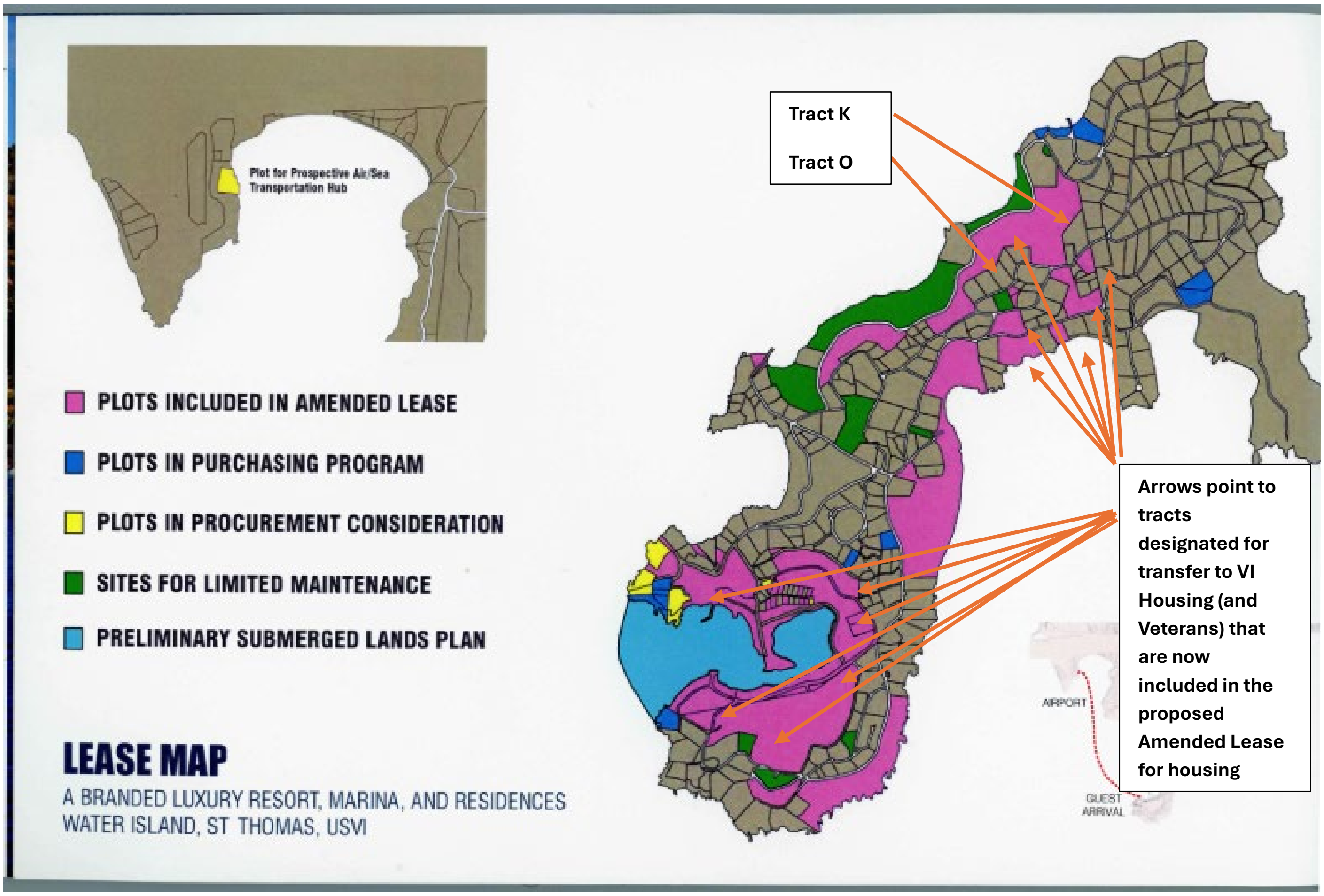
Rank	Lot Description	Acres
1	Area N	1.768
2	Area I	0.840
3	Plot D	0.875
4	Plot E	0.693
5	Area U	0.746
6	Area L	3.278
7	Tract B	4.051
8	Lot 25	0.525
9	Lot 24	0.672
10	Lot 7	0.863
11	Area M & Area M1	4.251
12	Catchment	0.149
13	Catchment	0.274
14	Tract B	0.363
15	Flamingo Villas Lot 9	0.139
16	Flamingo Villas Lot 14	0.098
17	Flamingo Villas Lot 16	0.118
18	Flamingo Villas Lot 22	0.146
19	Flamingo Villas Lot 26	0.100
20	Flamingo Villas Lot 27	0.093
21	Area V	1.578
22	Tract B	5.812
23	Area K & Area O	16.917
24	Area S	3.474
25	Area T	0.321
26	Catchment	2.021
27	Tract B	3.859
28	Tract B	3.627
29	Tract B	0.567
30	Flamingo Villas Lot 10	0.123
31	Flamingo Villas Lot 8	0.047
32	Flamingo Villas Lot 19	0.157
33	Flamingo Villas Lot 18	0.165
34	Area W	0.518
35	Area X	0.575

