



**THE UNITED STATES VIRGIN ISLANDS**

OFFICE OF THE GOVERNOR  
GOVERNMENT HOUSE

Charlotte Amalie, V.I. 00802

340-774-0001

November 19, 2014

**VIA MESSENGER**

The Honorable Shawn Michael Malone  
President  
Thirtieth Legislature of the Virgin Islands  
Capitol Building  
St. Thomas, VI 00802

Re: Lease Agreement between the Government of the U.S. Virgin Islands and Water Island Development Company, LLC

Dear Senator Malone:

Transmitted herewith for your approval, in accordance with the provisions of Title 31, Section 205, subsection (c), of the Virgin Islands Code, is a Lease Agreement between the Government of the U.S. Virgin Islands ("Government") and Water Island Development Company, LLC ("WIDC") (hereinafter "Lease Agreement").

The Lease Agreement is for the use of Portions of Tract B consisting of approximately 11.9 U.S. acres and Tract C consisting of approximately 33.1 U.S. acres, Water Island, U.S. Virgin Islands.

The Lessee shall use the Premises to redevelop and construct a Hotel, Resort and Marina on the former hotel properties to include a deep water dock, hotel and other overnight lodging accommodations, infrastructure improvements necessary to operate the hotel, a full service health spa, social center and other hotel and marina related facilities and for no other purpose.

**Background and History**

The former Water Island hotel properties have been vacant since the destruction of the hotel during Hurricane Hugo in 1989. The master leasehold with the Department of Interior expired in 1992. In December of 1996, the Department of Interior transferred all public properties on Water Island to the Government of the Virgin Islands.

In September of 2012, the Government engaged REVPAR International, Inc. (REVPAR), a hospitality advisor and asset management firm, to assess the viability of lodging development on Water Island. REVPAR conducted a market study and financial analysis in order to advise the government on the feasibility of the redevelopment of a hotel

and marina on Water Island. REVPAR issued an assessment to the Government on November 29, 2012 indicating that a redevelopment of the former hotel property was feasible which led to the issuance of the Expression of Interest. WIDC was selected through an Expression of Interest (EOI) that was issued by the Government on September 19, 2013. The WIDC is a newly formed entity with a world class development team created for the express purposes of furthering this development project, whose principals who are well-known and active within the U.S. Virgin Islands. The team consists of: Mr. Stephen Evans-Freke, a successful and well-renowned venture capitalist whose business is headquartered in the U.S. Virgin Islands; Michael Graves, a pioneer in international architecture and design; Mr. Bob Jackson, known for his housing developments throughout the Territory; Mr. Peter Briggs, who brings extensive experience as a commercial developer in the U.S. Virgin Islands; and Dr. Tim Barber, an entrepreneur who lives on Water Island.

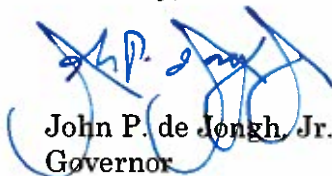
The development of this Water Island project is not only consistent with our commitment to economic development initiatives, but also with the U.S. Department of the Interior's requirement when we assumed direct control in 1996 that we promote the economic development of Water Island for the benefit of the entire Virgin Islands and the Water Island residents. The development of this project will complement other hotel offerings; it will promote hotel expansion and room capacity, provide construction jobs as well as permanent jobs, increase economic activity and infuse the employment market with much needed employment opportunities for the Territory.

In order to make the development comprehensive and economically sustainable, the developer proposes developing residential dwellings and villas in conjunction with a community center and commissary to make the overall development more attractive to creating genuine economic redevelopment on the island. While the government agrees that this will foster economic growth, the Government as policy only leases land for business and commercial activity and not residential. Therefore, we have written to the Department of Interior to allow certain parcels/lots of land for the residential development to be sold to the developer, as is provided for in the 1996 Contract for Sale Section 2C., that will buttress the economic sustainability of the boutique hotel and marina development.

It is our goal that this hotel development project must be achieved in a manner that maintains what is charming, environmentally appealing, and respectful of what Water Island and the Virgin Island's community reflects.

The Thirtieth Legislature's prompt and favorable consideration of this Lease Agreement will be appreciated.

Sincerely,

  
John P. de Jongh, Jr.  
Governor

*Enclosures*