

# ISLAND RESOURCES FOUNDATION

## WATER ISLAND CASE HISTORY IN VIRGIN ISLAND DEVELOPMENT

*Excerpted From:*

STUDY OF WATER ISLAND  
ECONOMIC DEVELOPMENT OPTIONS

Prepared By  
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## DEVELOPMENTAL HISTORY

THE SETTING            Water Island, situated just off the south coast and within the greater harbor area of St. Thomas, is the fourth largest of the U.S. Virgin Islands, with a total of 491.5 square acres. Volcanic in origin, it has shallow soils of the Cramer gravelly clay loam variety, a dense, semi-arid vegetation and a rather steeply sloping terrain. A primary ridge line 200 to 290 feet above sea level runs down the center of the Island in a north-south direction.

Among the Island's outstanding natural features are rugged, steep cliffs along the southern and southeastern shorelines, some 10 sand or sand and gravel beaches, a number of small bays and peninsulas and four salt ponds with associated mangrove systems. There is limited variety of wildlife: a colony of Bahama Pin-Tail ducks inhabits the Limestone Bay Salt Pond; there are 20 to 30 Red Bill Tropic Bird nests on the south shore cliffs; imported Bob-White quail roam the island, and large green iguana can be found in abundance. Because of the absence of the mongoose, it is possible that many species rendered extinct by that predator on the other main islands may survive on Water Island.

Water Island allegedly received its name from the fresh water once found in association with its several salt ponds. A 1719 map by the Dutchman Gerald van Keulen shows a "fresh water pond" at a location just north of Caroline Point. It is likely that the existence of this pond drew the first European settlers to Water Island, for the same map depicts the house of one Albert de Ruyter in close proximity to it. Today that pond is dry, and a stone wall at its edge has been filled up with debris. There is a possibility that this fresh water source, and any others like it throughout the island, might once again be tapped.

*water*

The potential of the island's ground water resources has never been explored.

PRE-HISTORIC PERIOD           Based on the limited evidence available, human occupancy of Water Island seems to have begun around the time of Christ.

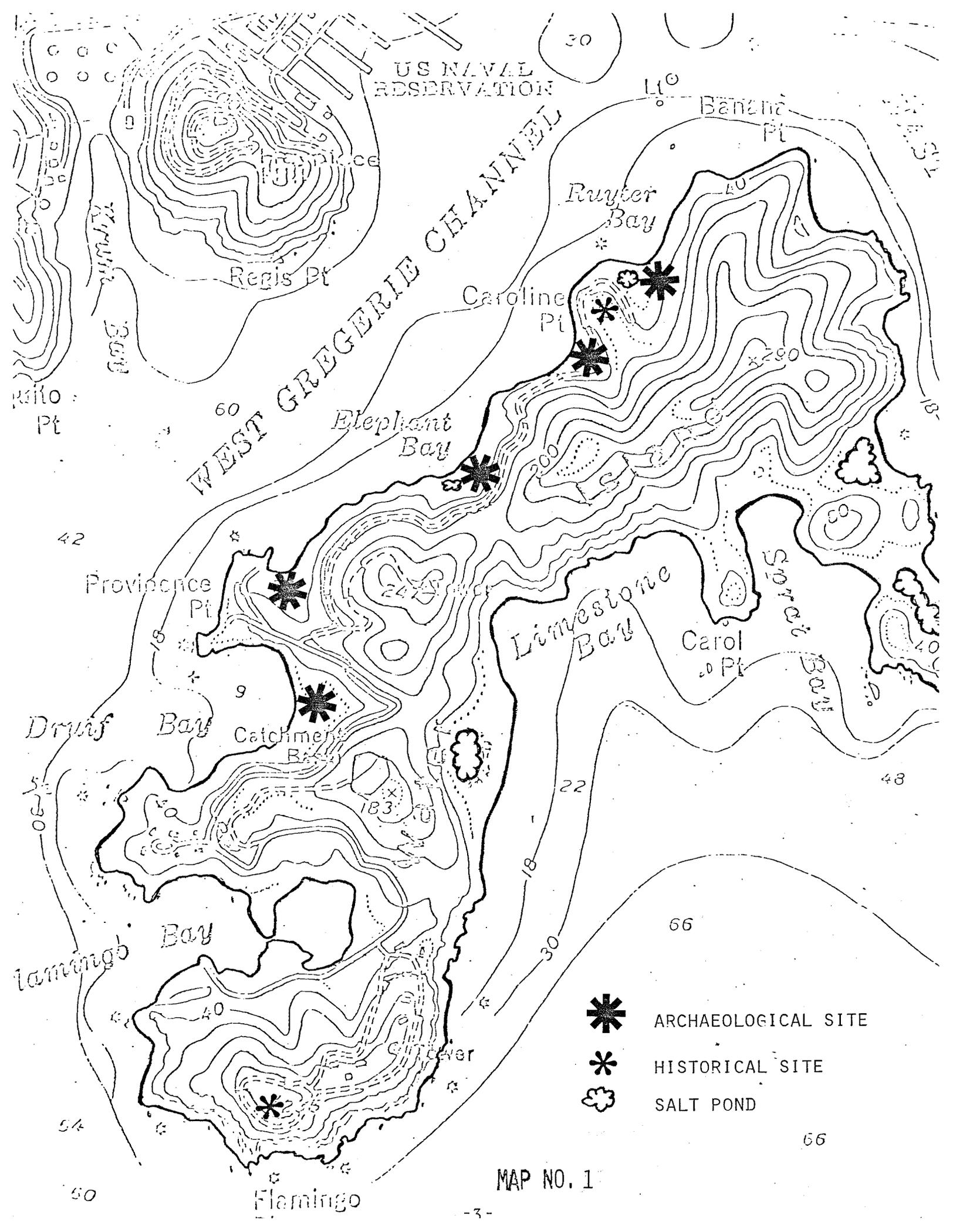
To date, archaeologists have found five Indian sites, all of which are located at sheltered bays along the western coastline (see Map No. 1 below). Pot shards, stone tools and other evidence recovered from very cursory surveys and excavations at these sites indicate small scale, casual occupation by itinerant fisherfolk and shell gatherers, rather than extensive, permanent settlement by agriculturalists<sup>1</sup>. Negroid skeletons have been found at two of these sites<sup>2</sup>, but there is debate over whether they were intrusive or not.

None of the five archaeological sites have been nominated to the National Register of Historic Places. However, the acting territorial archaeologist points out that three sites have not yet been systematically excavated, and that the Elephant Bay site may be of considerable importance because of the early Saladoid pottery found there during a recent exploratory dig.<sup>3</sup>

*five  
indian  
sites*

HISTORICAL PERIOD TO 1950           Information respecting human occupation and use of Water Island during the colonial period is difficult to come by.<sup>4</sup> A number of legends and tales have grown up around Water Island, as with many other offshore islands and cays. There are stories of pirates and buried treasure; accounts of grand mansions, luxuriant cane fields and ownership by a Hohenzollern prince. None of these, however, could be substantiated from the records on hand, and most appear to be more fiction than fact.<sup>5</sup>

The availability of easily accessible fresh water in sheltered bays may have attracted



US NAVAL RESERVATION

WEST GREGERIE CHANNEL

Banana Pt

Ruyter Bay

Regis Pt

Caroline Pt

Elephant Bay

Province Pt

Limestone Bay

Carol Pt

Druid Bay

Catchment Bay

Flamingo Bay

Flamingo



ARCHAEOLOGICAL SITE



HISTORICAL SITE



SALT POND

MAP NO. 1

seafarers to the island well in advance of the actual settlement of St. Thomas, but no evidence is available to support this conjecture. The Island was, however, used by early settlers as a source of food. One of the first undertakings of the Danish colonizers who arrived on St. Thomas in 1672 was to stock Water Island with cattle and goats in order to insure themselves of an accessible supply of meat. This stock belonged to the Danish West India Company, which not only used it to feed its St. Thomas colonists, but also, in the early settlement years, marketed it to ships and neighboring colonies in exchange for exportable commodities like sugar and tobacco.<sup>6</sup>

*livestock*

By 1680 Water Island was reported to be well populated with livestock, and, in consequence, much frequented by ships and foraging expeditions from the nascent settlement at nearby Charlotte Amalie. Colonists also fished in the salt ponds, drugging the fish with a mixture of bark from the local stinkwood tree (Piscidia carthagenensis Jacq.) and lime mortar.<sup>7</sup>

The more well-to-do made outings to Water Island for both practical and recreational purposes. In 1686, for example, Vice-Governor Christopher Heins led a group of men and women on a hunting and fishing party to the island. Using a seine, they caught plenty of fish, but brought back little game, even though in the words of one participant, there were "many wild bucks and goats as well as some wild cows, bulls and calves, /and/ in the bays there are many pelicans, flamingoes, ducks and other birds."<sup>8</sup>

Although the Danish West India Company must have stationed some men on Water Island to prevent poaching, the earliest record of human habitation that could be found was the van Keulen 1719 map of St. Thomas Harbor, which depicts the house of Albert de Ruyter on a small hill overlooking Ruyter's Bay. By 1730, according to a map of that date, de Ruyter was operating a plantation at the northern part of the island.

