

The United States Virgin Islands 2015 COMPREHENSIVE ECONOMIC DEVELOPMENT STRATEGY



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Table of Contents

Acknowledgements	ii
Executive Summary	1
Introduction	3
I. Background and Current Conditions	5
Geography	5
Economic Conditions	6
Economic Output	8
Employment	10
Industrial Gains and Losses	12
Demographics	13
Education	15
Income	16
Per Capita Income	18
Poverty	18
Housing	19
II. Economic Competitiveness	22
Strength, Weaknesses, Opportunities and Threats	22
Talent and Innovation	23
Tourism and Natural Assets	23
Geographic Location	24
Business Environment	25
Technology Readiness	27
III. An Innovation and Knowledge Economy	28
IV. Vision, Goals, Objectives, and Strategies	31
Economic Competitiveness	31
Education and Workforce Development	38
Infrastructure, Environment, and Quality of Life	40
Health Care	42
Government Support Systems	44
V. Priority Projects	46
VI. Performance Measures and Evaluation	55
VII. Accomplishments	57
VIII. Actionable Agenda	64

List of Tables

Table 1.	U.S. Virgin Islands Business Activity, 2007-2012.....	8
Table 2.	U.S. Virgin Islands Population, 2000-2012.....	14
Table 3.	U.S. Virgin Islands Population by Age Group, 2000-2012.....	14
Table 4.	U.S. Virgin Islands Median Household Income, 2000-2012	17
Table 5.	Per Capita Income, 2000, 2010 and 2012 U.S. Virgin Islands and United States.....	18
Table 6.	People in Poverty, U.S. Virgin Islands and United States, 2000, 2010 and 2012.....	18
Table 7.	Owner Occupied Units as Percentage of All Occupied Units, U.S. Virgin Islands and United States, 2000, 2010 and 2012	20
Table 8.	CEDS Priority Projects and Studies, 2015-2019.....	46

List of Figures

Figure 1.	U.S. Virgin Islands Visitor Arrivals, 2007-2013.....	7
Figure 2.	U.S. Virgin Islands Real GDP, 2007-2013	9
Figure 3.	U.S. Virgin Islands and United States Economic Growth, 2007-2013..	10
Figure 4.	U.S. Virgin Islands Average Employment, 2007-2013	10
Figure 5.	Unemployment Rates, 2007-2013.....	11
Figure 6.	Net Employment Growth, 2007-2013.....	12
Figure 7.	Share of Employment, 2007-2013.....	13
Figure 8.	Population Share, 2000 and 2012.....	15
Figure 9.	Educational Attainment Persons 25 years and over, 2012.....	16
Figure 10.	Median Household Income, 2012.....	17
Figure 11.	People in Poverty, 2012.....	19
Figure 12.	U.S. Virgin Islands Average Home Prices, 2007-2013	20
Figure 13.	U.S. Virgin Islands Homes Sold, 2007-2013.....	21

Executive Summary

The U.S. Virgin Islands (USVI) is at an economic juncture of crisis and change, after three successive years of economic decline brought about by the effects of the American Jobs Creation Act of 2004 (Jobs Act), the Great Recession, and chiefly the closure of HOVENSA's petroleum refinery. This period of acute crisis has given way to an awareness that structural shifts are underway in key sectors of the economy; hence, purposeful actions are needed that will transform the economy from under-producing to a strong, vibrant economy. To that end, an extensive assessment of economic challenges confronting the USVI identify the need for a coherent policy framework that harnesses the strategic assets of the USVI to stimulate business and innovation that will put it on a path to sustainable growth and new economic prosperity.

The strengths, weaknesses, opportunities, and threats (SWOT) assessment arrived at a number of conclusions about the competitiveness of the USVI economy. It revealed that the USVI has valuable assets that can be leveraged to support its core industries and establish new production platforms which drive high value-added growth with spill-over effects. The assessment substantiates that the USVI's core strengths for economic development are its natural resource endowment, human assets, tax incentive program, and its strategic location and ties to the United States (U.S.). But these strengths by themselves are insufficient to support economic competitiveness without addressing key weaknesses, such as lack of economic diversity, low levels of educational attainment and workforce skills, insufficient investment in public infrastructure, high cost of electricity and entry barriers to business, and low investment in research and development (R&D), and innovation.

In this regard, five overarching priorities deemed essential for growth and sustainability for the USVI economy emerged as follows:

- **Economic Competitiveness.** Diversify and grow the economy and create quality job opportunities.
- **Education and Skills.** Develop human capital—knowledge, skills, and experience.

- **Infrastructure, Environment and Quality of Life.** Invest in quality infrastructure and enhance management and conservation of natural resources.
- **Healthcare.** Build a stronger healthcare sector that provides residents and visitors with good critical care and affordable services.
- **Government Support Systems.** Build quality institutions and strengthen support systems for business creation and expansion.

These five priority areas provide the strategic framework that crystallized the goals, objectives, strategies, and target industry opportunities for growth and economic development.

Overall, the economic development strategy assumes that diversification, growth and competitiveness can be achieved through innovation, research and development (R&D), technology transfer, entrepreneurship, and the building up the Territory's human, natural, and physical assets. But to achieve the goals require engagement of public and private sector resources, and importantly, commitment to execute the strategies that can ultimately result in a "place of possibilities, opportunities, and prosperity."

Introduction

The Comprehensive Economic Development Strategy (CEDS) is a five-year blueprint for revitalization and development of the economy of the U.S. Virgin Islands, created with input from stakeholders in the public, private and nonprofit sectors. The plan was developed by the contracting firm of SygmaPCS, Lauritz Mills, Principal, with leadership provided by the Office of the Governor, and support from the Bureau of Economic Research and Dr. Zenia Kotval, Mullin and Associates.

Community and Stakeholder Input

In the development of the plan, various avenues were used to obtain input from and build consensus among economic development partners in the private and public sectors, nonprofits, community and business stakeholders. A series of public meetings were also held on St. Thomas, St. Croix, St. John, and Water Island to facilitate discussion on the issues and actions that are of priority to residents and business. Top industry and community leaders came together in a Business and Innovation Roundtable Summit, convened by Governor John P. deJongh, Jr., to develop strategies and explore opportunities that will create jobs and grow the USVI economy. Data on economic conditions and trends, other local and national strategic plans and best practices for economic development were considered, and included in the plan's development.



St. Croix CEDS Public Meeting



Business and Innovation Roundtable

The resulting consensus-driven vision, goals, objectives, and strategies reflect the priorities and actions required to strengthen existing industries, attract new businesses and commerce, and capitalize on the resources of the USVI to capture new market opportunities that the new economy and globalization afford. The economic development strategy focuses on innovation and the technologies that engage the assets of the USVI to create new value-added products and processes that will drive job creation, and long-term economic growth and sustainability. It addresses five foundational imperatives of a competitive economy: education and workforce development, investment and entrepreneurship, innovation and technology, infrastructure development, and government support systems.

The plan is organized into eight sections:

- I. Background and Current Conditions.
- II. Economic Competiveness.
- III. An Innovation and Knowledge Economy.
- IV. Vision, Goals, Objectives, and Strategies.
- V. Priority Projects.
- VI. Performance Measures and Evaluation
- VII. Accomplishments.
- VIII. Actionable Agenda

I. Background and Current Conditions

Geography

The Territory of the United States Virgin Islands is an area of 135 sq miles, comprising three primary islands of St. Croix, St. Thomas, and St. John, and two smaller islands—Water Island and Hassel Island—with a combined population of 105,080.¹ Located between the Caribbean Sea and the North Atlantic Ocean, the USVI lies 1,100 miles southeast of Florida and 40 miles east of Puerto Rico. St. Thomas and St. John are located 3 miles apart, and St. Croix is situated 40 miles to the west of St. Thomas. Each of the islands has distinct geography and economy.



St. Thomas is a hilly 31 sq mile island with a population of 50,816 persons. It holds the capital, Charlotte Amalie, and is the base of tourism and center of commerce, trade, finance, and government. Its strategic location along the Anegada Passage—a key shipping lane for ships bound for the Panama Canal—and its natural deepwater harbor make it ideally suitable for tourism and trade.

