



TESTIMONY ON SUSTAINABLE ECONOMIC DEVELOPMENT

COMMITTEE ON ECONOMIC DEVELOPMENT AND AGRICULTURE

36TH LEGISLATURE OF THE VIRGIN ISLANDS

FRIDAY, APRIL 10, 2026

FRITS E. LAWAEZ LEGISLATIVE CONFERENCE ROOM

ST. CROIX, U.S.V.I.

10:00 AM

BY:

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DIRECTOR OF FINANCE AND ADMINISTRATION

VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY

Good day, Senator Hubert L Frederick, Chairman of the Committee on Economic Development and Agriculture; other committee members present; all other senators in attendance today; all those seated in the Senate chambers; and those in the listening and viewing audience. I am Nathan Simmonds, Director of Finance and Administration at the Virgin Islands Public Finance Authority. I am accompanied by Attorney Denise Rhymer, Staff Counsel at the Authority. Thank you for the opportunity to provide information and perspective related to sustainable economic development, and the larger issue of improving our economy while protecting our resources for future generations.

### **A Brief History of the Virgin Islands Public Finance Authority**

The Virgin Islands Public Finance Authority (“VIPFA”) was created nearly forty years ago pursuant to Act No. 5365, titled “The Government Capital Improvement Act of 1988.” Over the intervening years, our mission has been, and remains, *“To aid the Government of the United States Virgin Islands in the performance of its fiscal duties, raise capital for essential public projects, and create programs to serve the financing needs of the Government of the United States Virgin Islands.”*

As the passage of Act 5365 and our mission suggests, for decades now, prior Legislatures and Governors of the Territory have shared your goal of finding ways to develop and utilize financing mechanisms, capital investment strategies, public-private partnerships, and other strategies, in pursuit of long-term growth and infrastructure development across the Territory. As one who has been involved in these efforts for a number of years, I can tell you that none of this is easy to achieve. We are challenged by being a small community, scattered over several beautiful and mountainous islands, situated a long way by sea or by air from the U.S. mainland, which remains

our largest source of both supplies and distribution, and the supply chains that link us with the global economy.

We are a dynamic community, rich with ideas, but in many cases are starved of credit and capital access upon which most forms of economic development are predicated. Our banking sector is narrow, which limits the access to capital for many smaller entrepreneurs and companies, and capital for start-up ventures is particularly scarce. On the governmental finance side, I would note that we have a strong following among a number of institutional investment firms that continue to show up when we are prepared to bring our bonds to market.

### **The Tools Available to the VIPFA**

There are things the VIPFA does, and things the VIPFA is not currently equipped to do. We work with the commercial banking community, national investment banks, and institutional investors to arrange financing for public infrastructure and private and non-profit projects, alike. In our role managing the billions of dollars of federal reconstruction assistance, we are intimately involved in the world of public/private partnerships. But we are not currently configured to provide funding for early-stage companies or real estate related undertakings, though folks with great deals, entrepreneurs, and developers regularly come our way, soliciting our assistance. Where we can help, we do. Where we can direct them to folks who might, we do that as well. Suffice it to say, we cannot be all things to all people.

That said, there is much that we do, and what we do, I believe we do well. Over the past several years, the VIPFA has sought to address its historic limitations as we have expanded our array of economic development tools that complement the core economic development activities of the Virgin Islands Economic Development Authority (“VIEDA”). These tools focus on giving

sponsors of economic development projects and investors in the Territory the ability to access long-term funding on both a taxable and tax-exempt basis.

**Hotel Finance and Development.** The creation of the Virgin Islands Hotel Development Financing Corporation (“VIHDFC”) provides two forms of financial assistance that can be utilized for hotel projects. The first allows owners of hotel and resort facilities the ability to capitalize a portion of the Hotel Occupancy Tax and the Economic Recovery Fees that a hotel owner has secured through the VIEDA, pursuant to the Hotel Development Act. The VIPFA can assist in capitalizing the approved hotel share of Hotel Room Tax and Economic Recovery Fee revenues through the issuance of bonds. These are the kind of bonds that were issued in 2024 for the Frenchman’s Reef, with the Hotel Room Tax bonds sold on a tax-exempt basis at an interest cost of just under 6%, and the Economic Recovery Fee bonds sold on a taxable basis at an interest cost around 9%.

The second of these two forms of financial assistance on hotel projects is the issuance of what are essentially private activity bonds sold by the VIPFA or the VIHDFC on behalf of a hotel owner. This type of financing is done on the basis of the hotel project on a stand-alone basis, without a pledge of financial support from the VIPFA or the Government. This is a tougher kind of project for the VIPFA to pursue for hotel owners or developers for the simple reason that the access to investor capital rests solely on the quality and brand recognition of the property itself. The recent sale of bonds on behalf of the owners of the Frenchman’s Reef is an example of such a financial undertaking by the VIPFA.

**Tax Increment Financing.** The VIPFA can assist in raising capital for real estate undertakings that are projected to provide new tax revenues to the Territory that would not be generated absent the proposed development. This type of financing is referred to as “tax increment financing

(TIF),” because the funding is raised by leveraging the new “tax increment” that will be generated over and above the existing tax levy on the underlying land. TIF financing was originally authorized by Act 7054 by the Twenty-Seventh Legislature in 2008 and utilized by the VIPFA the following year to arrange funding through FirstBank for the Island Crossings Shopping Center on St. Croix, a 43-acre mixed use development anchored by Home Depot.