Additional key findings from the Land Use Plan:

- "Specifically, recent territorial legislation [Act 6751] transferred 60 of the approximately 200 acres of Water Island land owned by the US Virgin Islands to the VI Housing Finance Authority (VIHFA). The legislative intent is to provide assistance to the VIHFA as they consider plans for moderate income housing and/or other commercial opportunities." (page 5-1). The legislative intent was derived from a review of Senate testimony presented when Act 6751 was enacted. (page 8-1)
- "The VI Housing Finance Authority should prepare a Master Plan for the 60 acres prior to preparation of detailed architectural or engineering drawings." (page 7-1)
- "Lots designated non-development should be added to the Territorial Park System list pursuant to Title 32 Chapter 2a and be included in the Territory's comprehensive management plan for parks and natural areas.
  - Area J
  - Area Y
  - Lot 279
  - Tract D
  - Tract F"

  (page 7-1)
- "Tract A (Fort Segarra) should be transferred to the VI Historic Preservation Office for development and management." (page 7-1)

During the June 26, 2026 Senate Committee of the Whole hearing, Assistant Commissioner Vincent Richards was questioned about the VIHFA/Veterans set-aside lands, and agreed to prepare an overlay of those lands to make sure the proposed 2026 Amended Lease did not include any of those lands. DPP has not prepared the overlay, so WICA has prepared the map below which shows that nearly all of lands designated for transfer to VIHFA and set aside for Veterans would, in fact, be eliminated if the Amended Lease is approved:



The 35 tracts (60 acres) identified on Map 6.1 should be transferred to VI Housing Finance Authority with 15% set aside for Veterans

RECOMMENDATION:

The Amended Lease should be revised to eliminate the 35 Lots identified on Map 6.1 for Transfer to VIHFA.

The enabling legislation, BR-26-1154, should be amended to require the Governor to transfer the 35 lots identified on Map 6.1 above to the Virgin Islands Housing Finance Authority.

II. **The July 8, 2026 proposal to set aside 20 c**ondominiums on a few acres for two years is not a viable alternative to Acts 6751 and 7321.

On July 8, 2026 the Governor and WIDC executed a new amended lease that sets aside a portion of the ~10 acre Tract K for moderate income and veteran housing. What “portion” of that ~10 acre Tract K will be set aside? Whatever is left after Tract K is developed to house 300 employees and their families, an employee village with shops and stores, buildings for emergency, fire and police, and barge unloading/storage for hotel supplies. Once that development is completed on Tract K, how much of the ~10 acres will be left to squeeze in 20 townhomes? Far short of the 60 acres required by Act 6751, with none of the more favorable lots with water views identified in the Land Use Plan. In fact, Tract K ranked near the bottom of the lots comprising the 60 acres designated for transfer to VIHFA. And who is eligible for these moderate income/veteran townhomes? WIDC will decide, with no governmental oversight. Moreover, by eliminating the transfer to VIHFA, the purchasers will not be eligible for the federal and territorial assistance programs available for participants in VIHFA's moderate income property program. And these 20 townhomes will only be made available for two years, when construction is ongoing, contrary to the permanent 60-acre transfer required by Act 6751. With a sale price that represents $325 per square foot of building cost, the offer of $250,000 is no bargain. This is not a reasonable or legal substitute for Acts 6751 and 7321. There are significant public policy issues that must be addressed before the Legislature authorizes a lease that abandons the programs established through Acts 6751 and 7321.

1. The Legislature already made this policy decision.

Acts 6751 and 7321 represent deliberate legislative decisions after public debate. The Legislature did not simply require construction of affordable housing. It required that approximately sixty acres of public land be transferred to VIHFA, the agency specifically created to develop and administer affordable housing programs for Virgin Islanders. The proposed lease asks the Legislature to abandon that policy without any evidence that the original legislative objectives can no longer be achieved.

