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Companies for bottled water, health services seek EDC tax breaks

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ST. CROIX — The Economic Development Commission heard requests for tax benefits from an existing health care company and a new company preparing to manufacture and sell drinking water during a public hearing Tuesday.

In addition to hearing from the two new applicants — Plessen Healthcare LLC and Yusuf Drinking Water Inc. — the EDC board heard a request from the Frenchman's Reef and Morning Star Marriott Beach Resort on St. Thomas to extend its EDC certificate for 20 more years.

The EDC, a component of the VI Economic Development Authority that provides companies with tax breaks in exchange for making capital investments, hiring residents and giving charitable contributions, held the public hearing via video conference between its offices on St. Croix and St. Thomas.

Plessen Healthcare LLC:

The company, an Ambulatory Surgical Center that opened in July 2015, is seeking tax benefits on the facility fees it spends on the ASC infrastructure such as equipment and supplies.

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The EDC board heard testimony in support of the application from the Gov. Juan F. Luis Hospital, as well as in opposition from representatives of two eye clinics — Sterling Optical and Vision Center.

Jan Tawakol, Plessen Healthcare founder, chief executive officer and president, said his company — which he clarified is a different entity from Plessen Ophthalmology — is only seeking tax benefits for the facility fee to help it purchase medical supplies and equipment, as well as pay its nurses, staff and lease to the Government Employees' Retirement System building. The company wants the benefits to provide a health-care infrastructure on St. Croix for physicians to use the facility.

Wanda Ruben, JFL's chief executive officer, said the hospital supports tax benefits for Plessen since it supported JFL after Hurricane Maria and continues to support it during emergencies. For instance, she said JFL counted on Plessen three weeks ago when the hospital's operating room closed. She said Plessen rapidly accepted patients and worked with JFL physicians to provide continued care to the patients.

Sterling Optical, represented by attorney Trudy Fenster, testified in opposition to granting tax benefits to Plessen because it would "create an unlevel playing field" for other health care entities.

Vision Center, in a letter that was read into the record, also opposed the application because giving Plessen tax benefits would give the company an "unfair advantage" over other health-care entities.

Tawakol clarified Plessen, which provided a $1.4 million capital investment, isn't seeking tax benefits for physician income or for any optical retail store.

Philip Payne, EDC vice chair, asked what is included in the facility fee. Tawakol said Medicare pays doctor fees separate from facility fees. He said physicians use the facilities at Plessen Healthcare to treat their patients so they submit a claim to Medicare to get paid separately. Plessen submits the claim for the facility fee to pay the rent and nurses as well as purchase equipment and supplies that are available for the physicians.

"Under Medicare it's a completely separate operation," he said. "It's a health-care supplier versus a health-care provider, which are the physicians."

Tawakol noted during the hearing that the EDC board previously granted tax benefits to another ASC, as well as a hemodialysis treatment center.

The board also has previously approved granting tax benefits for Plessen Healthcare twice. The health care supplier ultimately got denied at the level of the executive branch both times.

It is, however, no longer a requirement for the governor to sign off on EDC certificates since the Legislature voted during legislative session on June 14 to override Gov. Kenneth Mapp's veto of Bill No. 32-0175, which strengthens the authority of the EDA and removes the governor from the EDC's approval process.

Yusuf Drinking Water LLC:

The company, which has already purchased $2.5 million in equipment, plans to construct a building behind the Sion Farm Shopping Center to manufacture drinking water, focusing its effort on 16.9-ounce bottles. The company, a vision of longtime grocery store operators, plans to ultimately invest $10 million and hire 50 residents.

The company's principals — Maher Yusuf, better known as "Mike," owner of Seaside Market and Deli, and Nejeh Yusuf — told the EDC board about their ability to manufacture water in the building during a power outage using microturbines, noting the necessity in the aftermath of hurricanes.

In addition to using well water, the company plans to use cistern water as part of the bottling process. It has invested more than $250,000 for equipment to offer distilled water to customers in plastic bottles and 5-liter containers that are free of BPA, or bisphenol A, an industrial chemical that has been used to make certain plastics and resins since the 1960s.

Payne asked whether Yusuf Drinking Water, which will be branded as such trade names to include Caribbean H2O, Blue Oasis, Island Crystal and My VI, will move forward with its manufacturing plans if the EDC doesn't grant tax benefits. The Yusufs said they are moving forward regardless.

"The commitment's been made," Nejeh Yusuf said.

Frenchman's Reef and Morning Star Marriott Beach Resort:

The St. Thomas hotel, which sustained significant hurricane damage last September, is committed to invest $170 million to rebuild so the resort can reopen by December 2019. The company, however, is seeking an extension of its tax benefits through 2050 in exchange for making such a large investment.

The hotel has a 15-year EDC certificate that isn't set to expire until 2030. It receives 90 percent tax exemptions. The hotel, however, is seeking to modify its certificate to receive 100-percent tax exemptions. It is also seeking a 10-year extension to 2040 from 2030, as well as an additional 10-year extension to 2050.

The resort received a two-year employment waiver through August 2019. It plans to hire a minimum of 415 full-time employees when it reopens in December 2019.

The EDC board also addressed a compliance matter for the St. Thomas resort, which appeared for resolution of non-compliance. The board voted during executive session in a decision meeting for the company to pay $94,370 to the Industrial Promotion Ad Fund.

The EDC board addressed a compliance case during the public hearing for Tecoma Asset Management LLC as well.

Tecoma Asset Management:

The company, which had its entire staff of five employees relocate to Florida after Hurricanes Irma and Maria struck the territory last September, requested a 2-year suspension of benefits to Dec. 31, 2019 from Jan. 1.

In addition to the staff relocation after the hurricanes, Greg Ferguson, representing the company, said the federal Tax Cut and Jobs Act of 2017 made it "economically impossible" for stateside residents to invest in VI corporations. He noted the principle of Tecoma was never a VI resident. He said the new tax laws make it unfeasible from an economic standpoint for the principle to continue to own a company in the Virgin Islands.

The EDC board will make a decision on the company's request at a future meeting.