



Legislature of the Virgin Islands

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POST AUDIT DIVISION

February 24, 2023

MEMORANDUM:

TO: Honorable Donna A. Frett-Gregory
Chairperson, Committee on Budget, Appropriations and Finance
35th Legislature of the Virgin Islands

FROM: Post Audit Division

SUBJECT: Lease Agreement

LESSOR: Department of Property & Procurement

LESSEE: Anthony Isaac d/b/a Ace Trucking and Trash Removal

PREMISES: Parcel No. 124 Submarine Base, St. Thomas, U.S. Virgin Islands consisting of approximately 33,050 U.S. square feet or 0.758 U.S. Acres of land and Zoned "1-2."

TERM: Ten (10) year period, with an option to renew for two (2) five (5) year periods. Initial lease term commences on the first day of the month following approval by the Legislature of the Virgin Islands.

PURPOSE: The property will be used to operate a garbage removal, trucking, transportation, and delivery business, and for other related purposes.

LEASE SUMMARY

BACKGROUND Anthony Isaac d/b/a Ace Trucking and Trash Removal is a locally owned and operated business which has been registered since 2018. This proposed lease agreement will allow Anthony Isaac d/b/a Ace Trucking and Trash Removal the use of Government property to conduct business operations and perform numerous tasks. Attached in *Appendix I* is a picture of the property for lease.

REQUIRED SUPPORTING DOCUMENTATION

DOCUMENT	EXPIRATION DATE
Business License	4/30/2023
Trade Name Registration	3/23/2024
Certificate of Liability Insurance	2/12/2023
Certificate of Good Standing	

PAYMENT TERMS

The Lease requires \$24,000.00 per annum payable in equal monthly installments of \$2,000.00 due on the first day of each month during the term thereof. The Annual Rent shall commence on the first (1st) day of the month after the Construction Period of thirty-six (36) months or less has expired. Lessee is required to pay a reduced rent during the Construction Period of thirty-six (36) months. Lessee shall pay \$500.00 per month for months one through twenty-four (1-24) and \$1,000.00 per month, for months twenty-five through thirty-six (25-36). The Construction Period Rent will not be available or extended beyond the Construction Period of thirty-six (36) months. See *Appendix II* for a more detail analysis.

After the first (1st) year of the initial term, and every year thereafter, including the Renewal Term, the rent shall be adjusted in accordance with the Consumer Price Index but not more than 3% over any proceeding year period. At no time will any rent determined in the above manner be reduced below the annual rent of \$24,000.00. A late charge will be assessed after ten (10) days of the due date for an additional ten percent (10%) of the monthly payment.

IMPROVEMENTS

According to the lease terms, the Lessee shall provide the improvements listed below at its own cost and expense, which are estimated to cost Four Hundred Thousand Dollars (\$400,000.00). Improvements to the property include the following:

1. Demolish and renovate office.
2. Demolish and renovate garage shed.
3. Clear property of junk and debris.
4. Install security fencing and lighting.

The Improvements shall be completed no later than thirty-six (36) months of the effective date, the such thirty-six-month period being referred to herein as the "Construction Period".

INSURANCE AND INDEMNITY

Under the terms of the lease the Lessee agrees to:

- Keep in force a policy of public liability and property damage insurance with limits of not less than:
 - One Million Dollars (\$1,000,000.00) property damage,
 - One Million Dollars (\$1,000,000.00) for one person injured or killed, and
 - One Million Dollars (\$1,000,000.00) for any number of persons injured or killed in any one accident.
- All of said insurance shall be in a form satisfactory to Lessor and shall provide that it shall not be subject to cancellation, termination, or change, except after thirty (30) days prior written notice to Lessor.