2. Twenty condominiums on an acre or two for two years are not equivalent to sixty acres of public housing land in perpetuity.

The Legislature reserved sixty acres because it recognized that affordable housing needs change over time. Public land provides flexibility. It allows:

- phased development;
- additional housing as demand grows;
- different housing types based on the desires of the new homeowners;
- future partnerships with federal housing programs; and
- permanent public control.

Twenty condominiums for two years provide none of those benefits. Once the sixty acres designated for transfer to VIHFA are removed from that program, the opportunity is gone forever.

3. Veterans would lose the protection intended by the Legislature.

Act 7321 does not simply promise veterans the opportunity to purchase housing. It reserves fifteen percent of the 60 acre public housing program lots for veterans. The proposed lease replaces that permanent public commitment with only ten condominium units. If those units are not purchased within two years, or are later resold at market prices, the veterans' housing benefit disappears forever. That is inconsistent with both the letter and spirit of Act 7321.

4. The proposal ignores the Water Island Land Use Study required by the Legislature.

The Legislature appropriated public funds for the University of the Virgin Islands to prepare a comprehensive land use study. That study carefully evaluated all Government-owned parcels and specifically identified the thirty-five parcels totaling approximately sixty acres that should be transferred to VIHFA. The study further recommended that VIHFA prepare a Master Plan for those lands before development occurred. The proposed amendment disregards both the study and the Legislature's investment in that planning process.

5. No public need to abandon VI law has been demonstrated.

The Legislature has not been presented with any evidence that:

- the statutory transfer cannot occur;
- VIHFA no longer wants the land;
- the affordable housing need has disappeared; or
- the Legislature's policy has become obsolete.

Instead, the proposed change appears designed solely to make additional land available for a private resort development.

That is not a sufficient reason to repeal an important public housing program.

6. If the law is to be changed, the Legislature should require full public justification.

The question before the Legislature is larger than twenty condominiums. It is whether sixty acres previously dedicated to public housing should instead become part of a private 99-year lease. Before taking that step, the Legislature should require:

- An updated Land Use Plan which compares the public value of the sixty-acre transfer versus twenty condominiums
- Formal legislation that can be properly debated with testimony explaining why the statutory housing program should be abandoned
- a clear finding that the substitution provides equal or greater public benefit.

Recommendation

The Legislature should reject Section 9.20 and require compliance with Acts 6751 and 7321 by preserving the transfer of the thirty-five parcels identified in the 2007 Water Island Land Use Study to the Virgin Islands Housing Finance Authority, including the veterans' housing set-aside required by law.

