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BY SUSAN ELLIS — MAY 8, 2015

Margaritaville Told to Use Local Vendors

Five companies applied for tax benefits in return for opening businesses in the territory and two beneficiaries were granted contract waivers at board meetings of the V.I. Economic Development Commission and V.I. Economic Development Authority Thursday.

The VIEDC Board, after executive session, discussed and voted on a procurement waiver request from Margaritaville Vacation Club by Wyndham, Inc.

The VIEDA approved a contract modification for Caribbean Development Partners/Island Crossing to extend their construction deadline.

VIEDC staff discovered Margaritaville was not buying from local vendors as required by law and was passing through owner exemptions for excise and gross receipts taxes to its contractors. Only the owner or EDC beneficiary is allowed to purchase certain materials and supplies without paying those taxes.

“The owner purchase program being passed on to a non beneficiary is of concern,” Wayne Biggs, VIEDC assistant chief executive officer, said. “With branded items, I have no problem.”

In July 2014, Margaritaville applied for a waiver of purchasing requirements and on Thursday the board voted to allow the purchase of some items but insisted local suppliers be used whenever possible and prohibited contractors from using the owner’s tax exemptions.

The resort will be allowed to purchase branded items but Margaritaville must keep adequate records and report their purchases, annually. The board ordered the company to purchase goods easily found in the territory – hardhats, tape, etc. – through local suppliers and not a Wyndham buying service.

The waiver of the owner purchase program would “violate the spirit of the program” and “allow Wyndham to receive benefits without local suppliers,” said board secretary Avery Lewis, reading the board’s decision. It would also impact the excise and gross receipts taxes collected by the V.I. government.

The other waiver was granted to Caribbean Development Partners/Island Crossings by VIEDA to push back their deadline of December 2015 to complete construction of a 12,000-square-foot grocery store and 2,400-square-foot Burger King at the Home Depot mall on St. Croix. Because government bonds were not sold in January as expected, spokesman Sebastiano Paiewonsky Cassinelli and attorney Joshua Tate requested another 12 months after the bonds are issued to complete the project.

“We’re going to have a lot of good things going on with the construction. I see it as a minor change,” Percival Clouden, VIEDC chief executive officer, said.

The board agreed and voted unanimously to postpone the deadline.

The five businessmen and their attorneys applied for up to 90 percent tax forgiveness and promised to invest \$100,000 in capital improvements for their business, hire at least five residents and provide them with health and life insurance, and a 401K plan. They also agreed to make charitable contributions of at least \$40,000 a year and \$2,500 to the Labor Department’s database maintenance. The amount of donations is up to the company — the contribution to Labor is prescribed by law.

Christopher Bennett, president of Alpha Mortgage Advisors, explained that his new company will support his stateside bond trading company that handles \$45 billion in trades a year. Alpha Mortgage also will provide a variety of mortgage services for off-island clients. He plans to hire two computer programmers, a quantitative manager and two employees for quality control and business development. Hiring will be easy, he said, because employees don’t need much experience, just education. Most training will take place at his offices in Michigan. Bennett said all he needs is Internet service, which he proclaimed as “terrific” for several servers.

Mike Barton also applied for benefits for a company to manage the assets of wealthy families. He said his clients would likely have net worth between \$10 million and \$100 million. Currently, his only client is the Dale Schmidt Family Trust, which also applied for benefits.

CD Paradise Holding, LLLP is Schmidt’s Virgin Islands venture to evaluate companies and their operations. He has establishments in Florida and California and mostly advises health care, real estate or hospitality businesses.

Michael Kempen, of Impact Technologies, VI, Inc. plans to offer marketing, research and development services for his company in New York, Impact Absorption. The company sells road hardware and arresting systems for vehicles and rents equipment. He only needs a telephone and the Internet to support the company, he said. Most of his five employees will be trained in New York but all of the “royalties are coming back here.”

Leeward Capital Corporation was the fifth company applying for VIEDC benefits. Matthew Hagan, currently runs a family business, American Forest Products, but his Virgin Islands enterprise will be very different.

“I’d say I’m a good case study for how the (EDC) program works,” Hagan said while explaining his proposal. He plans to buy hardware and software from companies that are using the technology but need cash flow. He would then lease the equipment back to them until they want to buy it back. The software and servers would be set up on St. Croix using Global Crossings fiber optics.

“We can buy the assets without the business selling out but they still need the technology,” Hagan said.

The company can only work well in the Virgin Islands, according to Hagan, because of the tax benefits and the bandwidth capacity on St. Croix.

A five-member quorum was lost before the V.I. Economic Development Bank could hold its meeting in the late afternoon.

Board members who attended the meetings were Lewis; Catherine Hendry, commissioner of the V.I. Labor Department; Simon Jones-Hendrickson, chief economic and fiscal policy advisor to Gov. Kenneth Mapp; Haldane Davies, vice president of the University of the Virgin Islands; Philip Payne, business owner; and Jose Penn, interim chairman.

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