

Testimony of Gary D. Engle
Before the House Committee on Natural Resources, Subcommittee on Federal Lands
February 28, 2018
In Support of H.R. 4731

Good afternoon.

Chairman Bishop, Ranking Member Grijalva, Subcommittee Chairman McClintock, Subcommittee Ranking Member Hanabusa, and members of the Natural Resources Subcommittee on Federal Lands, thank you very much for inviting me to testify today in support of H.R. 4731.

My name is Gary Engle. I am Chief Executive Officer and Chairman of Stoneleigh Capital LLC. Stoneleigh makes investments in real estate, hospitality and hotels, and financial services. Among other investments, Stoneleigh is an investor in Capella Hotel Group, a worldwide operator of luxury hotels and resorts. I am also the managing member of CBI Acquisitions LLC, which has owned and operated the Caneel Bay Resort since 2004.

My real estate business experience includes commercial and industrial space, single family and multifamily development, resorts, and mixed use. Prior to my role with Stoneleigh, I served as President, Chief Executive Officer, and controlling shareholder of Equis Corporation, which was an owner and operator of equipment finance, leasing, and real estate companies. Through the 1980s, I served in various senior management capacities with Arvida Disney Company, a large-scale community real estate company owned by the Walt Disney Company, and also as a principal of Cobb Partners Development Inc.

I am also honored by my appointment by U.S. Virgin Islands Governor Kenneth Mapp to the Virgin Islands Hurricane and Resiliency Advisory Group. The group was created by the Governor to help guide reconstruction and resiliency efforts in the U.S. Virgin Islands in the wake of last September's two Category 5 Hurricanes Irma and Maria. To quote Governor Mapp, "We're bringing together experts from many disciplines to help the U.S. Virgin Islands build back as fast and smart as possible to enhance the long-term resiliency and economic health of our islands, while protecting our communities from future storms." The Governor knows that given the devastation from the hurricanes "fast and smart" actions are indeed critical in order to restore the lives of the people of the USVI.

I am here today to testify in support of H.R. 4731, a bill that provides a key economic driver for the US Virgin Islands. This bill provides for the re-building and long-term operation of Caneel Bay Resort, a significant employer in the US Virgin Islands and a significant contributor to the long-term economic recovery and growth of the USVI.

Set on a 170-acre peninsula surrounded by the beauty of the Virgin Islands National Park, Caneel Bay Resort is a breathtaking Caribbean vacation destination. Opened in 1956 by Laurance Rockefeller, the resort has played a prominent role in the development of the tourist industry and the broader economy of the U.S. Virgin Islands. Prior to Hurricanes Irma and Maria, the resort accounted for 450 to 530

employees, staffing a facility of 166 units, making it the largest employer on the island of St. John and one of the largest employers in the U.S. Virgin Islands. The operation of Caneel Bay Resort, and the jobs it creates, has been essential to the Virgin Islands economy for decades.

Since 1983, the Resort has operated under a unique agreement with the National Park Service called a Retained Use Estate, or "RUE". This efficient and effective agreement was devised to carry out Mr. Rockefeller's vision of a successful five-star resort that would complement, and be environmentally consistent with, the natural beauty of Virgin Islands National Park. Under the RUE, Mr. Rockefeller transferred the land underlying Caneel Bay to the National Park Service, while retaining the improvements and the right to continue the resort operations. The RUE has allowed Caneel Bay to provide five-star lodging, dining, beach, and recreational experiences for visitors to the USVI and the Virgin Islands National Park for more than thirty years.

Last fall, Caneel Bay sustained direct hits from two Category 5 storms. Hurricane Irma hit on September 6, and just two weeks later Maria made landfall. What had been a full-service luxury beach resort amidst the beauty of St John was reduced to mostly rubble, leaving us with only 30 marginally-functional rooms that we have made available to Federal Emergency Management Agency workers and others who come to the island to contribute to St. John's recovery. With no resort or visitors to service, hundreds of employees were terminated in one day, with no way for us to promise when or if the jobs might return. The direct and indirect contributions of the resort to the local economy evaporated overnight.

We would very much like to rebuild Caneel Bay Resort and to restore it to its former glory as an important contributor to the USVI economy, and as a driver of the tourism-dependent economy of St. John and to the Virgin Islands National Park. To our knowledge no other significant high-end resorts have slated re-openings on St. Thomas or St. John, and we want Caneel Bay to lead the way to re-establishing the USVI tourism industry. Unfortunately, the RUE is currently due to expire at the end of September 2023. The five years remaining in the current RUE term are nowhere near enough time to support the nearly \$100 million in estimated reinvestment necessary to rebuild the resort, and to do so in a way that provides for resiliency to help mitigate damage from future storms. If Caneel Bay Resort is to be rebuilt, a sufficiently long-term and commercially reasonable agreement is necessary.

Given the amount of required capital, the time required to redesign and rebuild, and the time required to re-establish the resort in a highly competitive market-place, a minimum 60-year term is necessary. The RUE is similar to, although certainly not identical to, a land lease, where operators obtain the rights to use the land and are then responsible for facility development. Land leases often reflect terms of 75 to 100 years. Thus the term of H.R. 4731 reflects a number of factors, including most importantly the time required to generate a risk-adjusted return that supports the significant reinvestment. The financial markets prefer a term longer than 60 years but I am also aware there is National Park Service precedent for 60-year terms, and we are confident a 60-year extension would provide a sufficient amount of time to generate the required capital investment.

H.R. 4731 also would require payment of fair market value, based upon a percentage of the resort's gross revenues, during the term of the extension. As the bill was introduced, for the first 15 years of the

extension, this amount would be set at 1.2%. After the initial 15 year period, the amount would be subject to adjustment, first by negotiation between the RUE holder and the National Park Service, but if the parties are unable to agree, then by binding arbitration. The arbitration process would be one with which the National Park Service is familiar, and that is included in its regulations. We understand that there is a desire to amend the bill so that the payment amount for the initial 15-year period would be determined through the same process as any future adjustments. While we would prefer the 1.2% percent, we acknowledge that desire and do not have concerns with such an amendment.

For sixty years, Caneel Bay Resort, in partnership with the National Park Service, has played a prominent role in the development of the USVI economy, the tourist industry, the economy of St. John and the lives of the USVI residents through stable and well-paying jobs. Quickly re-establishing the operation of the property, and the jobs the resort provides, is essential to the USVI.

We believe there is common interest in the timely rebuilding of Caneel Bay Resort. The passage of H.R. 4731 is a concrete step to enable us to invest substantial private capital in restoring jobs, tourism, and long-term economic viability to the U.S. Virgin Islands. The Laurence Rockefeller legacy is one of champion and guardian of the community. The Caneel Bay team has always honored his legacy, and now more than ever this is our commitment to the people of the USVI, and the National Park Service.

In closing, CBI Acquisitions strongly supports and urges Congress to pass H.R. 4731, and provide us the opportunity to restore Caneel Bay Resort to the treasure it once was, for many years to come.