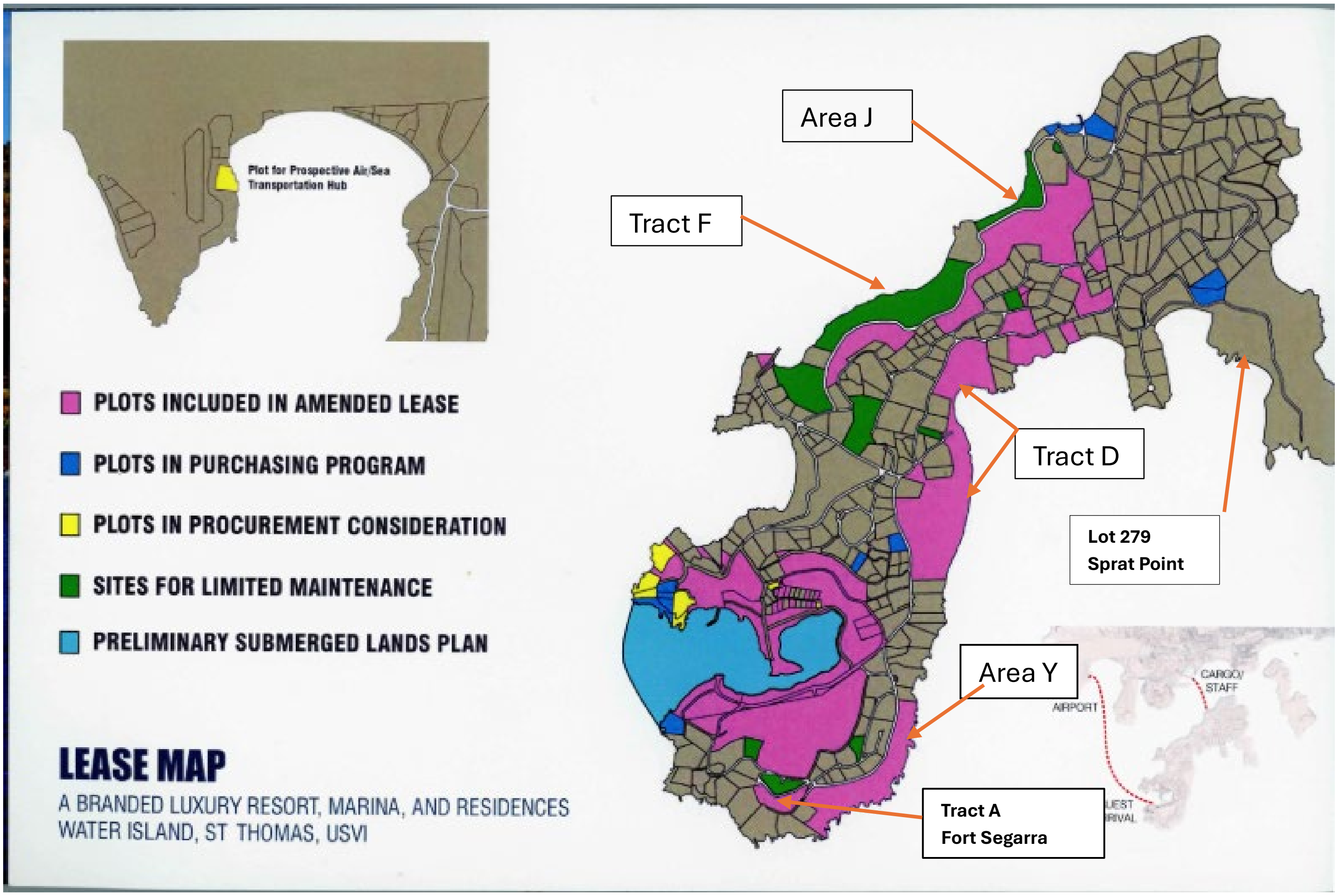
The issue is not whether twenty condominiums are desirable. The issue is whether the Legislature should permanently exchange sixty acres of publicly owned land—land specifically reserved by statute for future affordable housing—for twenty privately constructed condominiums that satisfy only a fraction of the long-term public benefit envisioned by Acts 6751 and 7321. Once those sixty acres are absorbed into a 99-year private lease, the Legislature will never have another opportunity to use that land to meet the housing needs of future generations of Virgin Islanders.

SECTION 5. Lands Recommended for Transfer in the Water Island Land Use Plan, Including "Permanent Non Development" Lands, Designated for Transfer to the VI Territorial Parks System, and Tract A (Fort Segarra), Designated for Transfer to the VI Historic Preservation Office, Should Be Eliminated from the Amended Lease and Transferred as Recommended

In addition to the 60 acres designated for transfer to the VI Housing Finance Authority (*See* Section 4), the Water Island Land Use Plan recommended that Areas J and Y, Tracts D and F, and Lot 279 be transferred to the Territorial Park System and be included in the Territory's comprehensive management plan for parks and natural areas. Two of those tracts, Tract D and Area Y, are included in the Amended Lease for luxury residential development. Only Lot 279 has been transferred to the Territorial Park System.

The Land Use Plan also recommended that Tract A (Fort Segarra) be transferred to the VI Historic Preservation Office, but that lot is included in the Amended Lease.

These recommendations from the Land Use Plan preserve these lands for the benefit of the Virgin Islanders; retain the "public purpose" requirement required by the 1996 and 2005 Transfer Deeds and also further GVI's obligations under Section 5(c)(3) of both deeds to provide services for the "establishment and maintenance of public recreation areas." These six tracts are identified on the map below.



Areas J and Y, Tracts D and F should be transferred to Territorial Parks System, and Tract A should be transferred to Historic Preservation Office

Recommendation

The Amended Lease designates all of these tracts as potential residential housing development sites. The Amended Lease should be revised to eliminate Tract A, Tract D and Area Y (Permanent Non-Development Lots); and Tract A (Fort Segarra).

The enabling legislation, BR-26-1154, should be amended to require the Governor to transfer the 35 Lots identified on Map 6.1above to the Virgin Islands Housing Finance Authority; Area J, Area Y, Tract D and Tract F to the VI Territorial Park System; and Tract A (Fort Segarra) to the VI Historic Preservation Office.

SECTION 6. The July 8, 2026 Amended Lease Excludes Honeymoon Beach But Attempts a Back-door Disposition of Honeymoon Beach Anyway

DPP and the WIDC have made it abundantly clear that WIDC wanted nothing to do with Honeymoon Beach, and that GVI would retain control over the Honeymoon Beach. The July 8, 2026 Lease would change all of that.

