



Legislature of the Virgin Islands

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POST AUDIT DIVISION

February 24, 2026

MEMORANDUM:

TO: Senator Novelle E. Francis, Jr.
Chairperson
Committee on Budget, Appropriations, and Finance
36th Legislature

FROM: Post Audit Division

SUBJECT: **BR No. 26-0968** – An Act amending title 29 Virgin Islands Code, chapter 23, section 1313 by expanding benefits under the Hotel Development Program for hotel improvement and expansion projects on St. Croix.

ANALYSIS/CONCLUSION

The Hotel Development Program was created to encourage and promote development, construction, reconstruction and renovation of hotels and resorts facilities in the U. S. Virgin Islands in accordance with the provisions of Title 29, Chapter 23, Section 1304. *BR No. 26-0968* proposes to expand revenue allocation benefits for certain hotel improvement and expansion projects, with specific emphasis on hotel development opportunities on St. Croix.

BR No. 26-0968 is designed to:

- Stimulate large-scale capital investment in St. Croix's hospitality sector.
- Encourage expansion of hotel room inventory and related amenities.
- Support post-natural disaster recovery.
- Provide performance-based economic incentives tied to project size and completion timelines.

The measure establishes a *tiered incentive framework* which applies to:

- New hotel development projects lacking finalized, non-appealable permits before the effective date of the proposed measure; and
- Hotel facility improvements or expansion projects that:
 - Are located on St. Croix;
 - Commit to capital investment which exceeds *\$25 million*; and
 - Increase room inventory by at least 25%.

A provision which allows qualifying projects to retain *100%* of designated tourism-related tax revenues generated by the project for reinvestment or financing purposes.

Honorable Novelle E. Francis, Jr.
BR 26-0968 –Hotel Development Program
Page 2 of 3

Partial revenue allocation is being provided for:

- Hotel projects where at least 70% of units were unable to be occupied due to natural events; or
- Hotel improvement or expansion projects located on St. Croix with capital investment exceeding \$10 million.

This tier allows for the allocation of 50% of Hotel Room Occupancy and Casino Tax Revenues; as well 100% of Economic Recovery Fees revenues to the project fund in support of disaster recovery projects and mid-scale expansion projects on St. Croix.

For projects unable to satisfy the requirements of paragraphs 1 and 2:

- Revenues will be directed to the ERF Trust Account rather than the Project's Fund..

The measure also establishes eligibility criteria and performance safeguards by capital investments.

- **Requirements for \$25 million Projects**

- Applicants must submit:
 - Detailed scope of work demonstrating projected capital investment exceeding \$25 million.
 - Completion schedule reflecting substantial completion within five years of executing the program agreement (*undefined = substantial completion*).
- Failure to substantially complete the project within five years result in automatic reclassification tot the lower incentive tier beginning in year six.

- **Requirements for \$10 million Projects**

- Applicants must submit:
 - Detailed scope of work demonstrating projected capital investment exceeding \$10 million.
 - Completion schedule reflecting substantial completion within two years of executing the program agreement (*undefined = substantial completion*).

With an expanded definition of “Hotel Facility Improvement and Expansion Projects” which now includes additional hotel rooms, event spaces, business centers, dining venues, fitness gyms, wellness spas, other recreational amenities and a minimum financial investment requirement, **BR No. 26-0968** represents a strategic economic development initiative designed to accelerate hotel expansion, increase room inventory, and strengthen tourism infrastructure on the island of St. Croix.



Theodora Philip, DBA
Post Auditor

