

THE VIRGIN ISLANDS PORT AUTHORITY

Testimony Presented on behalf of
Carlton Dowe, VIPA Executive Director
to the 35th Legislature of the U.S. Virgin Islands
Committee on Culture, Youth, Aging, Sports, and Parks

The Honorable Senator-at-Large Angel Bolques Jr.
Chairman



SEPTEMBER 20, 2024

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

Good afternoon Honorable Senator-At-Large Angel Bolques, Jr., Chairman of the Committee on Culture, Youth, Aging, Sports, and Parks in the 35th Legislature of the Virgin Islands, all Senators present, legislative staff, and the listening and viewing audience. On behalf of Carlton Dowe, the Executive Director for the Virgin Islands Port Authority (hereinafter referred to as VIPA), I am Catherine Hendry, Esq., General Counsel for VIPA. Thank you for the opportunity to present testimony regarding the Randall “Doc” James Racetrack on St. Croix, United States Virgin Islands. This hearing was requested to receive updates on the current status of horse racing in the St. Croix District, with a focus on the progress and challenges surrounding the construction of the Randall “Doc” James Racetrack.

VIPA (“Leasor”, “Landlord”) and Gov’t of the V.I. (“Lessee”, “Tenant”) are parties to that certain Lease Agreement dated September 24, 1982, between the Virgin Islands Port Authority and the Government of the Virgin Islands through the Department of Property and Procurement on behalf of the Department of Sports Park and Recreation formerly known as the Departments of Conservation and Cultural Affairs and as approved by the Governor of the Virgin Islands and Legislature of the Virgin Islands on May 4, 1983 (“Lease”).

The Lease Agreement is for the Randall “Doc” James Racetrack (RDJR) Premises made up of 56.16 U.S. acres located at Section No. 5, Henry E. Rohlsen Airport (formerly Alexander Hamilton Airfield), technically known as Manning Bay, St. Croix U.S.V.I. which has been leased since September 24, 1982 to the Government of the Virgin Islands (GVI) through its Department of Sports Parks and Recreation (SP&R), successor in interest to the Department of Conservation and Cultural Affairs and the Department of Property and Procurement (P&P) from the Virgin Islands Port Authority (VIPA). Amendment No. 2 to the Lease Agreement dated September 18, 1996, increased the acres to 65.1470. Additionally, Amendment No. 4 to the Lease Agreement dated May 24, 2021 included an additional 19.4672 U.S. acres located at Parcel No. 4-B from Estate Bethlehem Middle Works St. Croix, U.S.V.I. for the total acres of said premises to be 84.6149.

Amendment No. 4 to said Lease was approved by the Federal Aviation Administration and Tenant’s (GVI) annual rent is based on the fair market value of the St. Croix Horse Track covering the approximately 84.6149 in total acres of non-aeronautical land on federally obligated property (“Premises”). The additional acres address the further expansion of the Randolph “Doc” James Racetrack as follows:

Approximately **84.6149** U.S. acres consisting of:

(a) **65.1477** U.S. acres located at Section No. 5, Henry E. Rohlsen

Airfield (formerly Alexander Hamilton Field), commonly known
as “Manning Bay” St. Croix, Virgin Islands; and

(b) **19.4672** U.S. acres Parcel No. 4-B Estate Bethlehem Middle

Works, King Quarter, St. Croix, Virgin Islands

The Amendment No. 4’s rent provision charges for the 84.6149 acres as follows: the sum of ONE HUNDRED EIGHTEEN THOUSAND FIVE HUNDRED FIFTEEN DOLLARS AND 25/100 (\$118,515.00) per annum (equal to \$1,400.66/acre/year) payable in monthly advance installments of NINE THOUSAND EIGHT HUNDRED SEVENTY-SIX DOLLARS AND 25/100 (\$9,876.25) (equal to \$116.72/acre/month).

To date, the rent and fees due and owing to the VIPA for said Premises total the amount of \$489,750.96. Currently, VIPA has responded to the Department of Sports, Parks, and Recreation (SP&R’s) and the Department of Property and Procurement (P&P’s) request for reconsideration regarding the rent provisions in Amendment No. 4 for the RDJR and the payment of the rent due, to satisfy the FAA’s concern with the payment of the fair market value for the use of the leased premises. Pursuant to the rules of the FAA and the Grant Assurances, VIPA must

charge the fair market value for the use of airport properties and must collect the rents due for the use of the property. Failure to collect the fair market rent is considered “diversion of airport revenues”, for which VIPA will be penalized. The penalty may be the withholding of grant funds to develop the airport, especially the airfield. VIPA is continually asked about the use of the horse racetrack property and the collection of the rent. We have indicated to the FAA that we are working with our Tenant, the Government of the Virgin Islands, Department of Property and Procurement, to address the outstanding rent and to ensure collections in the future. The FAA is waiting to see some formal collection of the rent or an agreement for the collection. Taking the FAA requirements on VIPA, it is imperative that we find a way to work out the obligation that is owed to VIPA, which we have not yet been able to get a resolution of this outstanding rent matter.

The Lease Amendment No. 4 between VIPA and GVI for the Premises, which was approved by the FAA, requires rent to be paid immediately upon the effective date of the executed Amendment. Therefore, the FAA expects to see rent payment commence. However, the Sub-Lease Agreement for the Premises dated October 27, 2016 between the Government of the Virgin Islands, Department of Property and Procurement and VIGL Operations, LLC does not obligate rent payment to the Government of the Virgin Islands until all approvals and permits are in place. This gap in the rent payments to VIPA by Tenant, the Government of the Virgin Islands

has to be reconciled. VIPA expected that the Government of the Virgin Islands would pay the rent through its annual operating funds until the racing activities begin, and rent is paid by the sub-tenant. However, since that has not occurred, here we are with the outstanding rent of \$489,750.96, which must be paid, in order for VIPA to be in good standing with the FAA and to continue to receive our full entitlement of airfield grants. As this body reviews this matter at this time we ask that the possibility of a legislative appropriation for the outstanding debt be considered in order to avoid jeopardy of the Airport grant funding program. In the last 4 years, VIPA has been the recipient of \$ 34, 148,983.00 in grants for the Henry E. Rohlsen Airport. Each year we have received:

__\$17,404,878.00_ 2023

__\$6,547,742.00_ 2022

__\$6,047,968.00_ 2021

__\$4,148,395.00_ 2020

This source of funding is critical for our ability to upgrade and properly maintain our airfield. While we anticipate an agreement with our 3P operator (VIports Partners) for the airports, VIPA as the airport sponsor and certificate holder will still be responsible for maintaining the airfield. VIPA knows the importance and significance of the Randall “Doc” James Racetrack and is willing to work with

SP&R and P&P as much as possible in keeping with our FAA compliance obligations.

This concludes VIPA's testimony. I am prepared to answer any questions concerning this matter.