*Albert  
de Ruyter*

By the end of the eighteenth century there were two plantations on Water Island: Carolina's Lyst, comprising the northern portion and Providence, comprising the southern part. According to title records found at the St. Thomas Recorder of Deeds Office, the two plantations were under separate ownership for the first sixty years or so of the nineteenth century.+ In the 1860's, they were consolidated under the single ownership of Joseph Daniel\*, a wealthy local merchant. Water Island remained in the possession of the Daniel family until 1905, when they sold it to agents of the East Asiatic Company.

*plantations*

The records are silent about what crops, if any, were cultivated on the two plantations. Nor are there any population statistics. There is evidence that Peter Tamaryn\*\*, a free negro

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\* Title records clearly refute the legend that Daniel received Water Island from the British because of his services to them during their occupation on St. Thomas between 1807 and 1815. Daniel purchased Providence estate in 1850 and during the 1860's bought up parcels of Carolina's Lyst from members of the Woods family.

\*\* Peter Tamaryn is perhaps the most intriguing of all the owners of Water Island. He was the son of Mingo Tamaryn, the free negro commander of the Free Negro Corps formed by the Danes in 1721 to help them police against slave unrest. Mingo and his Corps helped quell the St. John slave rebellion of 1733-34, and in later years were employed to track down and subdue bands of runaway and rebel slaves. Peter took command of the Corps when his father died in 1765. See Kay Larsen, Dansk Vestindien 1666-1917 (Copenhagen, 1927) p. 87. It is not known how Peter acquired title to his estate. Conceivably he or his father came in to ownership by virtue of their loyal service to the Danish Crown.

*Tamaryn's*

+ See Table I.

TABLE I.  
WATER ISLAND OWNERSHIP HISTORY  
TO 1944

DATE	PROVIDENCE ESTATE	CAROLINA'S LYST ESTATE
1803	Peter Tamaryn Owner?	
Feb. 1807	Alexander Kerr?	Auctioned to Archibald Kerr after death of Peter Tamaryn
March 1819	?	A. Kerr deeds to Baron Lucas de Bretton
April 1828	?	Auctioned to Christian D. Eckhardt after death of Lucas de Bretton
Nov. 1828	M.E. Duranto deeds to Miss Elizabeth Brathwaite	
Jan. 1829	-	C.D. Eckhardt deeds to A. Helm & Owen Brown
March 1829	-	A. Helm deeds his share to Owen Brown
May 1831	E. Brathwaite deeds to Joseph Couperism	-
June 1831	-	O. Brown deeds to Cosmo Frankcovich
August 1838	J. Couperism deeds to Jean L. Garcia	-
Sept. 1839	-	Auctioned to James Hazzel, Jr. after death of C. Frankcovich
Dec. 1841	-	J. Hazzel, Jr. deeds to Benjamin Borton
July 1843	-	1/2 auctioned to John Quirk after death of B. Borton. 1/2 auctioned to John William Woods, Susan Woods, Elizabeth Jane Woods, Isabella Woods
June 1850	J.L. Garcia deeds to Joseph Daniel	-
May 1851	-	J. Quirk deeds 1/2 to Raimond Certain
October 1859	-	E.J. (Woods) Lagois deeds her share to Joseph Daniel
Dec. 1859	-	Susan (Woods) Sawyer deeds her share to Joseph Daniel
March 1860	-	R. Certain deeds 1/2 to Eugene Pannet

TABLE I. (CONT.)

DATE	PROVIDENCE ESTATE	CAROLINA'S LYST ESTATE
April 1860	-	Widow of John W. Woods deeds her share to Joseph Daniel
July 1865	-	Widow of E. Pannet deeds 1/2 to A. Rostend
Nov. 1865	-	T. Abbott (husband of Isabella Woods?) deeds his share to Joseph Daniel
March 1866	-	A. Rostend deeds 1/2 to Joseph Daniel
Oct. 1899		Joseph Daniels deeds to his heirs: S. (Daniel) Huntington, Christopher Daniel, Joseph Daniel, Charles Daniel, F. (Daniel) Stiven
Jan. 1905		Daniel heirs deed to J.P. Thorsen
Feb. 1905		J.P. Thorsen deeds to N.C.E. Hansen
May 1905		N.C.E. Hansen deeds to Capt. H.N. Andersen
March 1911		Capt. H.N. Andersen deeds to East Asiatic Co., Ltd.
June 1944		U.S. Government (Dept. of Defense) acquires from East Asiatic Co. through condemnation

SOURCE: St. Thomas Matriculs (tax lists) 1787-1900; "Water Island" file Recorder of Deeds Office, St. Thomas.

who owned Carolina's Lyst\*, had, at the time of his death in 1806, twenty-nine slaves and an undisclosed number of cattle on that estate. The Daniels are also reported to have raised goats and cattle, although they are said to have valued the island more as a summer retreat and hunting preserve than as an economic investment.<sup>9</sup>

Little physical evidence of the plantation period has survived. Ruins of the Providence estate buildings, probably constructed by the Daniel family, can be found at Providence Point. Except for an old cistern, which is still intact, they have been incorporated into a private residence. Ruins associated with the de Ruyter/Carolina Lyst estate on the northern end of the island have been found by an Island Resources Foundation survey team. These latter ruins are of historical significance because of their association with the Tamaryns, one of the oldest and most prominent free black families in the Virgin Islands.

*ruins*

The East Asiatic Company, a Danish joint-stock company which purchased Water Island through its agents in 1905 and in its own name in 1911, planned to spend large sums to develop it into a major coaling and bunkering facility. Behind this ambitious development program lay two motives: 1) to capitalize on the anticipated increase in St. Thomas commerce in consequence of the opening of the Panama Canal; 2) to capitalize on a practice, originated under the Daniel's, whereby the Russian, French and German Navies leased the island as a base of operations for winter maneuvers and gunnery practice.<sup>10</sup> Although in 1905 the Company sent out a team of engineers to design extensive new facilities, for reasons that are unclear<sup>11</sup> nothing came of the scheme.

*Danish purchase*

World War I and the subsequent sale of the Danish West Indies to the United States in 1917 put to rest the Company's plans for Water Island, although it did retain ownership until 1944, when the U.S. Government acquired it for \$10,000.00 through condemnation proceedings.<sup>12</sup>

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\* Title records in the St. Thomas Recorder of Deeds office show that in 1806 Peter Tamaryn owned Carolina's Lyst; however, tax records in the Danish archives indicate that he owned Providence. It is possible that he may have owned both estates, and, thus, the whole of Water Island. According to the Danish matriculs, Tamaryn had 15 acres in provisions under cultivation at the time of his death.

The U.S. Government seized Water Island for the explicit purpose of establishing a coastal defence installation there. Title was vested with the Department of Defense, which immediately set to work constructing a large army base on the southern part of the island known as Fort Segarra. Some fifty-three structures, including barracks, gun emplacements, watch towers, underground bunkers and other military facilities soon appeared, as did an infrastructure of docks, roads, water, sewage and power systems.\* The total cost of this massive development effort was officially put at \$1,583,000.00,<sup>13</sup> although local gossip placed it closer to \$3,000,000.00<sup>14</sup> Buildings and infrastructure facilities constructed by the Army still standing by 1953 are shown in Map No. 2.

