

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

Good morning Honorable Senator Hurbert L. Frederick, Chairman of the Committee on Economic Development and Agriculture of the 36th Legislature of the Virgin Islands. Good morning, Committee members present and other Senators present, Legislative staff and the listening and viewing audience. I am Carlton Dowe, the Executive Director of the Virgin Islands Port Authority (hereinafter referred to as VIPA). Thank you for the opportunity to present testimony regarding Bill No. 36-0065, a bill to amend Act No. 8512, which was the law that transferred the former Adelita Cancryn Junior High School campus to the Virgin Islands Port Authority for use in developing the Crown Bay Sandfill Cargo Marine Facility. Under Act No. 8512, in exchange for the transfer of the educational campus at Crown Bay Sand Fill Parcel No. 1 South Side Quarter, St. Thomas to VIPA, VIPA is required to construct a 35,000 square feet warehouse on the developed property for the benefit of the Department of Education's School Lunch Program. VIPA agreed wholeheartedly with the concept of constructing the warehouse for the Department of Education. We remain committed to doing just that.

After VIPA's meetings with the Department of Education Commissioner and her staff, as well as the Executive Director of Bureau of School Construction and Maintenance, we learned that the Department of Education had acquired Parcel No.

1B & 47B-1 Gasverks Gade, No. 3 Crown Prince Quarter, St. Thomas, and the Department preferred to consolidate their operations and divisions into that one complex. In VIDOE's best interest, VIDOE preferred that the school lunch warehouse facility be erected on the Gasverks Gade property. With that understanding, VIPA went back to our external planners, and we started to consider retrofitting the existing warehouses of the Gasverks Gade property, rather than building the warehouse on the former school campus site. However, upon close investigation it was determined that the existing warehouse at the Gasverks Gade property was not suitable for renovation and retrofitting. A new building would have to be constructed at that site. Additionally, to do anything at Gasverks Gade rather than the former Adelita Cancryn School campus site, an amendment to Act No. 8512 would be required, directing VIPA to construct the warehouse on Parcel Nos. 1B and 47B-1 Gasverks Gade. VIPA remains committed to constructing the warehouse at the alternate site, provided the conditions are reasonable and fair to VIPA.

As I said, VIPA is agreeable to take on the task of covering the cost and directing the construction of the warehouse, either doing so exclusively or bringing on a partner to assist with the cost. Therefore, we are in support of the concept. However, this bill as it is written creates some difficulties for VIPA if this bill passes. First, in the fifth recital, it should be made clear that the warehouse will be designed and constructed not "retrofitted and renovated." When the warehouse was inspected

by VIPA's engineering team, it was determined that the existing warehouse is beyond repair and was not useful. Therefore, our planners were instructed to change their task to design and develop plans for the construction of a new warehouse at this new site. All references in the bill should therefore be changed to "designed and construction." Secondly, and probably most importantly, Section 2 requires a payment "50% of income received from the commercial use of the campus..." That language directs VIPA to pay 50% of gross income from the commercial leasing of space within the former Addelita Cancryn Junior High School. We do not believe that the scheme for payment is fair to VIPA. The bill is directing VIPA to cover 1) the cost for all pre-development cost (design, engineering, and architectural plan); and 2) demolition of existing warehouse, site preparation for new construction, building permit and construction. It is expected that VIPA will do all this with no contribution from the central government but must do all this out of VIPA's resources. The proposed payment structure is not equitable, with the total financial burden of construction being placed on VIPA. That would be an extremely heavy lift for VIPA. Expecting VIPA to do this from its resources will be onerous on VIPA and certainly delay the construction of the project. This mandate lacks fairness and it will result in delays because VIPA will have to identify and access funds to cover the costs to undertake the various stages of the project. Keep in mind VIPA is an independent agency which must collect sufficient revenues to maintain its operations

and carry out its mission of managing its marine and aviation divisions and promote the economy of the Virgin Islands.

VIPA must make the former Addelita Cancryn property useful, which first requires the demolition of the existing buildings. Currently we are in the process of soliciting a contractor to demolish the buildings that are on the former Addelita Cancryn property. The bid process will close on June 13th. Once we receive bids for that demolition, we must then enter a contract to engage the work of demolition. Upon completion of the demolition process and costs incurred, only then will VIPA be able to enter into leases for the former Addelita Cancryn campus. VIPA will have the responsibility to provide landlord services on the property. Even if a significant portion of the property is leased in a single land lease, VIPA intends to reserve a portion of the property for its use and rental. VIPA will be providing security, maintaining the common areas, and carrying other costs and obligations of ownership.

Additionally, on January 23, 2025 the VIPA Governing Board authorized and directed the Executive Director to engage our consulting engineers' firm, Moffat & Nichol to develop, design and prepare permitting plans for the construction of the Department of Education's warehouse at the Gasverks Gade property. VIPA is already spending over \$400,000.00 on pre-development plans for the construction of the warehouse. VIPA is bearing the full cost of the design and construction

associated with the Department of Education's warehouse in addition to spending to demolish the buildings on the former Addelita Cancryn school property. This Bill places full responsibility and the entire financial burden to be incurred by VIPA. It is unfair to limit VIPA's opportunity to receive reimbursement for at least the pre-development costs related to this construction project which covers two sites. After spending what may be over a million dollars (\$1,000,000.00) of its own resources to move this construction project along, VIPA must have a right to receive reimbursement of the pre-development cost and to receive a reasonable return on the development of the former Addelita Cancryn school property. We believe that a fair and equitable contribution of the revenues generated from the former Addelita Cancryn property is 75% for VIPA and 25% for the Education Maintenance Fund. The cost of the central government on this project will be zero, so the annual 25% of the revenues is a wind fall for the Department of Education; real money every year.

Furthermore, I believe that VIDOE's share of the income should be adjusted to recognize VIPA's significant expenditure for the development and construction of the warehouse and development of the port facility.

These expenditures include all pre-development expenses related to the construction of the warehouse, and all related permit fees (CZM fees, demolition fees, building fees, etc.). VIDOE's share of the annual income from the commercial

leasing of the former Addelita Cancryn property should be a share that allows VIPA's port project to be sustainable and recoup the expenses of the ownership interest. For these reasons, the income to the Education Maintenance Fund should be based on net income, as defined, rather than gross income. This would be fair and equitable to VIPA and advantageous for VIDOE. Let us recoup all of the associated costs of VIPA's effort to assist VIDOE in the development of the warehouse. VIPA is prepared to work with the other agencies to get this warehouse constructed for the Department of Education. All we ask for is a fair and reasonable return for VIPA. If the changes discussed above are made, VIPA will continue to move forward with the preparations to construct the warehouse for the Department of Education at Nos. 1 & 47B-1 Gasverks Gade.

Thank you, Mr. Chairman, for this opportunity to testify on this matter. I am available to answer any questions that you or members of the Committee may have.