St. John, with a population of 4,039, is a hilly 20 sq mile land area, two-thirds of which is a national park. Its unspoiled scenery and pristine beaches have made it a top underwater and eco-tourism location. It boasts some of the most luxurious homes and villas, and hotels for high-end vacationers.

St. Croix, the largest island, is 84 sq miles of mixed terrain with a population of 50,225. The island's economy is predominantly manufacturing-based with a

¹ University of the Virgin Islands, Eastern Caribbean Center, 2012 Virgin Islands Community Survey.

historic dependence on oil, rum production, and to a lesser extent, traditional agriculture and tourism. St. Croix also is home to the Territory's research and development (R&D) activity through the University of the Virgin Islands Research and Technology Park (UVI RTPark).

Water Island and Hassel Island lie south of Charlotte Amalie harbor and are administratively sub-districts of the St. Thomas District. Water Island is 491.5 acres in size, a residential area with a population of 175 people. It has no significant commercial activity and the main attractions are beaches, plantation ruins and scuba diving. Hassel Island, 135 acres in area with a population of 13 residents, is preserved as a national park.

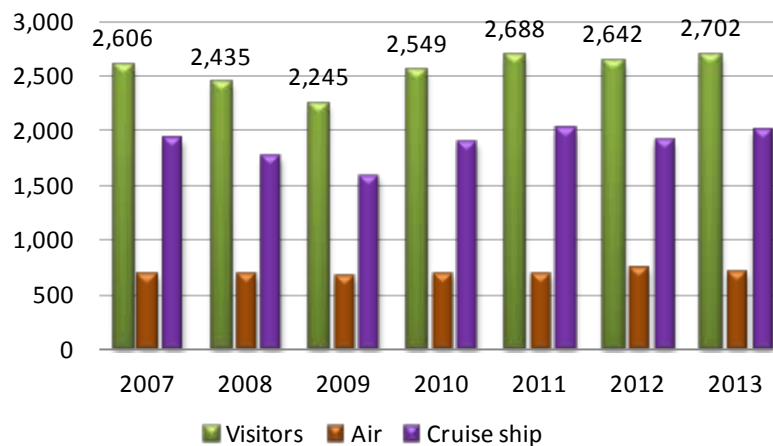
Economic Conditions

The USVI, a small, open economy, heavily dependent on tourism, rum production, and oil refinery, is suffering under the weight of a trifecta of shocks that negatively impacted economic growth—the Jobs Act, the Great Recession, and the closure of HOVENSA's petroleum refinery. Most notably, the USVI's two flagship industries—tourism and oil refinery which are both disproportionately affected by global economic downturns and geopolitical factors—were heavily impacted, resulting in business closures and significant job losses. The impact of the recession, but principally the refinery shut-down, created economic and financial contractions so severe and unprecedented from which the USVI is yet to emerge.

Even before the Great Recession and the refinery closure, the USVI economy was under strain due to federal regulations imposed by the Jobs Act which have had an adverse impact on business and jobs. The Jobs Act imposed stringent new requirements for establishing bona fide USVI residency and eligibility for the Economic Development Commission (EDC) program. It also sharply narrowed the types of income which qualify for tax exemption under the EDC program. Consequentially, the number of EDC applications declined substantially after enactment of the Jobs Act, while a number of EDC companies closed or left the Territory. According to the Virgin Islands Economic Development Authority (VIEDA), after 2004 through 2008, about 32 companies terminated or suspended their certificates, causing a loss of 347 jobs and \$619 million in employee taxes over the term of benefits which ranged from 10-15 years.

The United States (U.S.) and world financial crisis and economic recession which followed at the end of 2007 accentuated pre-existing economic difficulties by eroding the tourism market, and slowing the flow of both air and cruise ship visitors and their spending on goods and services. Total visitor arrivals dropped 14 percent between 2007 and 2009, from 2.6 million to 2.2 million, before resuming growth from 2010 to 2011. In 2012, visitor arrivals fell slightly, but in 2013 visitors peaked at 2.7 million (Figure1). Visitor spending fell by nearly one-fifth from \$1.5 billion in 2007 to \$1.2 billion in 2013.²

Figure 1.
U.S. Virgin Islands Visitor Arrivals, 2007-2013
(in thousands)



Source: U.S. Virgin Islands Bureau of Economic Research.

As the economy began to recover and regain footing by 2010, it was struck by a most colossal shock when HOVENSA—the largest private sector employer and tax-payer—closed its St. Croix petroleum refinery in May 2012. The shut-down of the refinery reverberated throughout the entire economy causing ripple effects of job losses, business closures, and loss of government tax revenues.

The severity of the succession of shocks, and the petroleum refinery closure in particular, and their impact on households and business spending is revealed by the data from the 2012 Economic Census for the U.S. Virgin Islands. The data show between 2007 and 2012, sales³ generated in the economy declined by

² U.S. Virgin Islands Bureau of Economic Research.

³ Value of sales, receipts, revenue, shipments or business done.

\$12.6 billion or 64.9 percent (Table 1). In 2007, the USVI had 2,583 business establishments with sales of \$19.5 billion and 35,300 paid employees. In 2012, the number of business establishments dropped by 6.5 percent to 2,414 with 32,465 paid employees and generated sales of \$6.8 billion. The impact was more pronounced on St. Croix which experienced a 78 percent drop in sales primarily as consequence of the oil industry closure.

Table 1: U.S. Virgin Islands Business Activity, 2007-2012

	Year		Percent Change 2007-2012
	2007	2012	
Virgin Islands			
Revenue	19,478,709	6,830,529	-64.9
Businesses with paid employees	2,583	2,414	-6.5
Number of employees	35,300	32,465	-8.0
Annual payroll	1,084,599	1,129,260	4.1
St. Croix			
Revenue	16,083,903	3,542,696	-78.0
Businesses with paid employees	993	913	-8.1
Number of employees	14,629	13,722	-6.2
Annual payroll	503,082	522,184	3.8
St. Thomas			
Revenue	3,137,340	3,085,622	-1.6
Businesses with paid employees	1,351	1,266	-6.3
Number of employees	17,947	16,817	-6.3
Annual payroll	509,551	556,709	9.3
St. John			
Revenue	257,465	202,211	-21.5
Businesses with paid employees	239	235	-1.7
Number of employees	2,724	1,925	-29.3
Annual payroll	71,965	50,368	-30.0

Source: U.S. Census Bureau, Economic Census 2007 and 2012.

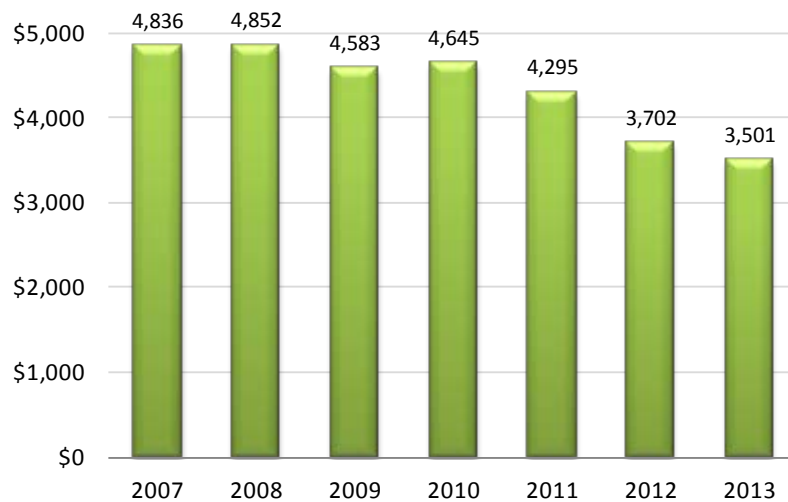
Economic Output

The economy exhibited strong growth in the early to late 2000s, until the passage of the Jobs Act, the national recession took effect, and the petroleum refinery closed in 2012. Gross domestic product (GDP), a measure of economic output, grew at an average annual growth rate of 2.9 percent from 2002 through 2007, from \$4.2 billion to \$4.8 billion according to the U.S. Bureau of Economic

Analysis (BEA). The major factors underlying the strong economic growth were the oil refining industry, tourism, and Territorial government spending.

