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***VIA EMAIL: Duane Callwood - dcallwood@legvi.org***

Milton E. Potter
President
36th Legislature of the U.S. Virgin Islands
Charlotte Amalie, United States Virgin Islands 00802

Re: ***Bill Request #36-1154/G36-072*** *An Act ratifying the lease between the Government of the Virgin Islands, acting through the Department of Property & Procurement and Water Island Development Company, LLC*
DNF File No. 8728-1
**WIDC's Opening Statement**

Good day Esteemed Senators,

Thank you for hearing the proposed amended lease between the Government of the Virgin Islands (the "GVI") and the Water Island Development Company ("WIDC"). This amended lease was thoughtfully and carefully negotiated by the parties to reflect changing resort development parameters in the Caribbean, revise the financial terms, and to heed the lessons from the post 2017 storms in order to account for the housing needs of the contractors necessary to restore the Territory within this development plan to ensure there is sufficient housing for construction teams first and resort employees later. This lease was also further revised after listening to the concerns of this body and revised to provide for USVI veteran housing and middle-income Virgin Islander housing at a fixed cost of $250k for a 2 bedroom condominium, fulfilling the goals of Act Nos. 6751 and 7321 and diversifying the Water Island community.

This redesigned hotel, marina, and residential project with a minimum investment of $300 million dollars by the developer, and an anticipated final budget of $440 million dollars constitutes a significant investment in the Virgin Islands. The economic benefits to the GVI under this amended leased are substantial: annual hotel occupancy taxes of $5 million dollars; $16 million dollars in residential sales commissions; $8 million dollars in transfer stamp taxes on those residential sales; $2 million dollars in annual property taxes on the residences; $200k in fuel taxes from the marina annually; $120k in ground rent annually that will increase to $240k after ten years; and adding 200 new jobs that will generate $14 to $15 million in direct wages, stimulate millions in consumer spending, provide a vital economic boost by reducing unemployment, expand the territory's tax base, and drive localized spending. This project will generate over $10 million dollars a year in new revenue for the GVI in perpetuity.

In 2014 the GVI sought proposals from interested companies to redevelop the original 110 room hotel and marina on Water Island which was destroyed by Hurricane Hugo in 1989. More than 10 firms made proposals, and eight heritage hotel brands expressed interest in the property. On November 20, 2014, Water Island Development, LLC and the GVI concluded lease negotiations and signed a lease for redevelopment of approximately 48 acres on Water Island along with an option to purchase 55 additional acres for residential development. Water Island Development, LLC (WIDC) was selected by the GVI through a rigorous public selection process as the developer. Redevelopment of a hotel on Water Island was stipulated as a condition for transfer of Water Island land from the US Department of the Interior to the USVI in 1996. The development site includes Flamingo Bay, Honeymoon Beach, and the site of the former Water Island Hotel and Beach Club that was later renamed to the Sugar Bird Hotel, which was destroyed by Hurricane Hugo and has been closed since that storm.

The original lease was ratified by the V.I. Legislature on December 22, 2014 and WIDC began commissioning environmental and feasibility studies for the Water Island development and engaging with the U.S. Fish and Wildlife Service, Virgin Islands Division of Fish and Wildlife, the U.S. Army Corps. of Engineers, Virgin Islands Department of Planning and Natural Resources, and the Coastal Zone Management Commission. During that time WIDC was also seeking financing for the project and a flag for the hotel. Unfortunately, two category 5 hurricanes hit the Virgin Islands in 2017 causing tremendous damage to the Islands and crushing WIDC's development plans. WIDC restarted the development planning in the fourth quarter of 2019 only to have the COVID pandemic hit in February of 2020 with the subsequent severe economic downturn and 2022 recession following thereafter.

In mid-2025, Bluewater Global Advisors, LLC ("BWG") began negotiating with the Managing Members of WIDC to purchase the membership interest of WIDC. A purchase agreement was negotiated between WIDC and BWG in the fall of 2025 that is contingent on securing the lease amendment that is currently before this body. In November of 2025 BWG, with the authorization of WIDC, engaged the Department of Property and Procurement ("DPP") to discuss amending the existing lease. BWG and DPP, directly and through counsel, participated in months of discussions and negotiations regarding the Water Island lease amendments to create an amendment that would make the project desirable to a luxury 5-star hotel, allow BWG to have more design flexibility, ensure the infrastructure of Water Island was fortified, and create better financial terms for the GVI.

The existing lease entered into in 2014 between the GVI and the WIDC contemplates the full redevelopment of the 48 acre hotel and marina, both inner and outer Flamingo Bay, as well as full development of Honeymoon beach, the upland hillside (Tract C), and the catchment area at the top for hotel rooms, retail, and private residences. Also, under the original lease WIDC had the option to purchase 55 additional acres from the GVI on Water Island to develop additional private residences for a total of approximately 103 acres of development. In the current concept, the total number of keys for the hotel has been reduced by about 1/2, the original designs called for 157 keys and the current design has been reduced to only 88 keys, which is 22 keys less than the original Sugar Bird Hotel.