*Fort Segarra*

When World War II ended, construction was abruptly halted and the defensive garrison was replaced by a unit of the Army's Chemical Warfare Division, which used the island to conduct secret experiments with poison gasses for several years.

After the Chemical Warfare Division abandoned the Island in 1950, the Army turned it over to the Department of the Interior by revocable permit for five years. In December 1951 the term of the permit was made indefinite, but it remained subject to revocation by the Army at any time.

*Interior permit*

The Department of the Interior, in its turn, assigned the permit to the St. Thomas Development Authority, an instrumentality of the territorial government, in the hopes that that body could negotiate a long-term lease with a prospective developer. It was at this point, in 1951, that Walter and Floride Phillips, a New York couple looking for a retirement home, appeared upon the scene.

*local control*

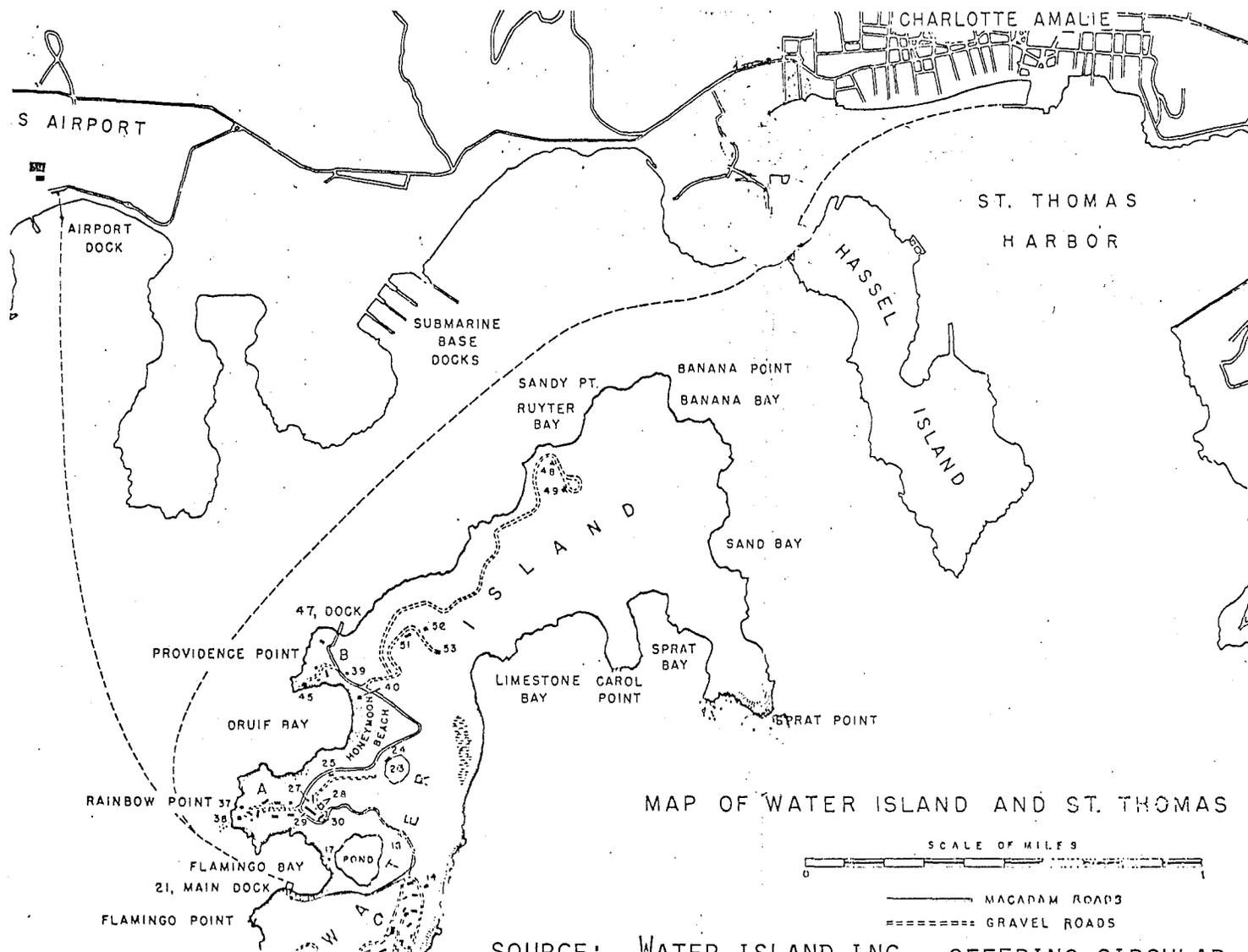
WATER ISLAND, INC.  
1951-1965

The Phillipses had heard about the availability of Water Island through Isidor Paiewonski, a St. Thomas businessman. After making an on-site inspection in March 1951, they joined forces

*Walter and  
Floride Phillips*

\*For a detailed description of improvements made by the Army, see page 15 below.

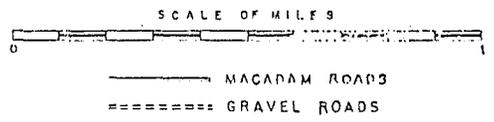
MAP NO. 2, ARMY FACILITIES IN 1952



Building Number	DESCRIPTION
A	Located on Rainbow Point:
29	Main Building or "Club Building"
26, 31, 32, 33, 34, 35, 36	Buildings which can be converted into rooms
30	Employees Quarters and Workshop
27	Chlorinator
28	Outdoor Movie Theatre Booths
37, 38	Gun Emplacements
B	Located on Providence Point:
41, 42, 43, 46	Buildings which can be converted into rooms
39	Salt Water Cistern
40	Salt Water Pump House
45	Gun Emplacement
47	Dock
C	Located on Flamingo Point:
2, 3, 4, 8, 9, 10, 11, 13, 15, 22	Buildings which can be converted into rooms
14	Subleased for residential purposes
J	Underground Concrete Fort
5	Steel Observation Tower
	Located in other areas:
51, 52	Buildings which can be converted into rooms
53	Base end station (elevated)
16	Electric Power Plant
17	Salt Water Pump House
21	Main Dock
23	Water Catchment
24	Concrete Reservoir
25	Salt Water Cistern
48, 49	Underground Concrete Igloos

Due to lack of space, the numbers of individual buildings intended to be converted into rooms are not shown on the map but the groups are indicated by A, B and C.

MAP OF WATER ISLAND AND ST. THOMAS HARBOR



SOURCE: WATER ISLAND INC., OFFERING CIRCULAR (1953) P. 8.

with two brothers from New York - Raymond and Edward Bill\* - to form a local corporation called Water Island, Inc., which signed a lease with the St. Thomas Development Authority on August 1, 1951.

Copies of the first lease are not locally available, and therefore have not been examined. The Department of Interior has stated:15

This lease was for an initial term of 35 years, with an option for the lessee to have an additional 25 years for a total of 60 years. The lease was drafted to accommodate the Water Island, Inc. development plan for the Island. This plan had two phases - short term and long term. The short term phase contemplated the expenditure of \$200,000 to rehabilitate and convert existing dilapidated Army barracks into a resort hotel with not less than 50 rooms and related facilities. It was anticipated that title to or full control over Water Island would eventually be acquired by the Development Authority and that, thereafter, the occupancy by lessee would be firm and no longer be subject to revocation by the Army. When that event occurred the lessee could then be expected to launch into its long range plan involving substantially increased investment for further hotel and residential development and construction. The initial \$200,000 was considered to be high risk capital because of the right of revocation by the Army. After that right was extinguished, it was felt that the term of the lease would be readily mortgagable to provide the money for the long range plan.

*first lease  
terms*

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\* There were three other corporate officers: Dr. Roy A. Anduze and Mr. and Mrs. Harry Loucks, all residents of St. Thomas.

According to an account given by Walter Phillips in 1956, the terms of the lease<sup>16</sup>

were that the Army should retain ownership and give the developer a forty year (sic?) lease at a rental of \$3,000.00 a year. In return, the leaseholder had to agree to spend \$200,000 on improvements to the island and, within five years, provide fifty rooms of hotel space - the general idea being that such a development would contribute to the Virgin Islands tourist trade and provide employment for local labor.