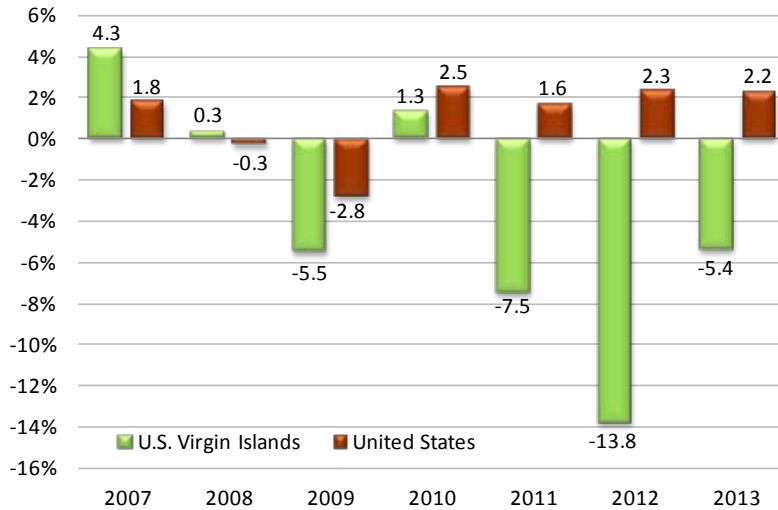
Economic growth slowed in 2008 to 0.3 percent and real GDP contracted by 5.5 percent in 2009, as the economy began to feel the effects of the national recession (Figures 2 and 3). The economy returned to growth in 2010, expanding 1.3 percent. In 2011, real GDP declined 7.5 percent and in 2012 plummeted 13.2 percent. In 2013, now feeling the effects of the loss of the petroleum industry, real GDP declined 5.4 percent. The economy shrank by an average annual rate of 5.2 percent between 2007 and 2013, from \$4.8 billion to \$3.5 billion or an estimated loss of output of \$1.3 billion. The U.S. economy, in comparison, fell over that same period an annual average rate of 0.9 percent.

Figure 2.
U.S. Virgin Islands Real GDP, 2007-2013
(\$ millions)



Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Figure 3.
U.S. Virgin Islands and United States Economic Growth, 2007-2013
 (percent change)

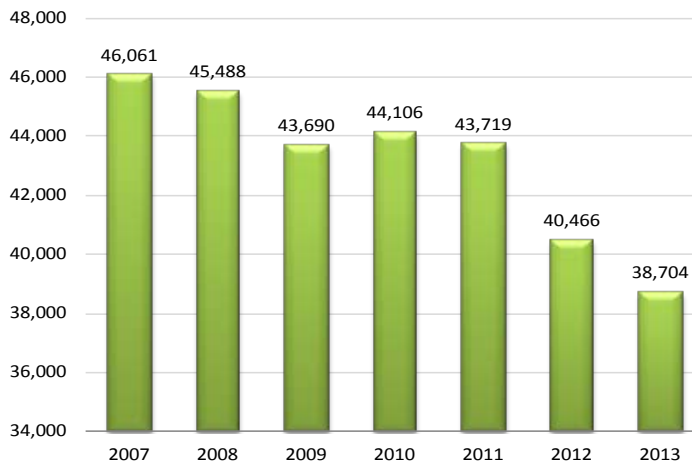


Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Employment

Total nonfarm employment was approximately 38,700 people in 2013, with an average annual wage of \$34,780. The employment base has decreased in recent years, particularly since 2012 with the closing of the petroleum refinery. As shown in Figure 4, the USVI lost 16 percent of its wage and salary jobs—about 7,350 from 2007 to 2013.

Figure 4.
U.S. Virgin Islands Average Annual Employment, 2007-2013

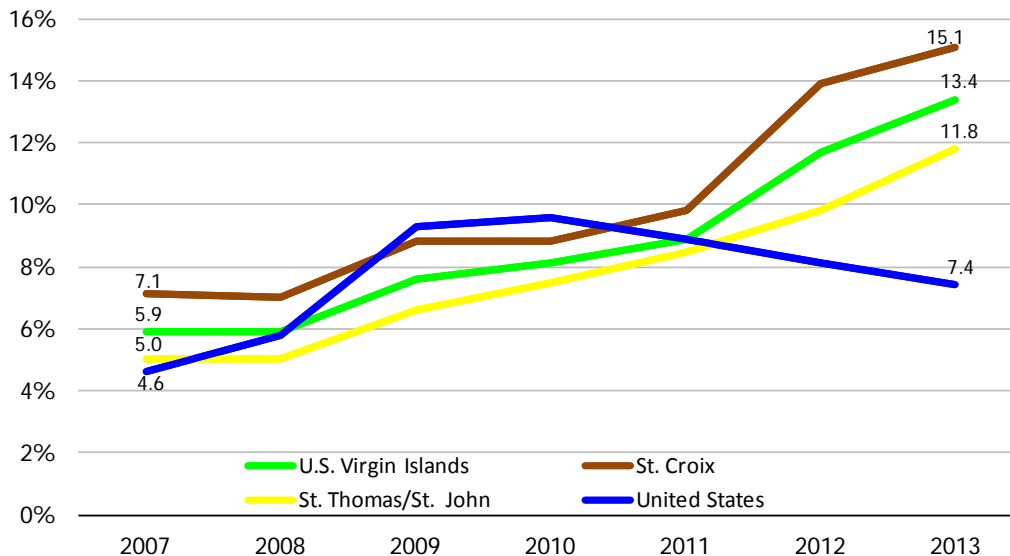


Source: U.S. Virgin Islands Department of Labor, Bureau of Labor Statistics.

The unemployment rate is a commonly used measure of economic health, described as the percentage of people in the labor force who are presently not employed but are actively seeking employment. In the short term, unemployment rates may fluctuate greatly according to seasonal employment trends and business cycles. A persistently high unemployment rate is symptomatic of a chronic lack of demand for labor or related endemic economic maladies.

There were only minor signs of chronic unemployment in the USVI economy, until the national recession and closure of the refinery. Prior to the recession, the unemployment rate for the USVI was 5.9 percent. A year after the refinery closed, the Territory's unemployment rate spiked to 13.4 percent. St Croix, where the refinery is located, had the greatest negative impacts and had an unemployment rate of 15.1 percent in 2013. The rate for St. Thomas and St. John increased from 5 percent in 2007 to 11.8 percent in 2013. The rate for St. Thomas and St. John increased from 5 percent in 2007 to 11.8 percent in 2013. The rate for St. Thomas and St. John increased from 5 percent in 2007 to 11.8 percent in 2013.

Figure 5.
Unemployment Rates: 2007-2013
(in percent)



Source: U.S. Virgin Islands Department of Labor, Bureau of Labor Statistics.

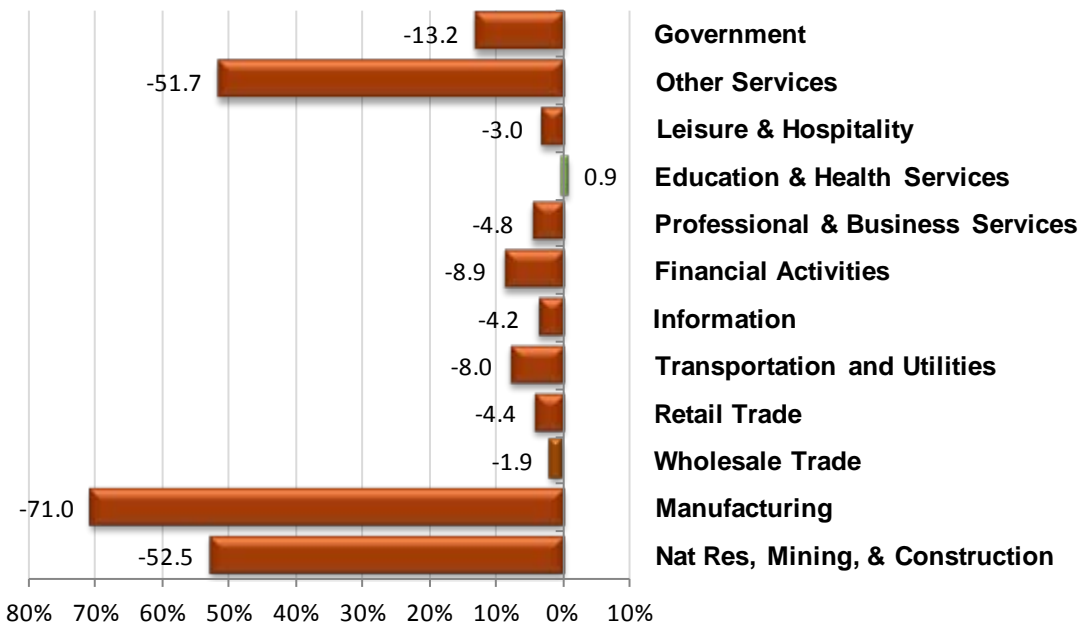
The labor force market is still a long way from recovery. The jobs gap—the number of jobs needed to return to prerecession employment—remains large with more than 7,000 wage and salary jobs not yet recovered. Total nonfarm employment remains about 37,765. The unemployment rate for the USVI remains high at 13.4 percent as of August 2014 (the most recently available

data). The rate for St. Croix is 14.8 percent, and St. Thomas and St. John fares not much better with a rate of 12.3 percent.