ADDITIONAL INFORMATION

Detail information on the following items can be found in the attached lease document:

Items	Page
• Improvements	3-5
• Mechanic's Lien	5
• Insurance and Indemnity	5-6
• Entry by Lessor	6-7
• Condemnation	7
• Cancellation, Termination, Assignment, and Transfers	7-9
• General Terms and Conditions	9-12

EXECUTIVE BRANCH APPROVALS

Signee	Title	Department	Date of Signature
Anthony D. Thomas	Commissioner	Department of Property & Procurement	11/3/2022
Carol E. McDonald, Esq.	Assistant Attorney General	Department of Justice	11/14/2022
Honorable Albert Bryan Jr.	Governor	Office of the Governor	1/28/2023

CONCLUSION

The Department of Property and Procurement has entered into a lease agreement with Anthony Isaac d/b/a Ace Trucking and Trash Removal whose purpose is to operate a garbage removal, trucking, transportation, and delivery business, and for other related purposes. All licenses are in compliance with the laws and regulations of the Government of the Virgin Islands, but **no Certificate of Good Standing was included in the packet.** The terms and conditions of the lease are consistent with other leases issued by the Department of Property and Procurement. Therefore, the Post Audit Division recommends approval of this Lease between the Department of Property and Procurement and Anthony Isaac d/b/a Ace Trucking and Trash Removal once a Certificate of Good Standing is submitted.


 Vincent Samuel
 Post Auditor

period using the average CPI-M and present value of each payment today. If you consider year ten in Table #2: the monthly payment would be \$2,232.52, and the annual payment total annual payments would be \$26,790.29. However, the value of year ten's payments at the beginning of year ten is \$22,942.36. The difference between \$26,790.29 and \$22,942.36 is \$3,847.93, resulting from money losing its value over time. Even more interesting is that the value of the \$22,942.36 is \$18,419.06 at the beginning of the lease term.

Table #3 shows that same analysis except that instead of using the average CPI-M as the rate for adjusting rent payments, the average inflation rate for the ten-year period was used in the calculations. Also, note the difference in year ten calculations of annual payments, \$1,037.15 (\$23,979.51-\$22,942.36). This difference results from the average inflation rate of 2.47% being greater than the average CPI-M of 1.85.

TABLE #1

Year	Cal. Year Inflation %	AVG. Inflation %	CPI Multiplier
2013	1.50	1.50	1.0130
2014	0.80	1.60	1.0120
2015	0.70	0.10	1.0038
2016	2.10	1.30	1.0121
2017	2.10	2.10	1.0191
2018	1.90	2.40	1.0152
2019	2.30	1.80	1.0136
2020	1.40	1.20	1.0209
2021	7.00	4.70	1.0097
2022	6.50	8.00	1.0658
Average	2.63	2.47	1.0185

TABLE #2

Using CPI Multiplier				
Year(t)	Monthly Rent(t)	Annual Rent(t)	Present Value(t)	Present Value
1	\$500.00	\$6,000.00	\$5,138.21	\$5,138.21
2	\$500.00	\$6,000.00	\$5,138.21	\$5,014.36
3	\$1,000.00	\$12,000.00	\$10,276.42	\$9,786.97
4	\$2,000.00	\$24,000.00	\$20,552.84	\$19,102.13
5	\$2,037.00	\$24,444.00	\$20,933.07	\$18,986.55
6	\$2,074.68	\$24,896.21	\$21,320.33	\$18,871.67
7	\$2,113.07	\$25,356.79	\$21,714.76	\$18,757.49
8	\$2,152.16	\$25,825.89	\$22,116.48	\$18,643.99
9	\$2,191.97	\$26,303.67	\$22,525.64	\$18,641.68
10	\$2,232.52	\$26,790.29	\$22,942.36	\$18,419.06
	Potential Revenue	\$201,616.87	\$172,658.34	\$151,362.11

Honorable Donna A. Frett-Gregory
Lease Agreement between Property & Procurement and Anthony Isaac d/b/a Ace
Trucking and Trash Removal
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TABLE #3

Using Average Inflation Rate			
Year(t)	Monthly Rent(t)	Annual Rent(t)	Present Value(t)
1	\$500.00	\$6,000.00	\$5,138.21
2	\$500.00	\$6,000.00	\$5,138.21
3	\$1,000.00	\$12,000.00	\$10,276.42
4	\$2,000.00	\$24,000.00	\$20,552.84
5	\$2,049.40	\$24,592.80	\$21,060.50
6	\$2,103.30	\$25,239.59	\$21,614.39
7	\$2,158.62	\$25,903.39	\$22,182.85
8	\$2,215.39	\$26,584.65	\$22,766.26
9	\$2,273.65	\$27,283.83	\$23,365.01
10	\$2,333.45	\$28,001.39	\$23,979.51
	Potential Revenue	\$205,605.65	\$176,074.21