Although less than pleased with the terms of the lease, the Phillipses signed it "just to get things going". Once it had been signed, they immediately turned their attention not only to having it changed, but to having the island transferred from the jurisdiction of the Army to the Department of Interior.<sup>17</sup>

The Phillipses had two main problems with their lease. In the first place they recognized that the Army's right of revocation would hamper even their short-term plans. Secondly, they feared that eventual transfer of the Island to the Virgin Islands Government might also be detrimental to their development scheme. As Walter Phillips explained to the Department of Interior in 1972:<sup>18</sup>

*lease  
constraints*

It was felt that a lease from the federal government would be stronger and result in greater development of Water Island .... We believed people would be more inclined to invest in subleases and develop the Island if the deal was from the U.S. government. We wanted to get Water Island removed from the vagaries and changeability of local politics.

The Phillipses, assisted by Governor Morris de Castro and members of the St. Thomas Development Authority, spent the better part of the next twelve months lobbying to have the Army transfer Water Island to the Department of

*transfer to  
Interior*

Interior. On July 11, 1952 President Truman signed Public Law 511 (82nd. Congress) authorizing the transfer. On November 3, 1952 the General Services Administration delegated to Interior the authority to lease the property. On December 10, 1952 Interior executed a new lease with Water Island, Inc.

The provisions of the 1952 lease need not concern us here. The developmental framework which the lease mandates is, however, relevant, for it has largely determined the developmental process on Water Island during the past three decades.

Like its predecessor, the 1952 lease was explicitly intended to promote the Virgin Islands' economy. After affirming that the Island had been transferred from the Army to the Interior Department "so that it might be developed in such a manner as to contribute effectively to the economy of the Virgin Islands", the lease goes on to specify that "development of the area as a tourist resort appears to be the most effective use to which it may be put".

*resort  
development*

Section 1 is even more explicit on the nature of the preferred development. "The leased property and improvements," it states, "shall be developed into a resort area." Yet, although the lease seemingly restricts development to the tourist sector, it offers an extremely broad definition of what constitutes a "resort area", to wit:

Comprising dwelling and recreational facilities and ancillary service facilities and parts thereof may be devoted to residences, whether private or cooperative or otherwise, agriculture, horticulture, the breeding and raising of livestock and poultry and other purposes.

Moreover, Section 7 allows sub-lessees to engage in unspecified "commercial, revenue-producing purposes" providing the approval of the

Secretary of Interior is first obtained.

The latitude thus allowed is so great that Mr. J. Robert "Bud" Bishop, the current leaseholder, has stated that he believes he could establish light industries, such as watch manufacturing, so long as the tourists had access to the facility.

Despite the stated objective of creating a tourist resort complex on Water Island, the only tourist facility actually required by the lease was a fifty room hotel, which Water Island, Inc. agreed to have operational "through conversion of presently existing buildings or otherwise" by January 1, 1958. No investment or capital improvement level was established, although Section 4 obligated Water Island, Inc. to have a minimum paid in capital of \$200,000.00 within ninety days from January 1, 1953.

Once the matter of the lease had been resolved to its satisfaction, Water Island, Inc. turned its attention to Phase I of its development strategy - the establishment of a 50 room hotel resort. At this point a major difference of opinion arose between the Phillipses and their partners, the Bills, over the most appropriate development strategy. The Bills wanted to raise a large amount of investment capital in order to build an elaborate resort complex; whereas the Phillipses preferred a low-key, informal and simple operation, with a view to improving the existing facilities "on a sort of pay-as-you-go basis".<sup>19</sup> The disagreement was resolved when the Phillipses bought out the Bills for \$25,000.00. They then launched a public stock issue to raise \$269,000.00 needed to complete Phase I of their development program.

Water Island, Inc.'s hotel development program was based on converting the facilities left behind by the Army into a medium-size hotel operation that would accommodate one hundred guests. The 1953 stock offer described these facilities as follows:<sup>20</sup>

There are extensive improvements on Water Island which were built by the

United States Army during World War II. There are 33 single storied buildings with concrete foundations, concrete floors and concrete block walls, most of which are 22'8" in width and of varying lengths ranging up to 168'8". There is a water supply system, consisting of a water catchment area of 90,000 square feet of concrete and transite, with a covered concrete reservoir of 250,000 gallon capacity and water distribution mains; a power plant with three diesel-operated generators with total capacity of 45,000 watts and electrical distribution lines; a sewer system; a salt water system for flushing toilets. There are about 7 1/2 miles of roads, partly macadam and the remainder gravel. There are two docks and a telephone cable to the mainland of St. Thomas.

*Army facilities*

Reputedly, the estimated market value of the entire installation was only \$60,000.00 in 1952.<sup>21</sup>

The Phillipes arrived in September 1953 to oversee the work of remodelling. After reactivating the Army's water, sewer and electric systems, they concentrated on converting a cluster of buildings on the Rainbow Point promontory into hotel rooms, restaurant, bar, kitchen and other facilities.

The development program effected consisted of converting the largest building (168'8" x 22'8") into a "Club House" containing a kitchen, dining room, lounge, lobby, bar, office and terraces for outdoor dining and dancing. Several nearby barracks buildings, measuring 96'8" x 22'8" were remodelled, so that each contained eight hotel rooms. Several other smaller structures in the vicinity were converted into staff quarters, workrooms, storehouses and a laundry.

*building conversion*

The Water Island Hotel officially opened for business on January 1, 1954. By that time thirty hotel rooms and two guest cottages, capable of accommodating fifty to sixty guests were available for use. However, whereas significant

*hotel*

progress had been made during 1953 with respect to hotel development, little was accomplished in the years that followed. In 1958, when the lease required that the fifty hotel rooms had to be completed, Water Island Hotel only had 31 rooms and 2 guest cottages, according to the TRAVEL AGENTS HANDBOOK issued by the Virgin Islands Department of Tourism and Trade for that year. In 1959, twelve newly converted efficiency apartments, under separate ownership,\* were added to the hotel's operation, but these were the only new additions made to the hotel between 1954 and 1965.<sup>22\*\*</sup>

*limited  
development*

By 1954 then, hotel development by Water Island had virtually come to a halt, a fact underscored by figures which show that between 1956 and 1965 only about \$4,000 was spent on building remodeling, compared to \$121,035 in prior years.<sup>23</sup>

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\* The twelve efficiency apartments added in 1959 actually belonged to the Flamingo Bay Corporation, established by George and Richard Freeman. (George Freeman was a Director of Water Island, Inc. from 1958 through 1974.) In 1957 the Freeman's acquired a sub-lease for four acres containing four unimproved buildings for \$21,475 (\$20,600 as full payment for possessory interest and \$875 as rent from 1957 to 1992). They were authorized by their sub-lease with Water Island, Inc. to operate their own hotel, bar and restaurant. The Freeman's invested about \$125,000 to convert two of their four barracks into efficiency apartments, and they signed a management contract with Water Island, Inc. whereby the latter agreed to manage the apartments and provide services in exchange for 40 percent of the profit.

*Flamingo Bay*

\*\* During 1965 Water Island, Inc. spent \$178,779 on marina development in Flamingo Bay. A channel was opened up between Flamingo Bay and the Lagoon. The Bay and the Lagoon were dredged and two buildings were constructed, one as a dining room, bar, kitchen and the other as a maintenance shop for cars and boats.

One major reason that the hotel failed to expand after 1953 was the Phillipses' dedication to moving ahead with Phase II of their development scheme - residential development and construction. They viewed the attraction of permanent settlers to their island home as far more "challenging" and desirable than the operation of a hotel.

*residential  
development*

Certainly by 1956 they saw long-term residents as their primary objective. "We needed the hotel," explained Mrs. Phillips in 1956, "so that the prospective settlers could have someplace to stay while they picked out their site and built their home." And Walter Phillips explained at the same time that with respect to the hotel their ultimate goal was to have facilities for no more than one hundred guests.<sup>24</sup>

According to the Comptroller's 1972 Audit Report, between 1952 and 1966 Water Island, Inc. sold 121 sub-leases, comprising 298.02 acres for a total financial consideration of \$403,835 and total annual rent of \$3,075. The history of these sub-leases is documented in Table II below. The acreage involved ranged from 165 to .50 acres, although the vast majority (101) were about one acre plots. The bulk of the sub-leases were executed between 1956 and 1961 when 246.25 acres were sold to seventy persons.