Industrial Gains and Losses

The USVI economic volatility is due to its heavy reliance on a few industries, including manufacture, construction, and other related services. These industries accounted for one-third of all jobs in 2007, and ultimately suffered the largest number of job losses—a combined 63 percent of the jobs losses from 2007 to 2013. As shown in Figure 6, while job losses were universal, these three sectors experienced a greater negative impact.

Figure 6.
Net Employment Growth, 2007-2013
 (percent)

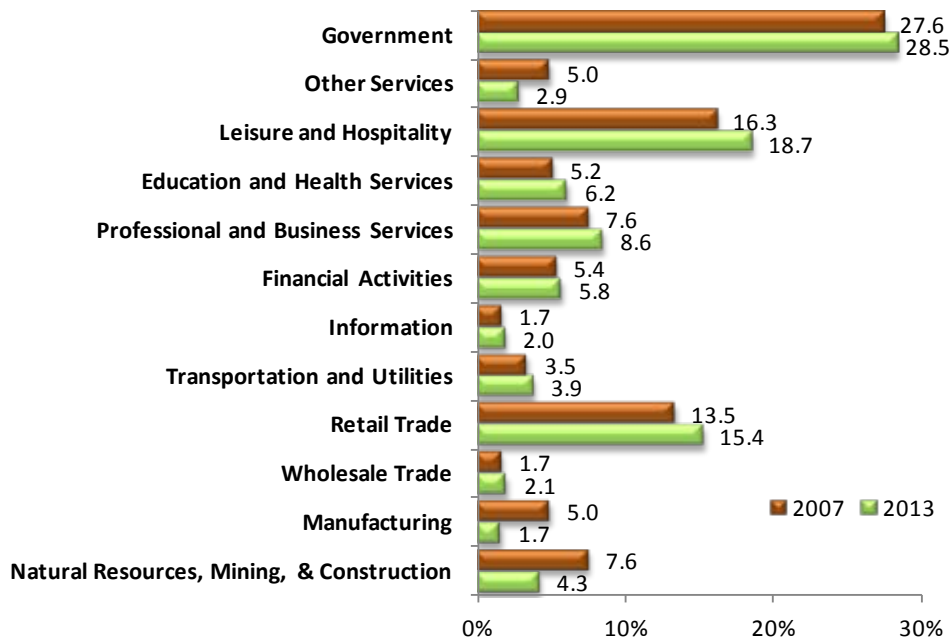


Source: U.S. Virgin Islands Department of Labor, Bureau of Labor Statistics.

The loss of the petroleum industry caused a shift in the share of employment from goods producing to service producing. For the period 2007 to 2013, the goods producing sector had an average of 4,460 jobs and accounted for 10 percent of total employment, while the service producing sector had an average 39,533 jobs or 90 percent. With an unstable manufacturing and construction job base, the goods producing sector’s share of jobs in 2013 was 6 percent, while the service sector accounted for 94 percent.

From 2007 to 2013, the USVI economy shrank and a number of jobs were lost across the various economic sectors. While the percentage of jobs represented by various industries across the overall economy has remained relatively the same, the manufacturing, construction and other services sectors had a smaller share of employment in 2013 compared to 2007 as shown in Figure 7.

Figure 7.
Share of Employment, 2007-2013
(percent)



Source: U.S. Virgin Islands Department of Labor, Bureau of Labor Statistics.

Demographics

There was a noticeable shift in the population in the past 12 years. Between 2000 and 2010, the Territory's population declined 2 percent from 108,610 to 106,405 (Table 2). While the population increased less than 1 percent in St. Thomas, St. Croix's population decreased by 5 percent in 10 years. Additionally, St. Croix historically has had the largest population, but in 2010 its population dropped below St. Thomas' population. Deteriorating economic conditions on St. Croix and loss of job opportunities help to explain this shift in population. In 2012, the USVI population declined 1.2 percent to 105,080.

Table 2: U.S. Virgin Islands Population, 2000-2012

	2000	2010	2012	Percent Change	
				2000-2010	2010-2012
Virgin Islands	108,610	106,405	105,080	-2.0	-1.2
St. Croix	53,235	50,601	50,225	-4.9	-0.7
St. Thomas	51,180	51,634	50,816	0.9	-1.6
St. John	4,195	4,170	4,039	-0.6	-3.1
Median Age	33.4	39.0	39.7		

Note: St. Thomas' population includes Water Island and Hassel Island.

Source: U.S. Census Bureau, Census 2000 and 2010; 2012 American Community Survey.

2012 Virgin Islands Community Survey, Eastern Caribbean Center, University of the Virgin Islands.

Table 3: U.S. Virgin Islands Population by Age, 2000-2012

	2000	2010	2012	Percent Change	
				2000-2010	2010-2012
All Ages	108,610	106,405	105,080	-2.0	-1.2
Under 5 year	8,553	7,500	6,061	-12.3	-19.2
5 to 9 years	10,176	7,150	7,627	-29.7	6.7
10 to 14 years	9,676	7,484	7,059	-22.7	-5.7
15 to 19 years	8,690	7,563	5,798	-13.0	-23.3
20 to 24 years	5,915	5,895	4,785	-0.3	-18.8
25 to 29 years	6,475	5,974	6,143	-7.7	2.8
30 to 34 years	7,230	6,143	7,709	-15.0	25.5
35 to 39 years	7,915	6,670	7,699	-15.7	15.4
40 to 44 years	7,835	7,451	7,226	-4.9	-3.0
45 to 49 years	7,510	7,730	7,865	2.9	1.7
50 to 54 years	8,010	7,898	7,690	-1.4	-2.6
55 to 59 years	6,755	7,188	7,617	6.4	6.0
60 to 64 years	4,755	7,371	8,249	55.0	11.9
65 to 69 years	3,455	5,854	5,143	69.4	-12.1
70 to 74 years	2,390	3,717	3,439	55.5	-7.5
75 to 79 years	1,606	2,326	2,609	44.8	12.2
80 to 84 years	897	1,332	1,352	48.5	1.5
85 years and over	767	1,159	1,010	51.1	-12.9

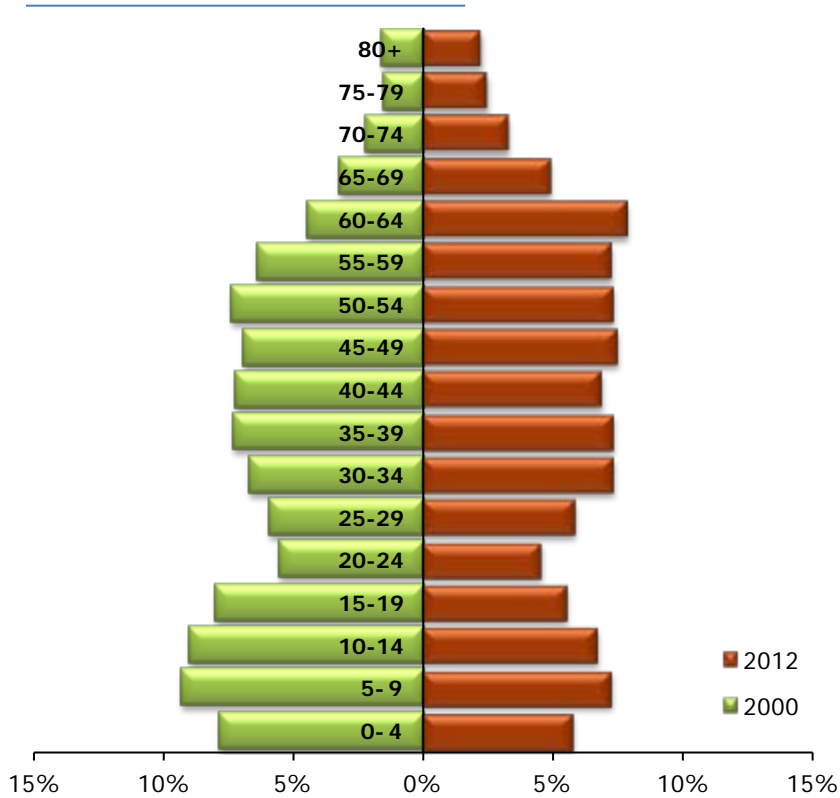
Source: U.S. Census Bureau, Census 2000 and 2010; 2012 American Community Survey.

