

Carambola, ICMC Ask for Reduced EDC Employment Quota

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Several Virgin Islands companies, including Carambola Northwest and International Capital Management, asked the Economic Development Commission on Tuesday to reduce their employment requirements as they attempt to revive their businesses to pre-hurricane levels.

Companies that receive EDC certificates enjoy corporate and income tax cuts – as much as 90 percent – and a full exemption on gross receipts, business property and excise taxes. In return, they must comply with specific requirements, from maintaining a certain number of employees and making charitable cash and in-kind contributions to the community.

During the EDC's public hearing Tuesday, Carambola Hotel, now operating under a Marriott franchise, asked the EDC to reduce its employment requirement from 147 to 61. Under its original EDC agreement, the hotel must maintain 147 full-time employees, 80 percent of whom must be Virgin Islands residents. Currently, it is operating with a total of 63, a two-thirds drop from its pre-Hurricane Maria employment levels of roughly 190 full-time workers, of whom 90 percent were locals.

Carambola suffered approximately \$25 million in storm damages, with virtually every room impacted by water and wind infiltration, according to Tom Bolt, legal counsel for the hotel.

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Attorney Tom Bolt (Photo from the BoltNagi PC website.)



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“As a consequence to that, the staff had to be cut, that was cut pursuant to our collective bargaining agreement, working with the union to downsize the employment,” said Bolt.

Rick Carrington, resort general manager, testified via teleconference from St. Croix. He said the company reduced staffing by 70 percent, the losses consisting mainly of workers in the food and beverage service, which is down to a bare minimum, and maid service, which has been cut down to three times a week.

While Carambola mirrors the plight of other large hotels in the territory, Bolt said it stands out in its post-hurricane response. Instead of shutting down completely, the hotel kept 100 rooms open.

“Carambola kept the flame going in Davis Bay, St. Croix,” said Bolt. “They kept their employment going and has reached out to the community to provide housing for relief workers, for federal government workers that have come in to assist.”

While the rooms are not “tourist-ready,” according to Bolt, accommodating and providing meals for relief response teams has allowed the hotel to keep a stream of income flowing.

When asked for the need to drop the employment quota when the hotel is still earning money, Carrington said they expect a drop in occupancy to give way to reconstruction. The hotel is currently in the process of remediation – getting the damaged rooms back to pre-hurricane conditions. Out of 157 units, they expect 144 to be remediated by June 15.

After that, renovation will begin to meet the standards of the Marriott property improvement plan, an effort in the works even before the hurricanes hit, Carrington said.

Carambola is asking for the waiver until Jan. 31, when the company anticipate reopening the resort and rehiring all laid-off employees who wish to return to work.

International Capital Management Company

By June 16, ICMC, a consulting and management firm serving clients outside of the territory, is expected to employ 120 full-time workers to remain in compliance with its EDC requirements, but management is asking the Commission to reduce that number to 70 until June 2020.

ICMC had 122 full-time workers on its pre-hurricane payroll. Now, they have 101 expects that number to drop further.

The loss of staff, however, was more voluntary, according to Chief Talent Officer Melanie Gomez. A few weeks after Hurricane Irma, employees began informing the company of their intent to leave. Recruiting in October 2018 was impossible, Gomez said, due to widespread power outage. Since January, more employees separated from company, either starting their own business or joining relief efforts.

Board member Eugene Farrell noted that 120 full-time workers to 70 is a steep decline, but ICMC legal counsel Marjorie Roberts said they do not expect employment levels to actually drop to 70.

“It just would add that ability to be flexible,” she said. “The goal is to keep more than that.”

ICMC also earned praises from members of the commission for its rapid hurricane response, which allowed its employees to avoid six weeks of the storm’s immediate aftermath and miss Hurricane Maria altogether.

“Not even knowing what the impact of Maria would be, they just knew they needed to respond,” Gomez said.

Two days before Maria hit, ICMC chartered a Boeing 737 to airlift some 120 of its employees, their families and their pets out of the territory. The trip, now dubbed “the ark,” landed in Chicago, where the company arranged to fly its workers to various cities and continue client support remotely.

“Nobody thought about whether they would come back or not, or how much we would lose. That wasn’t part of the equation,” said Cornell Williams, executive chairman of the ICMC board.

According to Gomez, ICMC is still actively recruiting and hiring new personnel, including for senior positions, to shore up its staffing.

Kazi Management St. Croix

The committee also considered a request by Kazi Management St. Croix to reduce its employment requirement from 18 full-time employees to 14 until May 2020.

Kazi St. Croix, a business consulting and investment advisory firm representing such clients as Kentucky Fried Chicken and other fast food franchises, has lost some 68 percent of its clients since 2011 due to various financial crises in states where its clients were located.

According to Shambhu Acharya, Kazi's chief financial officer and managing director, since 2011, the company went from 264 clients in 11 states to 85 in five states. It also manages non-EDC beneficiary businesses in the Virgin Islands, including three on St. Thomas which are still doing well.

When asked if one year of relief from EDC requirements would suffice, Acharya responded, "Acquiring new business takes time. It's never been done in a month or two."

Kazi St. Croix is also requesting a reduction in charitable contributions from \$40,000 to \$10,000 a year for a period of two years.

Among other requests to the EDC were:

- A request by American Yacht Harbor to extend its EDC benefits to 10 years instead of five years to facilitate post-hurricane growth.
- A request by Sterisil International to credit \$61,000 in in-kind equipment donation to Frederiksted Healthcare Center toward its cash contribution requirements.
- An application for EDC benefits by Tree Limin' Extreme, a zipline adventure park on St. Thomas.
- A request by Tuthill Corporation to reduce its employment requirement from 10 full-time employees to 8 for the first quarter of 2018 only.

Present on St. Thomas were board Chairman Jose Penn, Vice Chairman Philip Payne, Secretary Avery Lewis, members Farrell, Juan Figueroa, Sr., and Haldane Davies. Acting Chief Executive Officer Wayne Biggs and board counsel Henry Smock were also present. Board member Catherine Hendry was excused.