*sub-leases*

The sub-lessees or "cottagers" acquired their lots for an "initial payment", which ranged from between \$2,500. to \$3,000. per unimproved acre in the 1950's to about \$3,500. in the 1960's. They also paid a nominal annual rent, usually about \$25.00, for the duration of their lease. Lots with old Army buildings on them went for an "initial payment" of about \$5,000. per acre.

It is not clear exactly what the "initial payments" were made for. Article 2 of the sub-leases states that these monies constitute full payment "for the possessory interest of the cottager". However, with respect to local tax subsidies, Walter Phillips has also taken the position that initial payments were not for a real estate transaction, but were prepayments of the cost of furnishing hotel services, were therefore

*initial  
payments*

TABLE II: WATER ISLAND SUB-LEASES 1954-1966

YEAR	NO. OF SUB-LEASES	NO. OF ACRES LEASED	TOTAL AMOUNT RECEIVED	AVER. COST PER ACRE OF LAND	NOTES
1954	3	4	18,500 <sup>1</sup>	9,250 <sup>1</sup>	1. For two acres of land, each with one remodeled building. The other two acres were sold in consideration for architectural services.
1955	8	10.45	35,600 <sup>1</sup>	2,929 <sup>2</sup>	1. Includes sale of 3.7 acres with 3 buildings, 2 remodeled for \$16,000 2. Calculated on sale of 6.75 unimproved acres for \$19,600.
1956	10	175.5 <sup>1</sup>	53,500	2,467 <sup>2</sup>	1. Includes one sale for 165 acres. 2. Calculated on sale of 10.5 acres for \$25,900.
1957	15	18	61,900 <sup>1</sup>	2,793 <sup>2</sup>	1. Includes sale of 4 acres with 4 unimproved buildings for \$20,000. 2. Calculated on sale of 14 acres for \$41,900.
1958	9	8.5	22,335	2,628	
1959	12	17.5	44,800 <sup>1</sup>	3,446 <sup>2</sup>	1. Excludes undisclosed sum received for 4.5 acres. 2. Calculated on 13 acres for \$44,800
1960	12	13	40,500	3,115	
1961	12	12.75	37,500	2,941	
1962	6	6	17,500 <sup>1</sup>	3,500 <sup>2</sup>	1. Includes sale of one acre for special considerations. 2. Calculated on 5 acres for \$17,500.
1963	10	9 <sup>1</sup>	31,500 <sup>1</sup>	3,500 <sup>1</sup>	1. Excludes one sale for 1600 sq. ft.
1964	9	9	31,900	3,378	
1965	10	9	30,500 <sup>1</sup>	3,500 <sup>2</sup>	1. Includes sale of 2 acres for special consideration. 2. Calculated on 7 acres for \$28,000.
1966	4	3.5	12,000 <sup>1</sup>	3,429	1. Includes \$5,150 paid to W.I. Hotel and Beach Club, Inc.

Source: U.S. Comptroller of the Virgin Islands, Audit Report No. 356-72-99 (1972), Exhibit B.

part of the hotel operation and consequently were eligible for local tax subsidies.\*

The sub-leases were sold to individuals, almost all of whom intended them for residential use. Four of the sub-leases had buildings on them that had been remodeled by Water Island, Inc. Five others contained unimproved buildings. The vast majority of the lots were vacant, and many were left undeveloped by the sub-lessees. In 1972 (when the first figures became available) 62 of 121 sub-leased parcels were still vacant. Others were improved into residences or apartment units. In 1972 there were 58 homes, 4 apartment buildings (with a total of 32 rooms) and 1 duplex. In 1972 only 25 of the sub-lessees were permanent residents.

The largest sub-lease, comprising about 156.5 acres (as surveyed by the Department of the Interior in March 1978) in the northeastern part of the island, was executed with Clarence Doheny on July 1, 1956. Two years later this sub-lease was assigned to Warren H. Corning, who in turn assigned it to the Sprat Bay Club, Inc. on May 2, 1960. Sprat Bay Club, Inc. was formed as an exclusive residential housing project which sold sub-leases as shares to its members. By 1972 thirty-five families owned shares approximating 80 acres. The remaining 80 acres of land had been set aside as open space, a natural area (40 acres around Sprat Point) roads, beaches and other common use facilities. In 1972 only four owners had built residences, the remainder were undeveloped and vacant.

*Sprat Bay*

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\* The U.S. Comptroller's office has taken exception to the fact that V.I. tax subsidies have been allowed for the "initial payments" on the grounds that these cannot be construed as part of the hotel operation. Walter Phillips has contested that opinion and has refused to repay the subsidies. As of 1980, the issue remains unresolved, and is currently before the courts.

Phillips justified his preference for permanent settlers on the following grounds:<sup>25</sup>

It was felt that persons living here the year round or for extended stays would provide a much more stable and dependable type of business than transient tourists, who would be here for only a few days. This type of customer would tap an entirely different market than the transient hotel guest. Furthermore, since they would give a substantial investment, their interest would tend to be permanent. Thus, if the sublessees paid for the construction of the houses, this would permit a much greater development than would be possible from the sources of the Hotel alone. The construction of these houses provided employment to large numbers of workers and considerable business to suppliers of materials. The persons occupying them year round or for varying periods not only provided business for the Hotel but gave employment to various types of workers, and business to local merchants supplying food, supplies, furniture, taxicabs and services. But one of the great advantages so far as the local economy is concerned, is that they pay their income taxes here, which stay in the Treasury of the Virgin Islands.

Considerable controversy has arisen over whether the residential development program initiated by Water Island, Inc. after 1954 was in conformance with the development objectives of the lease. In 1972 the U.S. Comptroller argued that Water Island was being developed principally as a residential area and not as a tourist resort, as required, and therefore questioned whether the lease had been complied with and whether such development was in the best interests of the Virgin Islands.<sup>26</sup>

*controversy*

Walter Phillips defended his emphasis on residential development by pointing out that his original scheme, accepted by Governor Morris

de Castro, the St. Thomas Development Authority and subsequently the Department of the Interior, explicitly called for the establishment of a "cottage" type resort which would involve hotel rooms, as well as privately owned apartments and residential units. This type of development was allowed and explicitly protected by the 1952 lease. The sub-leases, he claimed, provided for the structures built on them to be part of the resort operation and the sub-leases were entitled to hotel services.<sup>27</sup>

It is beyond the scope of this report to enter into the legal arguments surrounding this matter. It is clear, however, that in terms of development Water Island, Inc. de-emphasized hotel operations in the strict sense and focused on the expansion of residential units throughout the island. Whether these residential units were actually part of the hotel operation is open to question. Certainly the fragmentary evidence available suggests that relatively few of the sub-lessees actually made their private residences available to hotel guests.

On December 3, 1965 Water Island, Inc., with the approval of the Department of Interior, sold its Master Lease with all its assets, rights and obligations to the Water Isle Hotel and Beach Club, Inc. The sale price was \$645,160, according to Water Inc.'s Annual Report for 1965.

*sale of lease*

During the fifteen years it held the lease, Water Island, Inc. had made a substantial contribution to the development of Water Island. Between 1952 and 1965 it had spent a total of \$465,064 on improvements, most of which went to remodeling the old army buildings as part of the hotel. Employment opportunities for thirty-five to sixty-five persons had been created.<sup>28</sup> A base of services, including water, sewers, electricity, telephone, garbage disposal, mail distribution, roads and ferry transportation, had been established. While overall profits were not as substantial as either the developer or Interior may have wished, they were nonetheless sufficient to keep the Corporation in business. The net worth of the Corporation itself grew from \$106,990 in 1952 to \$700,646 in 1965. Table III

summarizes salient financial information for Water Island, Inc. between 1956-1965. The increased corporate assets for these years were due to equipment and furnishing acquisitions, rather than capital construction which had basically been completed by 1955.