University of the Virgin Islands, Eastern Caribbean Center, 2012 Virgin Islands Community Survey.

Similar to national trends, is the aging of the USVI's population. The median age increased from 33.4 years in 2000 to 39.7 years in 2012. Important to note, is also the aging of the workforce. The number of people in the pre-retirement age group (55-64) increased 38 percent between 2000 and 2012, while the number

of people aged 65 and older increased 49 percent. The aging demographic, shown in Table 3 and Figure 8, has implications for workforce development. As more of the working age population cohort moves into retirement age, the overall labor force participation rate is expected to decline. Therefore, policy response must assure a sufficient supply of workers with the education and skill-sets necessary to meet the needs of local business and the new global economy.

Figure 8.
Population Share, 2000 and 2012
 (percent)



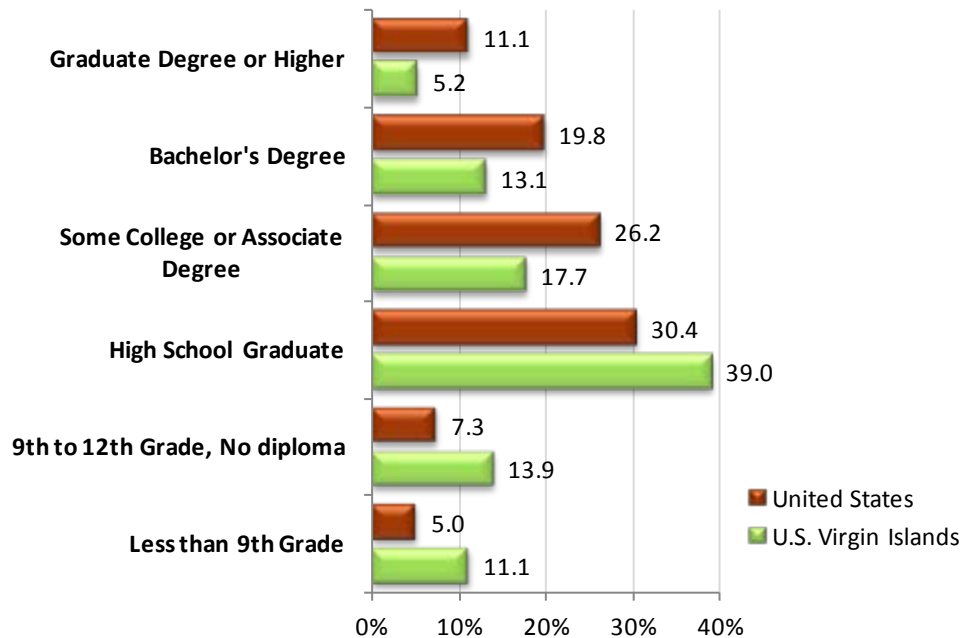
Source: University of the Virgin Islands, Eastern Caribbean Center, 2012
 Community Survey and U.S.Census Bureau, 2012 American Community Survey.

Education

The USVI’s levels of education attainment are low relative to the U.S. In 2012, approximately 25.1 percent of the population ages 25 years and older did not graduate from high school—double the national average. About 39.0 percent were high school graduates, 13.1 percent had a Bachelor’s degree, and 5.2 percent had a Graduate degree or higher (Figure 9). These rates compare with

the national average of 12.0 percent of the population 25 years and older who did not graduated from high school, 30.4 percent who were high school graduates, 19.8 percent who had a Bachelor's degree, and 11.1 percent who had Graduate degrees or higher.

Figure 9.
Educational Attainment Persons 25 years and over, 2012
(in percent)



Source: University of the Virgin Islands, Eastern Caribbean Center, 2012 Community Survey and U.S. Census Bureau, 2012 American Community Survey.

Income

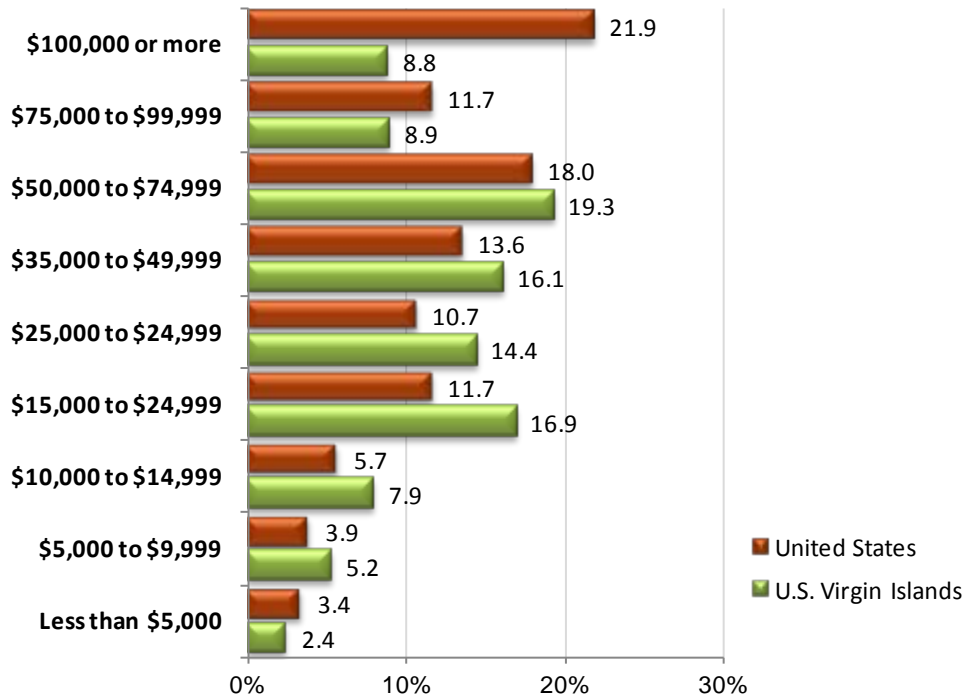
High and persistent unemployment has exerted downward pressure on wages, resulting in a drop in household income. After growing by more than 50 percent between 2000 and 2010, the USVI's median household income declined 1.6 percent to \$36,674 in 2012 (Table 4). Between 2010 and 2012, the typical income of households in St. Croix dropped by \$1,462 or 4.1 percent, median household income was stable in St. Thomas, while St. John's median household income grew by \$6,879 or 16.9 percent. Altogether, income of the typical working-age household in the USVI in 2012 was \$14,697 (nearly 30 percent) lower than similar households in the U.S. The median household income for the U.S. was \$51,371 in 2012.

	2000	2010	2012	Percent Change	
				2000-2010	2010-2012
Virgin Islands	24,704	37,254	36,674	50.8	-1.6
St. Croix	21,401	36,042	34,580	68.4	-4.1
St. Thomas	26,893	38,232	38,129	42.2	-0.3
St. John	32,482	40,644	47,523	25.1	16.9
United States	53,030	49,445	51,371	-6.8	3.9

Source: U.S. Census Bureau; Census 2000 and 2010; 2012 American Community Survey. University of the Virgin Islands, Eastern Caribbean Center, 2012 Virgin Islands Community Survey.

