http://www.virginislandsdailynews.com/news/marriott-seeking-greater-tax-benefits/article_362c3b4c-339b-58ff-b923-94fc39acebeb.html

Marriott seeking greater tax benefits

By SUZANNE CARLSON Daily News Staff Aug 8, 2018

Representatives from DiamondRock, Frenchman's Reef and Morning Star Marriott Beach Resort's parent company, testify Tuesday before the Economic Development Commission on St. Thomas.

Daily News photo by SUZANNE CARLSON

ST. THOMAS — Frenchman's Reef and Morning Star Marriott Beach Resort's parent company is seeking additional tax benefits from the Economic Development Commission, in light of the estimated $170 million it will cost to rebuild the St. Thomas resort complex's hurricane damage, according to testimony given during a public hearing Tuesday.

DiamondRock, the resort complex's owner, is already a beneficiary of the EDC program, with an existing 90 percent tax break. The company testified to the commission Tuesday that they are seeking an extension of that current agreement for an additional 10 years, through 2040, with the full 100 percent tax exemption allowed by law.

William Tennis, executive vice president, general counsel and corporate secretary for DiamondRock, said the resort is expected to reopen in December 2019 at the earliest, and the extension and expansion of EDC benefits is necessary to ensure the company's investment will bear fruit.

Other elements of the company's existing benefits agreement, including a minimum annual charitable donation or in-kind contribution of $90,000, would remain unchanged, according to Marjorie Rawls Roberts, attorney for DiamondRock.

Tennis said the resort has been the territory's largest private employer since the closure of the Hovensa oil refinery on St. Croix, and will remain under the Marriott brand.

The resort contributed more than $500 million in economic contributions to the territory in the five years preceding the hurricanes, and guests shelled out more than $350 million in "ancillary spend" at local businesses, Tennis said.

As of the end of June, the company had spent more than $14 million clearing debris, doing preliminary cleanup work and stabilizing enough guest rooms for repair workers to stay on-site, he added.

The resort consists of Frenchman's Reef, a cliffside complex of three buildings, including Harbor Tower, a 60-room building that suffered the most damage in the hurricanes; Ocean Tower, which contains 234 guest rooms and 30,000 square feet of meeting and office space; and Seacliff, an 80-room building that suffered the least damage.

The Morning Star section of the resort, located down the hill from Frenchman's Reef, consists of five buildings, including 96 guest rooms, a lobby with restaurant, and Coco Joe's beach bar. Storm surge during Hurricane Maria caused significant damage to the Morning Star facility, but 40 rooms have been made habitable for work crews, Tennis said.

The Morning Star portion of the resort will also likely be "upbranded" to attract wealthier clientele, he added.

The $170 million estimated rebuild cost includes major upgrades to the resort's infrastructure, including construction of a new power plant utilizing energy efficient turbines rather than diesel generators, a new reverse osmosis plant, and new waste management system, Tennis said.

Demolition is ongoing and was significantly delayed by insurance companies that "we believe needed an excessive amount of time to assess the damage," but reconstructed rooms will be upgraded with a more modern feel, Tennis said.

He said the goal of opening at the end of 2019 "is ambitious, but we are pulling out all stops to get there."

The commission heard testimony at Tuesday's hearing and will vote on benefit applications at a subsequent meeting.

— Contact Suzanne Carlson at 340-714-9122 or email scarlson@dailynews.vi.

Suzanne Carlson