TABLE III: SELECTED FINANCIAL DATA, WATER ISLAND, INC. 1956-65.

YEAR	GROSS INCOME- HOTEL ROOMS	GROSS INCOME- SUB LEASES	GROSS INCOME- APTS.	TOTAL GROSS RECEIPTS	NET ANNUAL PROFIT BEFORE TAXES	NET ASSETS
1956	42,805	N/A	-0-	71,962	7,072	288,740
1957	54,280	65,095	-0-	122,643	44,717	290,742
1958	55,775	31,535	-0-	104,104	17,151	251,938
1959	70,347	51,809	10,701	138,396	37,102	364,147
1960	67,684	47,425	10,503	145,078	31,198	400,092
1961	102,643	35,376	15,065	160,842	71,665	498,436
1962	113,201	17,451	9,712	105,170	830	483,223
1963	80,705	44,075	10,082	135,029	26,426	511,224
1964	83,574	24,578	21,377	120,113	11,628	527,482
1965	93,086	37,408	19,464	160,318	53,622	729,032

Source: Water Island, Inc. Annual Reports. Annual Reports for the years 1952-1954 could not be located.

The most obvious developmental legacy under Water Island, Inc. was the spread of private residences and the settlement of some twenty families throughout the island. Residential expansion was heaviest along the ridgeline between the underground fort and catchment hill,

where there was already a high concentration of old Army buildings. But, by the 1960's the residential units also began to spread northward along the central ridgeline. Several roads were opened up to the northern end of the island, but only four houses had been built in that sector.

WATER ISLE HOTEL &  
BEACH CLUB, INC.  
1966-1980

The advent of Water Isle Hotel and Beach Club (hereafter WIHBC) marked a radical departure from the development philosophy and pattern of

*new  
philosophy*

Water Island under Walter and Floride Phillips.

The Phillipses had come to Water Island seeking a retirement home, not an investment. In order to obtain a favorable lease to their own island in the sun they had to obligate themselves to develop it as a tourist resort. Once they had gotten a medium sized hotel operational - the minimal development required by their lease - they concentrated on establishing a residential community, a goal more in keeping with their personal interest in Water Island. Under the Phillipses, development, whether hotel or residential, proceeded at a casual, carefully modulated pace. "After all," Walter Phillips once observed, "the original idea behind this was to take it easy."<sup>29</sup>

Edward J. McCardle, President and guiding spirit of WIHBC, was another kettle of fish altogether. A high-powered, well-capitalized, stateside businessman and developer, owner of the highly successful Pheasant Run Lodge in Illinois, he viewed Water Island as a prime investment opportunity by which he could capitalize on the 1960's tourist boom in the Virgin Islands.

*E.J. McCardle*

Ends dictate means. Whereas the Phillipses emphasized residential development as the basis of a cohesive, relaxed community life style, McCardle stressed the hotel and expanded facilities for transient tourists as the engine of his profits. McCardle's concept of a resort complex, which harkened back to that of the Bills, contrasted sharply with that of the

*grand plans*

Phillipses. "We are planning a riviera on the Caribbean," he informed one Illinois newspaper. "When our construction is complete," he continued, "we will have the largest, most luxurious resort in the islands."

McCardle's overall development plan called for an investment of \$2,000,000 to create three multi-storied hotels capable of housing 800 guests, restaurants, 300 Mediterranean style villas, a shopping center, private yacht and tennis clubs, a boat harbor and marina.<sup>30</sup>

McCardle initially focussed on expanding the existing hotel, which was renamed the Water Island Colony Club. Between 1966 and 1968 WIHBC spent about \$2,000,000 on construction of four large hotel buildings (three of which were three stories high), all of which were clustered around the old hotel complex on Rainbow Point. The Flamingo Bay marina was completed and a deep water dock erected in the Bay just below the Hotel. A number of private villas were also constructed in the vicinity of the hotel overlooking the lagoon behind Flamingo Bay.

*hotel expansion*

Water Island Colony Club officially opened for business in 1967 with sixty-three rooms in operation and more under construction. By 1970, one further building had been added and the Hotel offered 110 rooms, three cottages (with a total of eight bedrooms) and 22 villas (38 bedrooms), making it one of the largest hotels in the Virgin Islands at that time.

*large hotel*

But as with so many other developers in the 1960's, McCardle's reach had exceeded his grasp. Whereas, he had projected a total investment of \$2,000,000 for his entire project, the first phase alone had cost approximately \$2,600,000 by 1970. Thereafter, investments fell off markedly and no new facilities were added.

Moreover, hotel business did not live up to expectations. Gross receipts soared to \$1,313,190 in 1968, but the amount steadily declined in subsequent years, sinking to a low of \$170,721 in 1977. Between 1966 and 1978 the resort

*economic problems*

operation only made a net profit in three years (1969-1971). Corporate assets, which stood at \$2,694,091 in 1971, plunged to \$1,884,560 in 1976. Financial data for WIHBC between 1965 and 1978 is summarized in Table IV.

Reviewer ratings of the Hotel were not favorable. For example, the 1969-70 version of FIELDINGS GUIDE TO THE CARIBBEAN, praised the new ambiance, but its reviewer concluded: "Good potential; hasn't quite jelled yet." The 1973-74 FIELDINGS found the hotel lacking in nearly every respect: the grounds were dirty, the staff surly, service poor and the entire package grossly overpriced. "Something must be done," stated the reviewer, "to correct the massive operational shambles that plague the facility."

*poor ratings*

Meanwhile, McCardle was doing little to promote further residential development on Water Island. Between 1965 and 1978 only three new sub-leases, totaling 2.25 acres were sold, for total initial payments of \$48,000, plus total annual rent of \$300. In the same period, while 24 new villas had been constructed, just 10 were sold to private individuals, only one of whom was a permanent resident. It should be noted, however, that since 1972 the number of homes has grown from 58 to 73, and the number of permanent year round resident cottagers from about 50 to 100. The overall resident population has increased steadily as well, to an estimated annual average of 170 to 250 persons, depending on the season.

McCardle's economic problems were compounded by social and political troubles. Exclusivist and discriminatory attitudes, policies and actions by WIHBC from 1965 onward enraged many Virgin Islanders, who began to question a federal lease which reserved a substantial land mass for the exclusive benefit of a white enclave community. In 1972 a citizens committee wrote to President Nixon urging that Water Island be turned over to the Virgin Islands Government for living and recreational space. These sentiments were echoed in a letter from

*political  
difficulties*

TABLE IV: SELECTED FINANCIAL DATA - WATER ISLE HOTEL AND BEACH CLUB, INC.  
1966-1978

YEAR	TOTAL GROSS RECEIPTS	TOTAL INCOME	PAYROLL	REPAIRS AND MAINTEN.	NET PROFIT	TOTAL PROPERTY AND EQUIP. VALUE	TOTAL ASSETS
1966	125,323	140,247	49,611	9,259	-35,031	N/A	1,208,297
1967	237,314	-77,357	67,194	47,411	-123,777	N/A	1,786,461
1968	1,313,190	477,639	255,353	128,550	-53,000	1,878,283	2,066,261
1969	1,244,467	510,928	215,724	66,911	+ 698	2,233,084	2,444,342
1970	1,076,944	433,104	174,723	54,497	+30,897	1,930,353	2,614,855
1971	1,138,860	569,375	191,320	75,199	+83,166	1,930,353	2,694,091
1972	not avail.	N/A	N/A	N/A	N/A	N/A	N/A
1973	1,028,262	321,286	277,983	137,988	-51,923	1,749,809	2,512,675
1974	289,775	118,969	69,784	50,762	-47,573	1,633,944	2,228,170
1975	245,458	97,219	61,357	71,632	-37,273	2,513,036	2,021,567
1976	314,905	109,411	76,545	50,461	-16,509	2,522,516	1,884,560
1977	170,721	-243,830	N/A	42,408	-148,436	2,286,384	2,189,617
1978	183,593	-3,779	N/A	N/A	-3,779	N/A	N/A

Source: Water Isle Hotel and Beach Club, Inc. Annual Reports

Senator Percival H. Reese to Secretary Rogers C. Morton, and a Bill was introduced in the V.I. Legislature petitioning the federal government to transfer Water Island to the Virgin Island Government at the expiration of the twenty-year lease in December 1972.