Figure 10 below also displays the disparity in household median income between the USVI and the U.S. The USVI trails the U.S. at higher household median income levels with the majority (19 percent) of households in the Territory have household incomes from \$50,000 to \$75,000. Comparatively, the majority (21.9 percent) of households in the U.S. had incomes of \$100,000 or more.

Figure 10.
Median Household Income, 2012
(in percent)



Source: University of the Virgin Islands, Eastern Caribbean Center, 2012 Community Survey and U.S. Census Bureau, 2012 American Community Survey.

Per Capita Income

Per capita income declined between 2000 and 2012 from \$24,704 to \$19,982, which is significantly less than the per capita income for the U.S. at \$42,693 in 2012 (Table 5). The difference between incomes in the USVI and the U.S. was \$18,429 in 2010 and in 2012 the difference widened to \$22,678. Per capita income decreased sharply between 2000 and 2010, exceeding 20 percent in St. John, 16.5 percent in St. Thomas, and 7.1 percent in St. Croix. Between 2010 and 2012, St. Croix and St. Thomas experienced decreases in per capita income of 9.4 percent and 4.4 percent, respectively. St. John's income per capita was steady.

**Table 5: Per Capita Income, U.S. Virgin Islands and United States
2000, 2010 and 2012**

	2000	2010	2012	Percent Change	
				2000-2010	2010-2012
Virgin Islands	24,704	21,362	19,982	-13.5	-6.5
St. Croix	21,401	19,883	18,013	-7.1	-9.4
St. Thomas	26,893	22,458	21,480	-16.5	-4.4
St. John	32,482	25,730	25,623	-20.8	-0.4
United States	30,319	39,791	42,693	31.2	7.3

Source: U.S. Census Bureau; Census 2000 and 2010; 2012 American Community Survey.
University of the Virgin Islands, Eastern Caribbean Center, 2012 Virgin Islands Community Survey.

Poverty

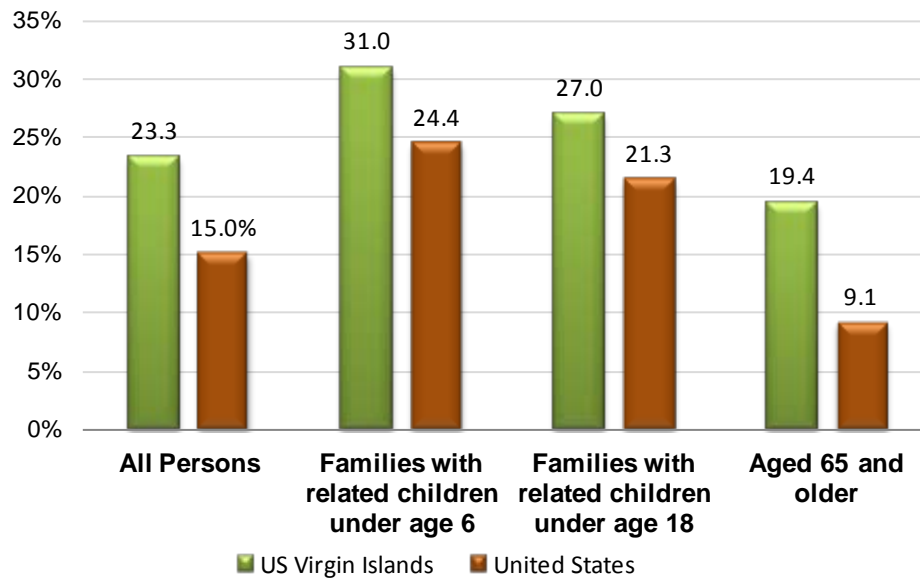
Between 2000 and 2010, overall poverty rates declined 10 percentage points, but grew slightly by 0.8 percent between 2010 and 2012 as shown in Table 6. In 2012, about 23.3 percent of the USVI population was living in poverty. Nationally, the poverty rate was 15 percent. St. Croix' poverty rate was 26.3 percent, St. Thomas 20.9 percent, and 16.8 percent for St. John.

Table 6: People in Poverty, 2000, 2010 and 2012

	2000	2010	2012	Percent Change	
				2000-2010	2010-2012
Virgin Islands	32.5	22.5	23.3	-10.0	0.8
St. Croix	38.7	26.2	26.3	-12.4	0.1
St. Thomas	27.2	19.5	20.9	-6.3	1.4
St. John	18.5	15.0	16.8	-3.5	1.8
United States	11.3	15.1	15.0	3.8	-0.1

Source: U.S. Census Bureau; Census 2000 and 2010; 2012 American Community Survey.
University of the Virgin Islands, Eastern Caribbean Center, 2012 Virgin Islands Community Survey.

Figure 11.
People in Poverty, 2012
(percent)



Source: University of the Virgin Islands, Eastern Caribbean Center, 2012 Community Survey and U.S. Census Bureau, 2012 American Community Survey.

Poverty rates in all family types in the USVI exceeded the rates for the U.S. as seen in Figure 11. More than one in five children in the USVI lived in families with incomes below the poverty line. Approximately 24 percent of children 5 years or younger lived in families that were poor. For all children under age 18 years, 27 percent lived in families that were in poverty. Comparatively, 21.3 percent of children under age 18 lived in poor families in the U.S.

Housing

People in the USVI live in various housing types, including single-family homes, apartments, condominiums, and boats. The Virgin Islands Community Survey 2012 shows there were 43,266 occupied housing units in the USVI—18,768 in St. Croix, 22,989 in St. Thomas and 1,509 in St. John. The average household size in the USVI in 2012 was 2.4 persons. St. Croix and St. John had the largest households, an average of 2.7 persons, while St. Thomas' households had an average of 2.2 persons. The average household size was 2.6 in the U.S. in 2012.

The percentage of owner-occupied housing units, also known as the homeownership rate, is far lower than in the U.S. as shown in Table 7. The USVI homeownership rate was 51.7 percent, compared to 63.9 percent

nationally. From 2000 when the homeownership rate was 46 percent to 2010 when it was 47.9 percent, the home-ownership rate increased by 1.9 percentage points. Between 2010 and 2012, the homeownership rate increased 3.8 percentage points.

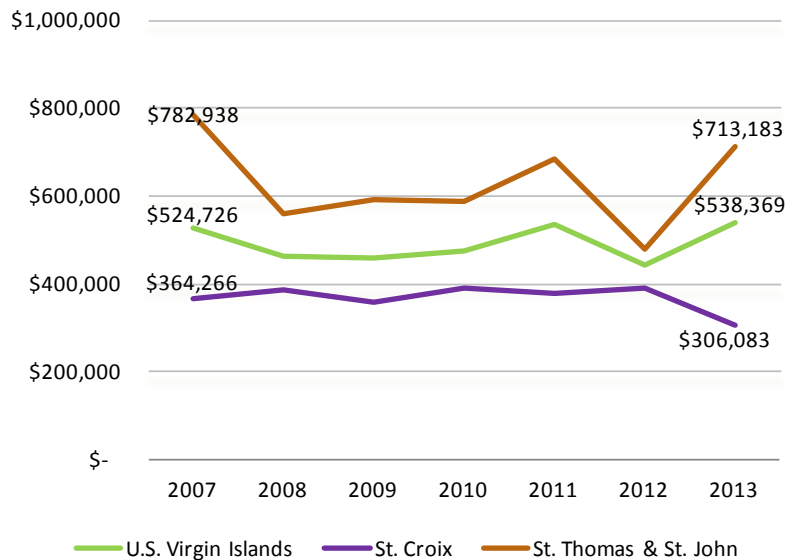
**Table 7: Owner-Occupied Units as a Percentage of All Occupied Units
U.S. Virgin Islands and United States: 2000, 2010 and 2012**

	2000	2010	2012	Percent Change	
				2000-2010	2010-2012
Virgin Islands	46.0	47.9	51.7	1.9	3.8
St. Croix	50.4	56.0	62.2	5.6	6.2
St. Thomas	41.4	40.6	44.4	-0.8	3.8
St. John	47.7	46.6	33.1	-1.1	-13.5
United States	66.2	65.1	63.9	-1.1	-1.2

Source: U.S. Census Bureau; Census 2000 and 2010; 2012 American Community Survey. University of the Virgin Islands, Eastern Caribbean Center, 2012 Virgin Islands Community Survey.

