

## CBI Acquisitions LLC (CBIA) for Caneel Bay Resort Fact Sheet – May 2018

### I. STRONG LEADERSHIP BY CONGRESSWOMAN STACEY PLASKETT, WHO INTRODUCED A REAL SOLUTION FOR GETTING CANEEL BAY & ITS JOBS BACK QUICKLY

Following the devastation caused by Hurricanes Irma and Maria in September 2017, CBIA worked with Congresswoman Stacey Plaskett to introduce bill H.R. 4731 to extend the RUE for 60 years.

- Caneel Bay Resort was developed in the early 1950's by Laurance S. Rockefeller (LSR) and opened December 1, 1956.
- In 1983, LSR deeded the underlying Caneel Bay Resort land to the National Park Service (NPS) retaining the right to operate the resort until September 30, 2023, the Retained Use Estate (RUE).
- The NPS will honor its obligations under the RUE until September 30, 2023, and consequently no other operator can have access to the property until the RUE expiration.
- However, the immediate recovery of the hospitality industry is critical for the Territory's economy and Caneel Bay is committed to lead the recovery. Caneel Bay Resort competes in a highly competitive marketplace where consumers can readily choose not only other Caribbean islands, but other destinations around the world. In order to have a Resort which could compete in this challenging market, rebuilding is estimated at \$100 million.
- Even if the pending insurance claim is paid in full, significant additional private investments is required.
- There is no financing solicited by CBIA from the Federal or local government.
- To provide for the immediate investment of this \$100 million investment, Congresswoman Stacey Plaskett's bill, H.R. 4731, authorizes the extension of the RUE providing the critical first step on the St. John and St. Thomas road to recovery.
- H.R. 4731 is unconditionally supported by the St. Thomas/St. John Chamber of Commerce and the USVI Hotel & Tourism Association.
- The extended RUE requires "fair market rental determined by an independent appraiser" and for it to be re-determined every 15 years. This payment is based on revenue generated, not net income.
- Caneel Bay's continued closure represents the ongoing absence of more than 400 jobs on both St. John and St. Thomas, tens of millions of dollars lost yearly to the Virgin Island economy, and the corresponding loss of millions of dollars in tax revenues to the USVI Government.
- Not only are Caneel Bay employees out of work, but the wider economic impacts on taxi drivers, restaurants, boutiques, etc. are equally devastating.
- As the largest employer on St. John, Caneel Bay brings in more than 15,000 guests and over \$65 million in direct annual spending to the Island. That accounts for 7% of total employment in the USVI hotel and restaurant sector. Using a conservative multiplier of 2.5 this creates annual economic activity from Caneel Bay guests exceeding \$160 million.
- Prompt rebuilding of Caneel Bay will immediately create a significant number of construction jobs, along with opportunities for ancillary trade and wholesale businesses.
- Prompt rebuilding of Caneel Bay will re-establish travel to St. John and St. Thomas by that segment of consumers representing the propensity to spend the most on vacations, but it will also act as an impetus to other USVI businesses to rebuild.
- If no agreement is reached with CBIA prior to RUE expiration on September 30, 2023, Section 8 of the RUE anticipated the continued operation of the resort and grants the Secretary of Interior one year to determine whether to continue hotel operation on the property, and if so, CBIA must be given an opportunity to compete equally. This would be September 30, 2024 – six plus years from today before a future decision is even made.
- Assuming continued hotel operation is decided, a bidding process would be authorized which will take as long as the NPS deems necessary.
- After the completion of bid solicitation, and bid selection, a mid-market hotel may be selected. Selecting of a mid-market hotel will bring increased density and less per-guest dollars generated per visit – all to the detriment of St. John and St. Thomas.
- Based on prior experience of a concession bid process, and the time required to negotiate a contract, design, develop, permit and build, it leaves St. John and St. Thomas without an operating resort until 2028 – 2030.

- Without the RUE extension the Caneel Bay contribution to the USVI economy during the intervening 18 years (2018 to 2030) is permanently lost.

## II. A LEASE NEGOTIATION PURSUANT TO PL 111-261 IS NOT FEASIBLE

Questions have been raised as to why a lease is not being considered to replace the RUE. Simply, a lease isn't viable based on past National Park Service (NPS) practices.

In 2010 lease legislation PL 111-261 passed, authorizing CBIA to negotiate and complete a commercially feasible land lease with the NPS effective upon the RUE expiration.

- The NPS finally appointed a consultant as the chief lease negotiator in 2012, approximately twenty months post-legislation.
- While, at the request of the NPS, CBIA invested significant time and money on an appraisal and other activities, negotiations did not advance.
- In May 2016, the NPS raised the lease again with CBIA Counsel, however, negotiations did not advance.
- The last substantive conversation was approximately 27 months before the September 2017 hurricanes.
- By September 2017, seven years had passed since the legislation. Any operator, in order to secure financing and make significant equity investments, requires a commercially viable, market lease conducted within reasonable time frames and addressing all terms simultaneously. This simply did not happen with the NPS.