In 1972, the V.I. Senate established a Water Island Commission to investigate all aspects of the Water Island lease "so that the people of the Virgin Islands, through duly elected representatives, may have available factual information for the formulation of policy and an official position with regard to the renewal of the Water Island lease and other matters pertaining to the future use and development of Water Island."

*study  
commission*

After examining the evidence and conducting public hearings the Commission concluded that the lease appeared to be valid and had been complied with by the two holders of the Master Lease. However, it lamented the highly favorable terms of the lease, and questioned whether by granting exclusive and poorly defined developmental rights to a solitary developer, the federal government had acted in the best interests of the people of the Virgin Islands.<sup>31</sup>

Despite public outcry in the Virgin Islands and a 1972 Audit Report by the U.S. Comptroller questioning whether heavy emphasis on residential development was in accordance with the intention of the lease and in the best interest of both the territorial and federal governments, the Department of the Interior renewed the Master Lease without any changes, for a period of twenty years, starting January 1, 1973.

*lease renewal*

Resolution of the lease question did nothing to improve the hotel's financial picture, which went from bad to worse. National recession and local socio-racial unrest which helped to slow down the Virgin Islands tourism economy in the mid-1970's, combined with mismanagement, and poor marketing to accelerate the hotel's decline. Starting in 1974, the hotel operated on an irregular basis, and a number

*hotel  
shutdown*

of employees were dropped from the payroll, which fell from \$277,983 in 1973 to a mere \$69,784 the following year. By 1977 problems had intensified to such an extent that the hotel actually shut down operations, and suffered a net operating loss of \$148,436.

The hotel reopened in December 1977 with a new name - Sugar Bird and under the new management of Beach Management Corporation, a Delaware group headed by J. Robert "Bud" Bishop, which had acquired a fifty percent interest in WIHBC on a management basis.

*new  
management*

In December 1978 Water Island Hotel and Beach Club, Inc. was liquidated into its parent organization, Water Island Hotel and Beach Club, Ltd. On August 2, 1979 the Department of the Interior approved the assignment of the Master Lease from Water Island Hotel and Beach Club, Inc. to Water Island Hotel and Beach Club, Ltd.

Meanwhile, on August 4, 1978 Water Island Hotel and Beach Club, Inc. had sold its interest in the Master Lease to Beach Management Corporation, subject to approval by the Department of Interior. The sale price was \$2,183,000 - a figure which has since risen to \$2,883,000 because of complications in closing the transaction.

*lease sale*

Beach Management Corporation asked Interior not only to approve the assignment of the Lease, but to renew it for twenty years (later changed to forty years to facilitate financing), plus implement over \$600,000 in improvements. Governor Juan Luis wrote to Interior's Office of the Territories on June 16, 1978, in support of a twenty year extension.

*lease  
extension*

On February 15, 1979 Interior approved the assignment of the lease to Beach Management Corporation. Accordingly, a proposed lease was worked out along lines suggested by Beach Management Corporation. It provided for a higher

minimum rent, guarantees that the hotel would be open year around and would be kept in good repair, construction of new sewer lines and a sewage treatment plant, compliance with the local free beach law, and releasing the federal government from any obligation to purchase hotel improvements at the termination of the lease.

*proposed  
lease changes*

Interior forwarded the proposed lease to the General Services Administration, which declined to approve it on the grounds that a higher level of rent was called for and that the question of compensation for the possessory interests should first be resolved.

While Interior and the GSA exchanged correspondence, memorandums and legal opinions on the matter, the Virgin Islands Government wrote to Interior that it wanted to be party to the renegotiation process, and, through the concern of Rep. Phillip Burton, the U.S. Congress also became involved. In consequence of widening interest in the future of Water Island the federal government has asked the Government of the Virgin Islands to carry out an extensive study of the legal and economic issues involved in transferring ownership to the Virgin Islands Government. Further federal action would be deferred until the results of the study are known.

*widening  
interest*

Most of the discussion surrounding Water Island during the past decade has concentrated on legal (lease) or political (status) issues. In the last two years attention has centered almost exclusively on the legal obligations of the federal government under Section 10 of the Lease and how these might be renegotiated. Little serious consideration has thus far been devoted to how Water Island can best be developed in the socio-economic interests of the Virgin Islands, which, after all, was the rationale of the original lease.

Nothing in the public discussion has encouraged Virgin Islanders to view Water Island as a basic development resource. During the 1972 lease renewal controversy there was a spontaneous expression of local concern for the future of Water Island. An ad hoc Citizens Committee

proposed that the island be used to expand "living and recreational space" for Virgin Islanders. Others suggested locating low income housing projects there.<sup>32</sup> The only development recommendation made by the Water Island Commission was that the Virgin Islands Government should designate any Sprat Bay Club, Inc. property it might acquire "perpetually as open space (greenbelts, outdoor recreation, wildlife preserves, etc.)"<sup>33</sup> All of these development alternatives were predicated on the assumption that title would pass from the federal to the territorial government. When that transfer did not occur and when Interior renewed the lease for an additional twenty years, local public opinion fell silent.

*local  
development  
ideas*

For its part Interior has never deviated from the developmental strategy it prescribed in the 1952 lease (itself a compromise with the Philippians). In 1972 Interior renewed the lease without any alterations despite the fact that many Virgin Islanders openly doubted whether the hotel/residential pattern squared with local socio-economic interests, despite the conclusion of the Water Island Commission "that the impact which the Department of the Interior expected would be made on the economy of the Virgin Islands has not in fact been realized";<sup>34</sup> and despite the U.S. Comptroller's Report questioning the economic desirability of future residential development. Nor does it appear that the alternative development options suggested by Virgin Islanders at the time were given serious consideration.

This predilection toward the status quo has conditioned Interior's position with respect to the lease renewal requested in 1978 by Beach Management Corporation. Interior's position vis a vis future development was summed up by C. Brewster Chapman, Jr., former Assistant Solicitor for Territorial Affairs, who wrote to Ruth van Cleve on July 5, 1978:<sup>35</sup>

It seems, in realistically analyzing the problems created by Section 10 of the lease, that the current uses, improvements and operations on Water

Island will always be substantially as they are today.

Consequently, in its negotiations with Beach Management Corporation, Interior did nothing to modify the vague, "tourist resort" development program outlined in the original 1952 lease, and required only that the hotel be open year round and properly maintained. Inasmuch as Beach Management Corporation apparently submitted no proposed long-term development plan as part of its request for an extension, and is currently taking the position that it cannot formulate such a plan until the issue of the lease is resolved and short-term financing obtained, Interior's precipitate support for the proposed new lease can hardly be considered a commitment to insuring that future development will promote the socio-economic well-being of the Virgin Islands.

*precipitate  
action*

Meanwhile, development of any sort on Water Island has come to a virtual standstill. Within the last decade not one new residential lot has been sold. Given the uncertain status of the lease prospective homeowners hesitate to build and find it impossible to obtain mortgages at any terms. The hotel continues to operate at a net loss (in 1979 it has an overall occupancy rate of 46 percent), and its plans to upgrade existing facilities are stymied by the lengthy lease renegotiation process.

