

# Committee on Natural Resources

Rob Bishop Chairman  
Mark-Up Memorandum

March 5, 2018

To: All Natural Resources Committee Members

From: Majority Committee Staff – Terry Camp and Steven Parr  
Subcommittee on Federal Lands (x6-7736)

Mark-Up: **H.R. 4731 (Rep. Stacey Plaskett)**, To extend the retained use estate for the Caneel Bay resort in St. John, United States Virgin Islands, and for other purposes.  
**March 7, 2018, at 10:15 a.m.; 1324 Longworth House Office Building**

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## **Summary of the Bill**

H.R. 4731, introduced by Representative Stacey E. Plaskett (D-VI-At Large), requires the Secretary of the Interior to extend the retained use estate (RUE) for the Caneel Bay resort in St. John, United States Virgin Islands (USVI) by 60 years and requires the holder of the RUE to pay a rental fee for use of the property. Specifically, the bill requires the holder of the RUE to pay 1.2 percent of the gross revenues of the resort for the first 15 years of the extension. For each year after the initial 15-year period, an adjustment to the rental fee may be requested by the Secretary or the holder of the RUE.

## **Background**

Caneel Bay Resort, on St. John, USVI, is located on a 150-acre peninsula on the northwest side of the island and was originally developed by Laurance Rockefeller beginning in 1956. Initially, Rockefeller donated over 5,000 acres of land to the National Park Service (NPS) and reserved the 150 acres that is now Caneel Bay Resort, for the Jackson Hole Preserve, a Rockefeller family land trust. In 1983, Jackson Hole Preserve donated the 150 acres of land to the U.S. government for inclusion in the Virgin Islands National Park. The preserved land was transferred to the NPS with a 40-year RUE.<sup>1</sup>

Since 1983, the resort under the RUE has been owned and/or managed by different companies. In 2004, Jackson Hole Preserve sold the RUE to CBI Acquisition LLC, which currently operates the Caneel Bay resort. The RUE is scheduled to expire on September 30, 2023.<sup>2</sup>

As the largest employer on St. John, with approximately 450 employees, the resort plays a significant role in the economy of the USVI. The resort brings 15,000 guests and over \$65

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<sup>1</sup> "Caneel Bay Resort Lease." PEPC Planning, Environment & Public Comment. Accessed February 21, 2018. <https://parkplanning.nps.gov/projectHome.cfm?projectID=43598>.

<sup>2</sup> Ibid.

million in spending to the island of St. John every year.<sup>3</sup> The resort supports jobs and the local tourism industry, and accounts for 7% of the USVI total employment in the hotel and restaurant sector.

In 2006, the NPS commenced consideration of the future management of the Caneel Bay resort property. In 2010, Congress enacted Public Law 111-261, which authorized the NPS, subject to several limiting conditions, to enter into a long-term lease with the holder of the RUE for continued resort operations upon relinquishment of the remaining term of the RUE.

Following the passage of Public Law 111-261, NPS began analyzing conversion of the RUE to a long-term lease. In addition to the 150-acre Caneel Bay resort, three additional parcels of land totaling 3.01 acres outside of the RUE (owned by the holder of the RUE) were considered as part of the lease negotiations. These parcels include a 1.01 acre area utilized for three executive homes, a 1.69 acre area utilized for an apartment building containing 24 units for employee housing, and a 0.31 acre marina used for ferry docking, maintenance, and fuel sales.

The NPS finished an Environmental Assessment in 2013 that analyzed the environmental and human impacts of entering into a long-term lease under the terms of Public Law 111-261. The Action Alternative was the preferred alternative which included the relinquishment of the remaining term of the RUE, and the award of a long-term lease to the holder of the relinquished RUE under the terms of Public Law 111-261. Despite nearly eight years of studies and negotiations on the conversion of the RUE to a long-term lease, the NPS and the current holder of the RUE have not come to an agreement on lease terms.

On September 6 and September 19, 2017, Hurricanes Irma and Maria destroyed much of St. John and the resort. The resort was forced to cancel its entire November-to-August season and lay off some 300 employees.<sup>4</sup> Much of the resort was destroyed as shown in the photos below.



Caneel Bay damage post-hurricanes – Photo by the Federal Emergency Management Agency

<sup>3</sup> Shimel, Judi. "Caneel Restoration Awaits Congressional Action." St. John Source. January 30, 2018. Accessed February 23, 2018. <https://stjohnsource.com/2018/01/30/caneel-restoration-awaits-congressional-action/>.

<sup>4</sup> Pérez-Peña, Richard. "After Irma and Maria: How 3 Spots on the U.S. Virgin Islands Are Faring." The New York Times. November 10, 2017. Accessed February 23, 2018. <https://www.nytimes.com/2017/11/10/us/virgin-islands-hurricanes.html>.



Caneel Bay damage post-hurricanes – Photo by Bill Kiser, Virgin Islands Daily News

H.R. 4731 requires the Secretary to extend the RUE by 60 years and requires the holder of the RUE to pay a rental fee for use of the property. Extending the RUE provides long-term certainty to the current holder of the RUE, thus allowing the holder to realize a return on the significant capital investments necessary to reopen the resort.

The Subcommittee on Federal Lands held a legislative hearing on H.R. 4731 on Wednesday, February 28, 2018.

### **Major Provisions of H.R. 4731**

- Requires a 60-year extension of the RUE, which the Caneel Bay resort has operated under since 1983
- Requires the holder of the RUE to pay a rental fee of 1.2% of gross revenue for the first 15 years of the 60-year extension
- Authorizes the Secretary or the holder of the RUE to request an adjustment to the rental fee one time during each 15-year period following the initial 15-year period

### **Cost**

A Congressional Budget Office cost estimate has not yet been completed for this bill.

### **Administration Position**

The Administration's position is currently unknown.

### **Anticipated Amendments**

- Rep. Rob Bishop (R-UT-01) - Chairman Bishop will offer an amendment to modify the rental fee to be paid by the grantor for the first 15-years of the RUE extension from a flat 1.2% to a fair market value rental fee determined by an independent appraisal.

### **Effect on Current Law (Ramseyer)**

None.