## III. NATIONAL PARK SERVICE'S SOLICITATION & APPROVAL OF AN RFP TO OPERATE CANEEL BAY RESORT AS A CONCESSION

The suggestion of an RFP is not feasible until after September 30, 2023; the RUE termination. At that time if an RFP is issued by the NPS, based on CBIA's experience with the Cinnamon Bay Campground and Trunk Bay RFP process, it will be time consuming and ineffective.

- The Cinnamon Bay Campground and Trunk Bay on St. John concession agreements were held by CBIA and its predecessors for 46 years.
- The concession agreement terminated in 2006, and was renewed only annually thereafter for 10 years, thus precluding any substantial capital investment by CBIA. No operator can afford to make investments based on one-year contracts.
- On June 28, 2016, ten years after the prior concession agreement termination, the NPS announced Redwood Parks Company, LLC was selected to operate the venues effective October 1, 2016.
- Redwood Parks Company, LLC, had no prior presence on St. John, nor any experience operating campgrounds.
- As a term of the new concession award, CBIA was to receive payment for its "possessory interest" by October 1, 2016, which it did not receive.
- CBIA was forced to file suit against the NPS which CBIA eventually dismissed when payment was finally received on November 17, 2016.
- Since the 2017 Hurricanes, Redwood Parks Company, LLC, has not operated the venues.
- However, Caneel Bay Resort provided support to NPS for Cinnamon Bay Campground and Trunk Bay clean-up and potable water – all gratis.
- As of May 2018, Redwood Parks Company, LLC suggested it may have to abandon its obligations under the concession agreement due to the damage from the two hurricanes.

#### IV. CANEEL BAY RESORT HISTORY

- Caneel Bay Resort was developed in the early 1950's by Laurance S. Rockefeller (LSR) and opened December 1, 1956.
- In 1983, LSR deeded the underlying Caneel Bay Resort land to the National Park Service (NPS) retaining the right to operate the resort until 2023, the Retained Use Estate (RUE).
- At this time, LSR divested his holdings of the hotel portfolio and Caneel Bay Resort was sold to another entity.
- In 2003, a group of private, US-based individuals formed CBI Acquisitions, LLC (CBIA) and purchased the RUE.
- CBIA has operated the Resort since that time, initially under a management agreement with Rosewood Hotels & Resorts and since 2013 as an independently operated resort.
- CBIA has always maintained the authenticity and the integrity of the resort, while supporting LSR's fundamental belief that Caneel Bay would be a significant employer of people on St. John and St. Thomas.
  - Employees: 400 plus
  - Guests: The Caneel guests generate approximately \$65 million to St. John each year through direct revenue generation, plus ancillary spending at restaurants, bars, retail and recreational services.
  - Visitors: Caneel Bay attracts 15,000 visitors to St. John annually.
- CBIA continues to honor and live by the original intent of Laurance S. Rockefeller.
- During CBIA's 14-year ownership there has been no expansion of the resort, nor any changes to the appearance of Caneel Bay Resort; the original 1956 scheme is intact.
- Caneel Bay Resort rests on 170 acres and operated 166 rooms in one or two story "cottages".
- The current RUE has development restrictions as to height, number of overall rooms and number of rooms per beach.
- Caneel Bay Resort is subject to all current laws and regulations concerning environmental matters and the protection of historical building; none of these laws and regulations are diminished by the RUE extension.
- CBIA is compliant with these laws and regulations.
- Even after renovations, the totality of the design not only upholds but celebrates LSR's original vision 60+ years later, down to replicating his own design of the "mushroom" lighting fixtures which provide low-level lighting along pathways. There are no phones or televisions in the rooms – in keeping with LSR's belief that the "luxury" of Caneel Bay Resort lies outside its bedrooms, in the outstanding natural beauty of the resort environment.
- LSR and his family continued to stay at Caneel Bay long after his 30-year stewardship of the Resort ended and members of the extended Rockefeller family continue to stay, right up to the 2017 season.

#### V. CBIA ACTS AS GOOD STEWARDS OF THE LAND

CBIA keeps the impact on the environment as minimal as possible.

- There has been no addition of sleeping rooms to Caneel Bay Resort's 166 room inventory since the late 1960s.
- Caneel Bay spends \$800,000 per year caring for its natural and historical resources – keeping the land pristine and accessible for guests.
- Caneel Bay celebrates a long heritage of horticultural excellence, supporting a diversity of plants and trees around the resort grounds and conducting weekly nature walks for the benefit of the guests.
- For the resort's 60<sup>th</sup> anniversary in 2016, CBIA planted 60 trees around the resort. A schedule of replanting is a permanent component of the landscaping operation.
- The Resort's acreage teems with wildlife and CBIA maintains a watchful eye over any of the "wild" donkeys when present on the Resort property, ensuring a drinking water supply during periods of drought and on occasion underwriting the cost of vet bills.