*no progress*

FOOTNOTES

1. Bullen, Ripley P. "Ceramic Periods of St. Thomas and St. John Islands, Virgin Islands," The William L. Bryant Foundation American Studies, Report No. 4 (1962), pp. 34-35.
2. Buxton, L.H.D., J.C. Trevor and Alvarez H. Julien, "Skeletal Remains from the Virgin Islands," MAN, Vol. XXXVIII, No. 47, pp. 47-51; Hatt, Gudmund, "On Pottery from the Virgin Islands," Ibid, pp. 52-53; Steward, T.D., "Negro Skeletal Remains from Indian Sites in the West Indies," MAN, Vol. XXXIX, No. 52, pp. 48-53.
3. Personal communication from Emily Lundberg, Office of Archaeological Services, V.I. Department of Conservation and Cultural Affairs. The five archaeological sites, all of which are located along the western shoreline, are potential obstacles to future development, since they are subject to federal laws governing cultural resources on federal properties, including: Antiquities Act of 1906 (P.L. 59-209; 34 Stat. 225; 16 U.S.C. 431-433); the National Historic Preservation Act of 1966 (P.L. 89-665); 80 Stat. 915; 16 U.S.C. 470); the National Environmental Policy Act of 1969 (P.L. 91-190); Stat. 852; 42 U.S.C. 4321-4327); Executive Order 11593 of May 13, 1971 (36 FR 8921, 16 U.S.C. 470) and the Archaeological and Historic Preservation Act of 1974 (P.L. 93-291; 88 Stat. 174; 16 U.S.C. 469). It should be pointed out that to date none of these laws have ever been enforced on Water Island.
4. The only historical account of Water Island is Phillips, Walter H. "History of Water Island," The Daily News (St. Thomas), August 1, 1965, p. 67-68, which is generally informative and reliable.
5. Most of the legends are pandered in Cochran, Hamilton, These Are The Virgin Islands (1937), p. 5, 44-49; see also Phillips, ibid. and J.C. Work, A Short History of the Virgin Islands (N.D.), p. 29.
6. Westergaard, Waldemar, The Danish West Indies under Company Rule (1671-1754) (1917), p. 43.
7. Brønsted, Johannes, (ed.), Vore Gamle Tropekolonier, vol. I (1966), p. 134.

8. Ibid.
9. Ibid.; Richard Thruelsen, "An Island of Their Own," The Saturday Evening Post, December 1, 1956.
10. Ibid.; U.S. Consular Despatches, St. Thomas, Payne to Pierce, 4 Feb. 1904; 5 June 1905; The Bulletin (St. Thomas) 11 Feb., 14 Feb., 7 March, 29 May 1905. The American consular representative in St. Thomas shared a prevailing opinion that the East Asiatic Company (reportedly controlled by Germany's Hamburg-American Steamship Line) was actually fronting for the German Government, which was surreptitiously endeavoring to establish a German commercial and naval base in St. Thomas. If this assumption was correct, the Company may have acquired Water Island in order to guarantee its long-term availability for the exclusive use of the German Navy.
11. It is likely that the scheme was given up because the East Asiatic Company acquired the West India Company Ltd. around the same time, and decided to concentrate on expanding and upgrading the docking and coaling facilities at Long Bay.
12. Although the East Asiatic Company, through its agent the West India Company, signed a stipulation that the condemnation was a "friendly taking" and waving all rights of appeal, it may well be that the Company still has a claim to Water Island on the grounds that the waiver was signed under duress and that ownership was protected by Treaty rights. Mr. Klav Thomsen, current Director of the West Indian Company, has suggested an interest in investigating this matter.
13. U.S. Comptroller of the Virgin Islands, Audit Report No. 356-72-99 "Report of Lessees' Compliance with the Provisions of Lease for Water Island", (1972) p. 8. It is not clear where the Comptroller obtained this figure, or whether it reflects both material and labor costs.
14. Thruelsen, op. cit.
15. U.S. Department of Interior Files (hereafter DOIF), C. Brewster Chapman, Jr., to Herman Marcuse, Department of Justice, May 29, 1979.
16. Thruelsen, op. cit.

17. Ibid.
18. DOIF, Walter Phillips to Thomas F. Dunn, 15 August 1972.
19. Thruelsen, op. cit.
20. Offering Circular, New Issue, of Water Island, Inc. January 13, 1953, p. 4.
21. U.S. Comptroller of the Virgin Islands, op. cit., p. 8.
22. The 1963 Fodor's GUIDE TO THE CARIBBEAN stated that Water Island Hotel offered 31 hotel rooms, 12 efficiencies and 2 cottages.
23. Information taken from the Annual Reports of Water Island, Inc.
24. Thruelsen, op. cit.
25. DOIF, Walter Phillips to Thomas F. Dunn, 15 August, 1972.
26. U.S. Comptroller of the Virgin Islands, op. cit.
27. DOIF, Walter Phillips to Thomas F. Dunn, 15 August, 1972.
28. Water Island file, Industrial Incentive Division, V.I. Department of Commerce.
29. Thruelsen, op. cit.
30. Item in the Helen Auble Collection, Island Resources Foundation, Inc.
31. Report of the Water Island Commission, September 22, 1972.
32. Information from the records of the Water Island Commission in possession of Mr. Alton Adams, Jr., Chairman of the Commission.
33. Report of the Water Island Commission, September 22, 1972, p. 12.
34. Ibid, p. 7.
35. DOIF, Memorandum from C. Brewster Chapman, Jr. to Director, Office of Territorial Affairs, July 5, 1978.

W.I. CHRONOLOGY 1944 TO PRESENT

- June 19, 1944 U.S. Department of Defense acquires Water Island from the East Asiatic Company/West Indian Company for \$10,000 through condemnation.
- 1945-1950 Army constructs major military base on Water Island.
- 1950 Army vacates Water Island and turns it over to the Department of the Interior by revocable permit. Department of Interior assigns permit to St. Thomas Development Authority.
- August 1, 1951 St. Thomas Development Authority leases Water Island for thirty-five years to Water Island, Inc., for development of a tourist resort.
- July 11, 1952 President Truman signed Public Law 511 (82nd. Cong.) authorizing transfer of Water Island from the Department of Defense to the Department of the Interior.
- November 3, 1952 General Services Administration delegates authority to the Department of Interior to lease Water Island.
- December 10, 1952 Water Island, Inc. signs new twenty year lease (with 20 year renewal option) with the Department of the Interior.
- January 1, 1954 Water Island Hotel officially opens for business.
- January 26, 1954 First major sub-lease executed by Water Island Inc.
- July 1, 1956 Largest single sub-lease executed by Clarence Doheny for 156.5 acres in the northern part of the island.
- 1957 Flamingo Bay Corporation established to operate twelve efficiency apartments as part of the hotel.

- October 10, 1958 Clarence Doheny assigns his sub-lease to Warren H. Corning.
- May 2, 1960 Warren H. Corning sells his sub-lease to the Sprat Bay Club, Inc. for development as a residential housing community.
- 1962 Water Island Civic Association established to represent the interests of residential property owners.
- 1965 Water Island, Inc. opens up a channel between Flamingo Bay and the Lagoon, and starts development of a marina complex.
- December 3, 1965 Water Island, Inc. sells the Master Lease to the Water Island Hotel and Beach Club, Inc. headed by Edward J. McCardle.
- 1966 Ambitious new hotel expansion program initiated by Water Island Hotel and Beach Club, Inc.
- 1967 Water Island Colony Club hotel officially opened for business with sixty-three rooms and more under construction.
- March 21, 1972 Bill No. 5382 introduced in the V.I. Senate by Alexander Moorhead, Jr. calling for a Legislative petition to the Secretary of Interior requesting the transfer of Water Island to the Virgin Islands Government.
- April 1972 Comptroller of the Virgin Islands issues Audit Report questioning whether Water Island was being developed in the best interests of the federal and territorial governments.
- June 10, 1972 Citizen's Committee in St. Thomas petitions President Nixon to turn over Water Island to the Virgin Islands Government for use as recreational and living space.

- 1972 V.I. Legislature establishes a Water Island Commission to study the lease and other matters relating to the development of Water Island.
- January 1, 1973 Department of Interior renews Master Lease with Water Island Hotel and Beach Club, Inc. until December 1992.
- March 12, 1973 V.I. Delegate Ron DeLugo introduces Bill H.R. 5461 in the U.S. Congress authorizing the Department of the Interior to acquire some of the outstanding leasehold interests in Water Island and transfer the island to the Virgin Islands Government.
- 1977 Water Island Colony Club shuts down operation. Reopens in December as the Sugar Bird Hotel under the management of Beach Management Corporation headed by J. Robert Bishop.
- May 10, 1978 Beach Management Corporation requests the Department of the Interior to extend the Master Lease for twenty years to facilitate its development plans.
- August 4, 1978 Water Island Hotel and Beach Club, Inc. assigns the Master Lease to Beach Management Corporation under a contract-purchase agreement.
- February 15, 1979 Department of the Interior approves assignment of the Master Lease from Water Island Hotel and Beach Club, Inc. to Beach Management Corporation.