Figure 12 shows the impact of the economic downturn and petroleum industry closure on average home prices. In 2008, average home prices dropped 11.8 percent, but rebounded in 2009 and 2010 by 4 percent and 12.3 percent, respectively. In 2012, average home prices fell 17.4 percent before soaring upwards by 22.1 percent in 2013, reaching an average sale price of \$538,369.

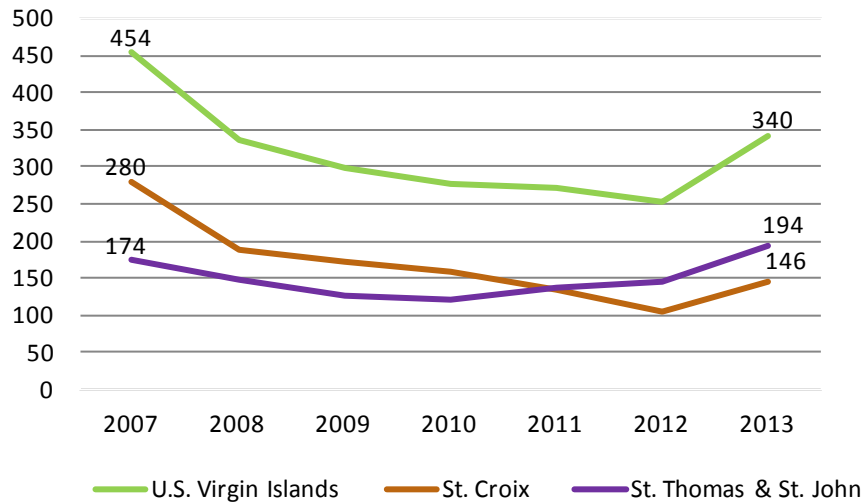
Figure 12.
U.S. Virgin Islands Average Home Prices, 2007-2013



Source: U.S. Virgin Islands Bureau of Economic Research.

Figure 12 also demonstrates the significant variation of home prices in the Territory. In 2013, St. Thomas and St. John had an average home sale price of \$713,183, while St. Croix average home sale price was \$306,083. While prices have not caught up with what they were in 2007, St. Thomas and St. John have seen recovery in the housing market, with an uptick not only in the average price of homes, but also the number of homes sold in 2013 (Figure 13). The housing market on St. Croix, on the other hand, continues to feel the effects from the loss of the petroleum industry, with steep drop in home prices (21.8 percent) in 2013. This fall in prices has led to significant growth of 37.7 percent in 2013 in the sale of homes on the island.

Figure 13.
U.S. Virgin Islands Home Sold, 2007-2013
(number)



Source: U.S. Virgin Islands Bureau of Economic Research.

II. Economic Competitiveness

A country's competitiveness is widely accepted as the key driver for sustaining prosperity and raising the quality of life for its citizens. Competitiveness refers to the set of institutions, policies, and factors that determine the level of productivity of a country. A country's competitiveness means that its resources are put to their most productive uses, its workforce is highly educated, skilled and fully utilized, it invests in its physical infrastructure and technology, and its polices support business development and innovation.

Strengths, Weaknesses, Opportunities and Threats

Several indicators were evaluated to gauge the USVI's competitiveness. The analysis revealed a number of strengths that can be leveraged as the Territory seeks opportunities to diversity its core industries, and capture market opportunities in new and emerging industries. The assessment of the USVI's competitiveness is synthesized below.

The USVI has attributes that are strong which make it competitive. Its strengths include:

- A good talent base in its people.
- A high quality academic and scientific research university.
- A good tourism product.
- Competitive tax incentives program.
- Technological readiness through its new broadband telecommunication infrastructure.
- Strategic location and ease of access and ties to the U.S. mainland economy.

There are also weaknesses that are affecting the USVI's competitive position.

These weaknesses include the following:

- Stagnating productivity growth.
- Low levels of education attainment and high skill gaps in the labor force.
- Insufficient investment in public infrastructure.
- High cost of transportation, insurance, and healthcare.
- High cost of electricity and entry barriers to business.
- Insufficient investment in research and development (R&D).

The intrinsic strengths and weaknesses in the USVI economy, external opportunities and threats to its competitiveness are further discussed herein.

Talent and Innovation

The USVI has unique assets in its people and has led in innovation in agriculture in the fields of aquaculture, aquaponics, and animal husbandry. The innovations developed here should be celebrated, with the fundamental drivers that spawn innovation—sound infrastructure and capital investment program that spur intellectual property ownership and business access—need to be built up, and the uniqueness of the Territory’s assets exploited to foster the growth of products and technologies that will position the USVI at the cutting-edge of a knowledge and innovation economy.

The USVI can capitalize on the university’s research to expand knowledge in agriculture and aquaculture that can be transferred from its research labs to local farms for crop, fish and animal production. The university can also increase collaboration with local and federal economic development partners to create small business incubators that can nurture entrepreneurial opportunities for residents through the RTPark and Entrepreneurial Studies.

Tourism and Natural Assets

The USVI’s tourism product is an established brand synonymous with quality, value and excellence in product and service. The scenic beauty and attractiveness of the natural environment, and idyllic weather and marine life on which the tourism industry is built, have made the USVI one of the most successful tourist destinations in the Caribbean, and a relatively prosperous place with an exceptional quality of life. For those who live and work here, and the more than two million visitors who come annually, the USVI offers the best cultural and historic amenities, world-class restaurants, shopping, attractions, entertainment and quality facilities.



Maho Bay St. John

Despite the strengths in tourism, the USVI has lost ground to newer and emerging competitive destinations in areas of hotel room growth, pricing, attractions, and amenities partly due to increasing homogeneity of tourist products, and insufficient capital investments in the tourism infrastructure. A growing trend in cruise tourism, for example, is expansion in cruise docking facilities. Some competing destinations have constructed or expanded berths and are ahead in this regard, thereby threatening the USVI lead position. The Virgin Islands Port Authority (VIPA) recently approved \$29 million to finance the dredging of Crown Bay harbor to accommodate larger ships and Schooner Bay on St. Croix to accept smaller cruise vessels, and the West Indian Company is completing negotiations for a new dock with two berths. The Territory must stay ahead of the curve in tourism in order to maintain its competitive edge, and to capitalize current and future developments in tourism and trade.

Geographic Location

The USVI's geographic location offers competitive advantages. Its stability, proximity to the U.S. and status as a U.S. Territory are added advantages. It also has one of the best natural deepwater harbors in the Caribbean and strategically borders the Anegada Passage—a key shipping lane for the Panama Canal. This strategic location gives it geographic business advantages to Pacific and Asian markets via maritime transport. Its proximity to major U.S. airports and seaports—just three hours away by air from the southern and eastern seabords of the U.S.—makes it an ideal location from which multinational companies can operate.

Of particular advantage to the USVI is its exemption from the Jones Act, a Cabotage law which requires that maritime transport of cargo between U.S. ports be carried on U.S. flagged vessels. Because the USVI is exempted from the Jones Act, products can be exported anywhere in the U.S. on foreign-flagged vessels. The USVI can position itself as a transshipment hub to take advantage of opportunities the Panama Canal expansion will allow with the introduction of Panamax containerships into the Caribbean for the purpose of transiting cargo between Asia and Atlantic ports. The USVI with its network of air and seaports and land for storage particularly on St. Croix, make it a strong contender for a transshipment hub. In this regard, a Memorandum of Understanding (MOU) was entered into between VIPA, USVIEDA, and St. Croix Renaissance LLLP for establishment of a transshipment hub in St. Croix.

Business Environment

The USVI has had success in attracting companies and small businesses by using tax incentives to support economic development. Its competitive business tax incentive programs offer substantial corporate tax reductions or exemptions in exchange for investments, job creation, job training and community contributions. Through the Economic Development Incentive program administered by the Economic Development Commission (EDC) and UVI RTPark, the USVI has attracted corporate beneficiaries including hotels, manufacturers, e-commerce, and designated service businesses, such as asset managers and management consulting companies.