**Private Activity Bonds.** The VIPFA has enabled corporate partners to access long-term, tax-exempt funding to reduce the cost of critical economic investments in the Territory. Private activity bonds have been issued on behalf of HOVENSA to finance or refinance eligible capital expenditures at its refinery complex. To qualify as tax-exempt obligations under federal tax rules, these bonds are not general corporate obligations but have HOVENSA responsible for repayment of debt service under loan or similar agreements.

In addition to supporting corporate investment in the Territory, the VIPFA continues to use its allocation of Private Activity Bonds to address the long-standing need for affordable housing. Through coordination with the Virgin Islands Housing Authority (“VIHA”), the VIPFA supports tax-exempt bonds tied to low-income housing tax credits (“LIHTC”). These fund affordable rental projects, emphasizing new construction where demand is high.

**Community-wide Broadband Development.** Utilizing extensive federal funding, the PFA has been the sponsor of the territory-wide fiber optic high speed Internet through its subsidiary corporation, the Virgin Islands Next Generation Network (“viNGN”). The viNGN project now operates a state-of-the-art broadband infrastructure that connects more than 300 Community Anchor Institutions, which include public and private schools, the University of the Virgin Islands, police, and fire stations, VITEMA, and other government agencies, hospitals and clinics, public libraries, the Courts, and Legislature. viNGN is an essential infrastructure for all manner

of economic development initiatives across the Territory, for reasons that I believe everyone understands.

**Expanding Rum Distillation.** Growing the territorial rum industry continues to be a core objective for our economic development strategy. Matching funds, the federal excise taxes on rum produced in the United States Virgin Islands and sold into the domestic market, are a critical revenue stream for the Virgin Islands, and provide direct support to the Government Employees' Retirement System. With the creation of the Matching Fund Special Purpose Securitization Corporation ("MFSPSC"), a special purpose entity created by the VIPFA, the VIPFA has the ability to leverage those revenues in the tax-exempt market and provide support for existing rum producers and new entrants into the territorial rum industry. I will note that, similar to the caveat I suggested above with respect to providing financing assistance to hotel development, the VIPFA is limited in its capacity to provide the kind of capital that many folks are seeking when they come to us. Our ability to partner on the development of new rum brand initiatives is limited by the actual revenues that sales of those new brands generate into the United States market. We are not a provider of venture capital funding or start-up capital, as many folks seem to want us to be.

**Oil Industry and the St. Croix Refinery.** The apparent opening up of the Venezuelan economy and accelerated development of the oil industry presents a generational opportunity for the redevelopment of the refinery on the South Shore of St. Croix. In its most recent reconfiguration, and the construction of the fluid catalytic cracking unit (cat cracker), that refinery was modified specifically for processing heavy Venezuelan crude oil. The VIPFA could build on its success in developing and overseeing specific subsidiaries, both with and without governmental credit support, to provide support in the form of access to taxable and tax-exempt financing to oil companies that are proposing to develop and export Venezuelan crude. Should this be an objective for the Government, the goal could be to have the St. Croix refinery viewed by those

companies, as well as by the administration in Washington, DC, as a preferred destination for refining Venezuelan exports into globally marketable products.

However, we are well aware that pursuing a reopening of the refinery on the South Shore of St. Croix is itself controversial. While from the standpoint of employment and governmental finances, such a reopening would be attractive with respect to our long-term fiscal sustainability, I am well aware that your invitation to provide testimony specifically referenced *“Sustainable Economic Development, Improving Lives Today While Protecting the Planet and Resources for Future Generations.”* There are surely those in our community who would not view a reopening of the refinery on the South Shore of St. Croix as consistent with the goal of protecting the planet.

**The Role of Public-Private Partnerships.** Since its creation in the wake of hurricanes Irma and Maria, the work of Office of Disaster Recovery (ODR) has been an essential part of the work of the VIPFA efforts to sustain and grow the Territorial economy, with particular attention to sustainability and resilience to serve generations of Virgin Islands to come. Neither the Government nor our private sector has the depth of resources or personnel to effectively manage and execute the billions of dollars of projects that are now underway. Accordingly, the work of the ODR has necessarily turned to the development of public-private partnerships with global architectural, engineering, and construction firms, among others, to assist us in these essential efforts.

The work of the ODR will span several Legislatures and Governors and rely upon the coordination and organization of efforts across the full range of governmental departments and agencies, as well as our private sector, non-profit, and university partners. This all-of-government, cross-sector, approach will be necessary as we seek to maximize the efficiencies and integration of the work of ODR, but also essential to bring new ideas and creative thinking to bear on our work.

## **Concluding Thoughts**

The world around us is changing in more ways and at a faster pace than many of us could have ever imagined. Over the few short years since the introduction of Chat-GPT, we have all become acutely aware that the world of work will never be the same. For our economic development efforts in the Territory, I suspect that bringing new ideas and creative thinking to bear will be as important to our future as what the cost of capital might be on our bonds. Work, employment, and fiscal sustainability will require greater degrees of teamwork and collaboration, and a willingness to take risk, than over past decades.

As the ODR expends the billions of dollars to rebuild our infrastructure – roads, hospitals, education facilities, and energy infrastructure – we must concurrently be thinking about next steps: growing our economic base.

The VIPFA is open to such teamwork and collaboration, and a believer in the essentiality of listening to and testing new ideas and creative thinking. We believe that as you consider the challenges surrounding building our collective, sustainable economic future, that we all prepare to listen to new ideas and learn to work more closely together, to the benefit of all of us, and future generations of Virgin Islanders.

Senators, we appreciate your time and consideration. Our team stands ready and available to answer any questions you may have.