COMMITTEE ON BUDGET, APPROPRIATIONS AND FINANCE

BILL NO. 36-0416

Thirty-Sixth Legislature of the Virgin Islands

October 30, 2026

An act approving the amended lease agreement between the Government of the Virgin Islands and Horizon Hospitality, LLC, for construction, development, and operation of a business hotel with amenities

PROPOSED BY: Senator Milton E. Potter, by Request of the Governor

WHEREAS, on June 30, 2023, the Governor approved a lease agreement between the Government of the Virgin Islands and Demah, Inc. d/b/a Moe's Fresh Market;

WHEREAS, the lease agreement was ratified by the Legislature of the Virgin Islands on September 22, 2023, and is now Act No. 8775;

WHEREAS, the lease agreement was assigned from Demah, Inc. d/b/a Moe's Fresh Market to Horizon Hospitality, LLC, which assignment was accepted by the lessor, and executed by the Governor of the Virgin Islands on May 14, 2025;

WHEREAS, following the assignment of the lease Horizon Hospitality, LLC introduced an enhanced redevelopment plan which increased the functional and economic value of the property through the addition of a Business Hotel and Naval Museum, improvements expected to significantly elevate the property's overall value while providing significant benefits to the economy of the territory;

WHEREAS, on April 11, 2024, a zoning variance request by Horizon Hospitality, LLC was approved by the Legislature and is now Act No. 8832;

WHEREAS, as a result of the additional project elements and improvements, the estimated investment in the redevelopment project increased from the original $5,000,000 to approximately $15,000,000, with the full cost to be borne by Horizon Hospitality, LLC;

WHEREAS, the parties desire to amend Article I, Paragraph 1.04 Use; Article II, Paragraphs 2.01 Term; Article II Paragraph 2.02 Options; Article III, Paragraphs 3.02 Permitting, Construction and Ramp-Up Period Rent; Article III Paragraph 3.03 Adjustment of Rent; and Article IV, Paragraph 4.01 Improvements;

WHEREAS, on March 3, 2026, the Governor of the Virgin Islands approved the amended lease agreement between the Government of the Virgin Islands and Horizon Hospitality, LLC;

WHEREAS, title 31 Virgin Islands Code, chapter 21, section 205, subsection (c) provides that in addition to the Governor's approval of any lease, the Legislature of the Virgin Islands must approve all leases exceeding a term of one year; and

WHEREAS, the purpose of this act is to approve the amended lease agreement between the Government of the Virgin Islands and Horizon Hospitality, LLC; Now, Therefore,

Be it enacted by the Legislature of the Virgin Islands:

SECTION 1. Pursuant to title 31 Virgin Islands Code, section 205, subsection (c), the Legislature of the Virgin Islands approves the amended lease agreement between the Government of the Virgin Islands, acting through the Commissioner of the Virgin Islands Department of Property and Procurement, and Horizon Hospitality, LLC to lease Revised Parcel No. 17-3 Remainder Estate Nisky, No. 6 Southside Quarter, St. Thomas, Virgin Islands,

consisting of a 14,491 U.S. sq. ft. steel frame structure residing on 0.72 U.S. acres of land more-or-less, as shown on O.L.G. Map No. D9-9273-T023, and Unimproved Parcel No. 17-4 Estate Nisky, No. 6 Southside Quarter, St. Thomas, Virgin Islands, consisting of 0.3032 U.S. acres, as shown on O.L.G. Map No. D9-6302-T97 for an initial term of ten years, with option to renew for four, ten-year terms at an adjusted annual rental fee for the first 96 months during the construction phase of the lease and a minimum of $72,000 annually thereafter for the construction, development, and operation of a business hotel incorporating a naval museum feature, retail gourmet food market, executive offices, central logistical warehouse, workforce suites, asphalt-paved driveway, and parking facility, together with related site and infrastructure improvements.

SECTION 2. In consideration of the mutual covenants and agreements between the Government of the Virgin Islands, acting through the Commissioner of the Virgin Islands Department of Property and Procurement, and Horizon Hospitality, LLC and intending to be legally bound by the amended lease agreement instrument, the parties mutually agreed to amend the Lease Agreement executed September 22, 2023, as follows:

(1) Article I Paragraph 1.04 Use: by inserting “hotel, naval museum” after “work force suites”.

(2) Article II Paragraph 2.01 Term: by striking twenty (20) years,” and inserting “50 years.”

(3) Article II Paragraph 2.02 Options: by striking “four 10-year option periods,” and inserting “five 10-year option periods.”

