



REAL ESTATE

# Caribbean Exchange: Invest in Property and Get Citizenship

With Lending Tight, Several Island Nations Are Financing Resort Projects by Selling Citizenship

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Grenada started its citizenship plan to help finance the expansion of its 22-villa Mount Cinnamon resort. *Mount Cinnamon Resort*

With lending still tight in the Caribbean, several island nations are embracing an unorthodox method of financing resort and villa projects: selling citizenship.

The Caribbean vacation-home market has seen an uneven recovery from the downturn. Sales volumes and prices for existing homes are rising in larger markets and those with direct flights to the U.S. But new construction of resorts and for-sale villas remains hobbled, especially in smaller nations eschewed by most conventional lenders.

One solution for islands such as St. Kitts, Grenada and Antigua has been to grant citizenship to qualified investors who agree to spend several hundred thousand dollars buying home lots or investing in hotel projects there.

The infusions help the islands get tourist destinations constructed. The investors, for their part, receive Caribbean passports.

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The programs are a draw for investors from countries such as China who often need multiple forms of identification, such as a visa in addition to their home-country passport, to travel to certain parts of the world. Obtaining a Caribbean passport allows them to travel visa-free in many cases.

What's more, some participants can end up paying lower taxes as Caribbean-nation citizens than as citizens of their home country, though to get the break they might need to spend a certain amount of time each year in the Caribbean nation in question.

The growing popularity of citizenship-by-investment programs underscores the difficulty of obtaining conventional financing in the Caribbean. Many smaller nations struggle with fickle tourism demand and limited airline access, and all must contend with the damage inflicted by tropical storms. Lenders have been especially leery of the Caribbean in recent years after several high-profile resort projects ran out of financing during the downturn and still languish half-built today.



St. Kitts's citizenship-by-investment program has helped the Christophe Harbour resort sell many of the project's first 100 home sites. *Christophe Harbour Development*

On St. Kitts, the developers of the 2,500-acre Christophe Harbour resort community have used the government's citizenship-by-investment program to sell many of the project's first 100 home sites in the past two years and to finance construction of a Park Hyatt luxury hotel there.

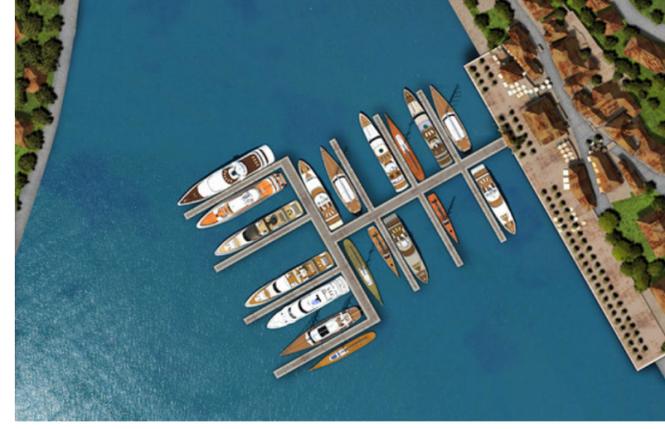
St. Kitts sets the minimum property price for investors gaining citizenship through the program at \$400,000. Lot prices at Christophe Harbour range from \$500,000 to \$6 million. St. Kitts and sister island Nevis are home to 55,000 people.

"It isn't easy to find buyers, especially in the economy we've had" since the downturn, said Thomas Liepman, director of sales for Christophe Harbour, a joint venture of the Darby family of South Carolina and a St. Kitts quasi-government agency. "But citizenship has driven a recession-proof demand to this tiny island."

Grenada, an island of 106,000 residents, started its citizenship-by-investment program last year to help finance the expansion of its 22-villa Mount Cinnamon Resort and Beach Club. The project's developer, British hotelier Peter de Savary, aims to build another 80 villas on the site by soliciting foreigners seeking Grenadian citizenship. He is doing the same at a mixed-use project elsewhere in Grenada called Port Louis, which includes a yacht marina, shops and, eventually, villas.

Some developments are able to sell some lots to Americans who don't want or need dual citizenship. But Americans alone aren't enough to finance most projects. Instead, many projects gain most of their investments from people who routinely encounter travel restrictions and obstacles due to their country of origin.

"They're marketing to people who are Russian, Middle Eastern or Chinese," said James Andrews, senior managing director of Integra Realty Resources Inc., a valuation and consulting firm specializing in the region's resort and hotel properties. "They get a [Caribbean] passport, and they don't even have to live there."



St. Kitts sets the minimum property price for investors gaining citizenship through the program at \$400,000. *Christophe Harbour Development*

St. Lucia, Barbados, Bermuda and other islands, fretting that they will fall behind in tourism development, are studying whether to offer their own citizenship-by-investment programs.

The Caribbean programs are similar to those used elsewhere, but provide faster access to citizenship. In Europe, qualified applicants can gain visas from Spain, Portugal or Latvia by buying property in those countries. France, Singapore and the U.S. grant visas to qualified applicants who invest in companies or projects that create a minimum number of jobs over a set period.

One big drawback of the programs is the potential for fraud. Authorities are concerned that without strict oversight, the programs can be used by money launderers and other criminals for unfettered travel.

In May, the U.S. Treasury Department sent banks a warning letter that foreign investors, namely Iranian nationals, were "abusing" St. Kitts' citizenship-by-investment program for "illicit financial activity," according to the letters. St. Kitts suspended Iranians from its program in 2013, but the U.S. alleges Iranians continue to get St. Kitts passports.



The developers of Christophe Harbour on St. Kitts have teamed with the government to provide citizenship to qualified applicants who invest at least \$400,000 apiece in the resort community. *Christophe Harbour* "That could devalue the citizenship of the issuing country" and undermine its tourism-institute, a Washington, D.C., think tank.

**Corrections & Amplifications**

The Darby family of South Carolina is the majority partner in a joint venture that owns the Christophe Harbour resort community on the Caribbean island of St. Kitts. A previous version of this article incorrectly said the Darby family's former development company, Kiawah Partners, was part of the joint venture. (Oct. 1, 2014)

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