When real property owned by GVI is "sold, leased or otherwise disposed of" it must be done in accordance with VI 31 Section 205. Leases in excess of one year require approval by the Governor and the Legislature. The July 8, 2026 Lease creates the prospect of a new form of disposition, called a "Revocable License," which appears to be an attempt to circumvent the legal requirements of VI 31 Section 205. The Legislature should be cognizant of this provision in the 2026 Amended Lease, which appears to be yet another veiled attempt to avoid legislative review and public input. Even though there is nothing but a reference in the Amended Lease to a good faith effort to negotiate a "Revocable License," the scheme has now been revealed, and it is not in the public interest.

Recommendation

The lease should also include clear language that any document which purports to dispose of Honeymoon Beach or any part thereof will require Legislative approval and public input.

Individual lease terms must be negotiated after the six threshold discussed above are resolved.

Once the above threshold issues discussed above are resolved, negotiation of individual lease terms would be required, based upon the tracts that remain in the lease. The individual lease terms discussed below are issues that the Lease either does not address, or does not address adequately to protect the public interest in general or the residents of Water Island in particular. The most important of these lease terms are as follows:

1. The Amended Lease must clearly state that the hotel and marina must be constructed before any construction commences on the residential housing development. WIDC has agreed with this.
2. The Amended Lease must require that all sales are based on an independent appraisal to establish fair market value. The 2014 Lease required this.
3. If the Employee Housing is no longer used for employee housing, the Employee Housing tract must revert to GVI and retained for public purpose only. WIDC has agreed with this.
4. Public access to the North Shore beaches (from both land and sea) and to Fort Segarra must be identified and enforced through the lease.
5. Any of the Additional Resort Lands that are leased for residential housing development must be returned to GVI if all required governmental approvals are not obtained within four (4) years, following the terms and schedule outlined in the 2014 Lease.
6. A performance bond must be provided to ensure that the services and infrastructure promised for Water Island residents are delivered, including (1) completion of the hotel and marina; (2) upgrades and resurfacing of all roads leading to any of the leased lands, including Fort Hill Road and all Water Island roads in poor condition; and (3) installation of water, underground electrical and wastewater service lines throughout the island so that the delivery of utilities to the residential developments will also be available for all Water Island residents to tie in.
7. A restoration and site reclamation bond must be provided to ensure that (1) damages to island infrastructure caused during construction and operation are repaired; and (2) if any development site is abandoned, suspended or terminated prior to completion or experiences a damaging event such as a tropical storm, that site will be fully restored.
8. Contrary to WIDC's representations, when WIDC destroys the Firehouse, the building from which its volunteers provide emergency fire and medical response services, the replacement it will build will only serve residents of its own developments, leaving the residents of Water Island with nothing. Section 6.2 of the Amended Lease states that when the replacement building is completed, "[the] Virgin Islands Police Department, and Virgin Islands Fire and Medical Services shall have dedicated space and improvements **to service**

residents on the GVI Tract". The GVI Tract is defined as the lands owned by GVI, not by the current residents of Water Island; *i.e.,* "the 197.82 acres on Water Island (the "GVI Tract") that were deeded by the United States of America . . . to the Lessor [GVI]." (*See* Amended Lease, First Preamble Clause) The same limitation is found in Section 6.3, which only authorizes the use of the helipad for emergency services that will **"service residents on the GVI Tract."** The lease must be amended to clearly state that Water Island residents will always have access to its existing Firehouse, or an equivalent replacement, and that public services will serve all Water Island residents, not just those occupying WIDC's developments.

9. WIDC's promise to provide utility services outside of public service and regulatory control is a frightening proposal. WIDC proposes to build and operate public utility services, such as water, sewer, electricity and solid waste collection, and charge whatever it wants with none of the regulatory oversight legally required for such activities. WIDC even retains the right to pick and choose which residents it will serve, and which will be left out. This entire program needs complete and thorough investigation and evaluation before it is approved as a lease term.
10. No more back room deals should be allowed. No "Revocable License" or other authority should be established for Honeymoon Beach unless it is approved by a 2/3 majority of the residents and property owners on Water Island.

CONCLUSION

The Amended Lease does not protect the public interest. The recommendations for amendments presented in this document will protect the public interest. As we have said on numerous occasions, the Water Island community wants to be an active partner in the development of a replacement hotel and marina. WICA is ready to work with GVI in that effort.