The luxury hotel sector has changed dramatically since 2014 when the original designs were submitted from large hotels to smaller hotels with residences to create a full spectrum community. BWG's design takes the remaining 69 hotel keys from the original hotel development design and utilizes those keys to build residences along with up to 30 additional residences.

BWG was concerned that developing Honeymoon Beach and the upland land of Tract C would not be welcomed by Virgin Islanders based on the general public concerns about access to the beaches and changing the tropical vistas in other developments in the Territory. In an effort to proactively account for the public's concerns, BWG removed all of the Honeymoon Beach and hillside development and negotiated with the GVI for more inland tracts to build upon. The GVI embraced this concept, and discussions were had to create a Magens Bay Authority type of board to manage Honeymoon beach and beach facilities also with BWG financially contributing annually to the board which has been incorporated into this amendment.

As the discussions progressed between GVI and BWG, the scope was increased to have the Magens Bay like authority manage Sprat Point, where it would create some walking/biking trails for the public use and maintain those trails with "limited maintenance". The limited maintenance designation was contemplated to require BWG to undertake limited vegetation maintenance in areas where it might affect roads, paths, or utilities, and nothing more.

Additional interior land was incorporated into the lease to account for the removal of the Honeymoon Beach parcels and to provide land to create employee housing. This is an important part of this proposed development as St. Thomas suffers from a significant lack of affordable rental properties. After the 2017 hurricanes we saw an influx of construction workers as part of the reconstruction of our islands and while this was critically needed, the collateral problem it created was a severe deficit of available affordable rental housing. This caused the cost of available rental units to skyrocket and this cost and limited availability has continued to date. BWG recognized this problem and designed the employee housing to try to take the lesson from the post storm rebuild and create a solution.

That solution begged the question: can Water Island support the day-to-day needs of the employees, and if not, what can BWG do from a design standpoint to answer that question. The answer was to incorporate a retail center so that the employees and residents of Water Island can get their groceries, medication, and other daily needs right on island without having to ferry back and forth to St. Thomas. The retail center can also support other businesses that will benefit the island such as a doctor's office, day care, possibly nursery school, gym, the options really depend on the needs of Water Island's residents and BWG believes that the market can determine what businesses are needed and wanted. BWG also thought that housing the new fire/police/EMS facilities in the retail center was logical as it centralized the activity in one area.

BWG will also be rebuilding the marina in Flamingo Bay to create dockage, provisioning, and fuel services. BWG has engaged Amy Dempsey of BioImpact to analyze the inner and outer bay and determine what is both feasible and appropriate from an environmental standpoint. The marina will be open to the public and Water Island residents will have full access to the facility and can lease dockage at a reduced rate. Indeed, BWG wants all of the Water Island residents and the broader general public to utilize all of the facilities it is building including the marina, spas, restaurants, and beaches with a discounted day or annual pass for locals.

As part of the amendment to the lease, the GVI would add that land and BWG would build and maintain the municipal service stations fire/police/EMS at its cost and provide those municipal services priority access to the docks and helipads. BWG will also be upgrading the infrastructure of the island that will include roads, wastewater, solid waste, electric transmissions lines, and desalination. BWG wants the Water Island residents to tie into all of the water, waste and electrical systems it is building as that will promote efficiencies of scale and stabilization, the challenge will be to work with the GVI to allow BWG to be excepted from the public utility designation.

BWG has heard the concerns, complaints, and questions raised by Water Island residents and has attempted to engage them in a dialogue. In fact, BWG responded to over forty (40) pages of questions from WI residents and participated in three separate zoom meetings. The majority of the written questions focused on ultimate questions related where buildings and infrastructure would be located in the final designs that could not be answered at this stage in the development since the final designs haven't been completed. Some questions asked about the ownership of BWG which were answered, a few related to the municipal services and retail area that were answered, and a couple that seemed to be steeped in conspiracy theories. At the town hall zoom meetings, we had great attendance and some great exchanges and discussions, but the meetings were marred by certain participants like Chuck Nestrud and Jan Robinson who refused to substantively participate in the discussions and instead constantly object to the meeting being held via zoom. Notwithstanding their attempts to obstruct the discussion, the meetings proceeded and we had some wonderful input from the broad Virgin Islands community.

There is no doubt that the development will change the island and that no matter how thoughtfully BWG designs the properties there will be some people that either don't like the design or simply oppose any development at all. Nevertheless, BWG is looking forward to creating a world class development on Water Island.

Cordially,

Alex M. Moskowitz

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