(4) Article III Paragraph 3.02 Permitting, Construction and Ramp-Up Period Rent: by deleting all language in its entirety and replacing it with new language and inserting:

"Reduced Rent Period: Lessee shall be required to pay reduced rent during the Reduced Rent Period of 120 months. Lessee shall be required to make reduced rent payments as follows:

(a) $100.00 per month, from month one through month 36;

(b) $1,000.00 per month, from month 37 through month 48;

(c) $3,000.00 per month, from month 49 through month 60;

(d) $5,000 per month, from month 61 through month 96; and

(e) $6,000 per month, from 97 through month 120.

The Reduced Rent Period will not be available or extended beyond the Reduced Rent Period of 120 months."

(5) Article III, Paragraph 303 Adjustment of Rent: is hereby amended by striking all language in its entirety and inserting the following language:

"Adjustment of Rent: The rent payable under this lease shall be adjusted at the commencement of the 11th lease year, and every five years thereafter, including any Renewal Term, by Lessor in accordance with the Consumer Price Index ("CPI"), for All Urban Consumers (CPI-U), U.S. City Average. All Items published by the Bureau of Labor Statistics, or in an amount no greater than three percent of the preceding rental amount being paid. whichever is less. Lessor shall provide Lessee written notice of such increase at least thirty days prior to the commencement of the applicable adjustment period. In no event shall any Adjustment of Rent be less than the amount stated in Article III, Paragraph 3.01 Annual Rent.

(i) The "Base Price Index' means the CPI for the month immediately preceding the commencement of the Initial Term. After each rent adjustment, the

Current Price Index used to calculate the adjusted rent becomes the Base Price Index for the next adjustment period.

(ii) The "Current Price Index" means the CPI for the month immediately preceding the commencement of the 11th lease year and the month immediately preceding the commencement of each successive fifth lease year thereafter.

(iii) The current CPI index shall be divided by the Base Price Index and the quotient thereof shall he multiplied by the annual rent of the prior year.

(iv) The resulting product shall be the annual base rent for the current rent adjustment period (the "Adjusted Rent").

(v) In no event shall any Adjusted Rent be less than the Annual Rent, as stated in Paragraph 3.01.

(6) Article IV, Paragraph 4.01 Improvements: by striking all language in its entirety and inserting the following language:

(a) Improvements: as part of the consideration for this lease, the Lessee shall, at its sole cost and expense, design, construct, install, and maintain certain improvements to the premises (collectively, the "Improvements") at an estimated investment of approximately $l5,000,000, all of which shall remain the property of the Lessee during the term of this Lease. The construction and installation of the Improvements shall be subject to the prior written approval of the Commissioner of Property and Procurement, which approval shall not be unreasonably withheld, conditioned, or delayed, and to the Lessee's obtaining all licenses, permits, and governmental approvals required by applicable law. The Improvements shall include the following:

(1) construction and operation of a Business Hotel incorporating a Naval Museum feature;

(2) development and operation of a Retail Gourmet Food Market;

(3) construction and operation of a Central Logistical Warehouse, Executive Offices, and Workforce Suites; and

(4) construction of an asphalt-paved driveway and parking facility, together with related site and infrastructure improvements.

The improvements must be completed within 48 months of the lease commencement date (the 'Construction Period'). This date shall be extended, subject to the approval of the Commissioner of the Department of Property mid Procurement, for such periods as are required due to (i) delays in permits or approvals from any governmental agency through no actual fault of the Lessee: (ii) acts of God; (iii) any delay caused by Lessor.

Lessee agrees to keep the premises and appurtenance repaired, in an orderly, sightly, and tenantable condition, and to return the premises to Lessor upon the expiration or other termination of this lease, in as good condition as it was since the last repairs were made, and less reasonable wear and tear from intervening use.

(7) Except as expressly amended herein, all other terms and conditions set out in the original Lease between the Government of the Virgin Islands and Horizon Hospitality, LLC, ratified September 22. 2023. shall remain in full force and effect.

BILL SUMMARY

This bill approves the amended lease agreement between the Government of the Virgin Islands and Horizon Hospitality, LLC, for construction, development, and operation of a

business hotel incorporating a naval museum feature, retail gourmet food market, executive offices, central logistical warehouse, workforce suites, asphalt-paved driveway, and parking facility, together with related site and infrastructure improvements. The amended lease agreement contains a graduated annual rent during the construction phase for the first ninety-six months of the lease then from $72,000 annually thereafter.

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