- Commitment to the environment plays out in a range of green-friendly programs and initiatives, such as 100% biodegradable to-go containers and recycling glass bottles. Low-voltage light bulbs are used when appropriate and future plans will incorporate “Dark Sky” initiatives.
- Future plans will specifically provide for further environmental initiatives to be incorporated into the rebuild of the resort, particularly renewable energy sources.

## VI. CANEEL BAY RESORT IS ACTIVE IN SUPPORT OF THE LOCAL COMMUNITY

### ACTIONS UNDERTAKEN BY THE MANAGEMENT OF CANEEL BAY RESORT (PRE-HURRICANE)

- Financially underwriting Annual Gala for the Julius E. Sprauve School.
- Offering summer intern opportunities in conjunction with the Department of Labor.
- Making annual grants to Graduating High School Seniors towards college fees
- Supporting the local Carnival with a troupe of 75 employees and sponsorship of local bands
- Supporting the School of the Arts – financially and with complimentary accommodation for visiting talent
- Organizing a traditional Santa Claus visit to Cruz Bay for Santa to present Holiday Gifts to children living on St. John
- Becoming a Corporate Sponsor of the St. John Historical Society
- Ongoing support of the Friends of the Virgin Islands National Park fundraisers
- Supporting the Department of Agriculture’s apiculture initiatives to “Save the Bees”.
- Supporting local art and local photographers in the room renovations and by selling local art and locally made products in the gift shop.
- Ensuring local performers (musicians, Mocko Jumbies, dancers and fire-eaters) are celebrated and promoted to visiting groups and at events held at Caneel Bay.
- Being an active Board Member of the Hotel & Tourism Association and participation of the annual symposium.
- Sponsoring a Water Station at the 8 Tuff Miles island race
- Participating in the Annual St. John Cancer fundraiser
- Sponsoring the Annual Tommy Star Awards, recognizing outstanding service providers in the hospitality industry.
- Sponsoring the Annual Taste of the Caribbean competition (regional/national chef competition)
- Participating on USVI DHS hotel & tourism board by the Director of Human Resources.
- Annual Thanksgiving donation of turkeys to Catholic Charities Homeless Shelter – in addition to other dishes prepared by Caneel Bay chefs
- Annual Christmas donation of prepared food to the Catholic Charities Homeless Shelter
- Offering landscaping and construction assistance to the Domestic Violence Shelter on St. John
- Offered space complimentary at Caneel Bay for Domestic Violence Shelter fund-raising event
- Partial Sponsor of the Annual Team River Runner Wounded Warrior USVI fund-raising event
- Annual Sponsor of the Love City Country Music Festival with complimentary rooms.
- Supporting locally produced/sourced food items – salad greens, fish, honey
- Maintaining the security of the flora and fauna at Caneel Bay; conduct a yearly cleanup of the sea bed around Caneel Bay; support VI national Park regulations regarding boats anchoring

### ACTIONS UNDERTAKEN BY THE MANAGEMENT OF CANEEL BAY RESORT (POST-HURRICANES)

The value of goods and services offered for the benefit of the local community post Hurricanes Irma and Maria equated to over one million dollars.

- Meals were served to first responders gratis immediately post-hurricanes
- Drinking water offered to first responders and local residents immediately post-hurricanes
- Ice donated and delivered to Cruz Bay and Coral Bay residents and island shelters immediately post-hurricanes
- Accommodation offered gratis to the search and rescue teams and other first responders through end of September 2017

- Accommodation offered gratis to NGO teams from Global D.I.R.T. and All Hands & Hearts Foundation (on-going)
- Continuation of Caneel Bay Holiday traditions, such as the visit of Santa to downtown Cruz Bay and giveaway of toys to local children
- Coordinated drive to donate gently used furniture and clothing to Catholic Charities, gifted by Caneel Bay employees
- Donated used guest room furniture to a number of Coral Bay families that had lost all of their furniture in the storms
- Provided the use of resort heavy equipment and labor to clear the public roads after Irma when the VI Government could not yet respond
- Donated gas to first responders
- Provided multiple emergency medical transportations to STT via Caneel Bay boats when the St. John Rescue boats were out of service
- Opened the marina for public vehicle fuel sales when all of the gas stations were closed due to damage and insured that the police, fire and other emergency vehicles were fueled
- Transported NPS Puerto Rico representatives via Caneel Bay boats back to their families after Irma.
- Caneel Bay was the first business to participate in the FEMA Direct Lease program and have successfully converted former employee housing to community and FEMA Direct Lease housing – the conversion requiring compliance with a rigorous Department of Housing and Urban Development (HUD) inspection

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