The EDC tax incentive program has lost business in recent years, with fewer companies applying for benefits. As of 2014, there were 75 active beneficiary companies in the EDC program, much lower than the average 90 companies in early to mid-2000s. A number of reasons have been cited for this loss in business, including the Jobs Act which changed the residency requirements and income source for companies participating in the program, and emerging competition from other jurisdictions.

Exacerbating the loss to the EDC program, is also a drop in application in the RTPark as a result of emerging competition from Puerto Rico, which recently enacted Act 20 and Act 22 legislation designed to attract wealthy residents and entrepreneurs. The RTPark has lost prospective tenants who cited the attractiveness of Puerto Rico's new tax incentive structure when they pulled out of agreements to start knowledge-based businesses.

Further to threats to the tax incentive program is the cost of doing business, which is cited as higher in the USVI than in some other locations. In particular, rents, electricity, transportation, and health care costs are higher, with government regulations and systems making it costly and cumbersome to timely establish and develop new businesses. Development review and time involved in securing approvals for projects can be long. Further, access to capital and mobilizing credit to fund business are barriers to the development of small business because of limited alternatives to bank funding.

The USVI continues to strengthen its business incentive program to retain and attract companies, mitigate against actions that erode the program's

competitiveness with ongoing discussions with the U.S. Department of Treasury, and recently passed local legislation to revise beneficiary time periods, employment levels, and allow establishment of captive insurance and international banking entities.

The government has begun to address some of the concerns relative to cost and ease of doing business by implementing regulations that allow the use of alternative energy to lower the cost of electricity, digitizing business application, streamlining permitting processes, and opening access to capital through Government and private sector initiatives, such as direct lending under its Revolving Loan and SBDA program, and its State Small Business Credit Initiative Program (SSBCI)⁴

But there is need to pursue more initiatives and opportunities, particularly with regards to energy to lower the high cost of electricity which is impacting residents and the competitiveness of local businesses. The retail rate charged to residents and businesses averages 50 cents per kilowatt hour, while the U.S. average is 10 cents per kilowatt hour. This high cost is the result of the Virgin Islands Water and Power Authority's (WAPA) dependency solely on fuel oils for the generation of electricity. In 2010, a partnership between the U.S. Virgin Islands, the U.S. Department of Energy (DOE), and the U.S. Department of Interior (DOI) was formed under the guidance of DOE's Energy Development in Island Nations (EDIN) initiative. This partnership has supported efforts in the Territory towards reducing dependency on utilizing fossil fuel for generating electricity by 60 percent by the year 2025.

Among the efforts to mitigate the high cost of fuel for power generation and lower the cost for consumers WAPA is partnering with global energy company Vitol Virgin Islands Corp (Vitol) on a \$93 million propane conversion project. Switching from petroleum fuel oils to Liquefied Petroleum Gas (LPG) or propane for power generation is anticipated to lower fuel costs by 30 percent, and by extension reduce utility costs to businesses and residents. WAPA has also executed power purchase agreements with three different firms for the development of utility-scale solar photovoltaic (PV) energy.

⁴ The government received \$13.1 million from the U.S. Department of the Treasury State Small Business Credit Initiative (SSBCI) program administered through the VIEDA to provide loan guarantees and collateral support in partnership with local commercial banks.

Technology Readiness

The Virgin Islands Next Generation Network (viNGN) has completed construction of a 244-mile fiber-optic middle mile network that brings high-speed internet access to 318 anchor institutions in unserved and underserved communities. The project, funded with \$68 million of Federal funds through the Broadband Technology Opportunities Program (BTOP), and \$43 million in local bond funding, connects schools, government offices, public safety, the university, libraries, and health care institutions to the network. The project will create 50 public computer centers at libraries and community centers along with 700 new computer workstations.

The Territory is better positioned to expand its global reach and improve its competitiveness, attract e-commerce and other technology-driven jobs, and create entrepreneurship opportunities. It also has the assets to create opportunities for small businesses by removing barriers to entry and to lower costs for entrepreneurs who want to start new business. Businesses and residents have the tools and opportunity to improve literacy and work readiness by take advantage of online/distance learning educational opportunities, advance initiatives in health care, including the ability of health care providers to deliver telemedicine coverage, and digital/electronic medical records technology.

In summation, the potential for the assets of the USVI are unlimited and teeming with opportunities, but it must tap into newer ways to obtain sustainable development by creating linkages between economic activities in tourism, agriculture and aquaculture, health services, green energy, and maritime transportation. The USVI must also enrich its talent base through education and skill enhancement, and increase strategic investments in R&D to help fuel economic growth and development.

III. An Innovation and Knowledge Economy

The ensuing economic decline from the Great Recession and the petroleum refinery closure signal the need to rethink and retool traditional approaches to economic development that have been sacrosanct for the last forty years i.e., a conventional tourism model that focuses on natural assets, and incentive-based model for investment and job creation. To some extent, these traditional approaches to economic development have not kept pace with the changing dynamics of globalization, and have become less relevant in the new economy where knowledge and innovation are increasingly becoming the drivers of economic growth. Hence, the growth and sustainability of the USVI will not depend on continuation of past development strategies, but on a paradigm shift from the traditional mass tourism, incentive-based economy to a value-added, knowledge-based economy, with strategic focus on ideas and talent, innovation and entrepreneurship.

Therefore, the USVI will refocus its economic development efforts on enhancing and exploiting new opportunities for innovation and entrepreneurship within its core industries, and tapping into new and emerging opportunities in industries for which it has unique competitive advantages. To achieve this requires supporting the foundations of an innovation and knowledge-based economy, i.e., developing and enhancing the USVI's human, capital, financial, physical, infrastructure, and industrial assets. This dynamic set of relationships can create the links to generate new business and spur entrepreneurship which will transform the economy.

Building on the unique strengths of each island's assets, and capitalizing emerging opportunities in the region and globally, the USVI has developed a new economic development strategy for the next five years. The strategy is placing emphasis on developing and enhancing the innovation potential of industry and institutions, fostering entrepreneurship, and research and development by leveraging resources, building capacity and collaboration. The strategy was developed after a comprehensive evaluation of data and information on the Territory's performance and growth potential gleaned from a variety of sources, including the Virgin Islands Census of Population and Housing, Virgin Islands Community Survey (VICS), Virgin Islands labor market,

Geographic Information Systems (GIS) maps, socio-economic studies and reports, and stakeholder meetings with community groups and industry experts.

Out of these analyses, assessments and discussions emerged comprehensible priorities which draw upon the critical needs of residents and business. The priorities are the following:

Economic Diversification: Strengthen economic competitiveness by revitalizing and building on traditional core industries, and cultivate new high-growth impact industries to buffer against economic shocks and create quality job opportunities. Support for entrepreneurship, access to capital, business incubation, education and job training services are essential for the strengthening of core industries and to catalyze emerging industry clusters.

Education and Workforce: Develop the human capital—knowledge, skills, experience—by aligning education and workforce development to strategic economic opportunities and needs of industry. Improve standards throughout the pre-k-12 system; leverage the university’s academic and lifelong learning programs to deliver a skilled workforce; expand the university’s role in research and development; and re-energize the workforce investment system are critical to the development of the Territory’s human capital.

Physical Infrastructure and the environment: Invest in public infrastructure to support development and growth opportunities. Central to the Territory’s competitiveness is investment in the energy sector to reduce the high cost of electricity, and create reliability and efficiency in energy generation capacity and delivery of service. Equally important to business and community development are long-term investments in air and sea ports, roads, public structures, broadband and communication, and the environment.

Healthcare: Build a stronger healthcare system that provides residents and visitors with good critical care services. Fundamental to a strong healthcare system are the attraction and retention of qualified health professionals, adequate funding, containment of the increasing cost of health care, and improving access to affordable health insurance.

Government support systems and quality of life: Build quality institutions and strengthen existing support systems for business, and enrich the lives of

residents by providing the necessary services and facilities that contribute to an excellent quality of life.

These five priority areas provide the strategic framework that crystallized the vision, strategic goals and objectives, and targeted actions that will move the USVI along a more sustainable growth path.

IV. Vision, Goal, Objectives, and Strategies

The Comprehensive Economic Development Strategy (CEDS) is a blueprint for economic revitalization, growth and competitiveness, borne out of economic challenges and opportunities emanating within the region and globally. The strategy focuses on six economic development goals, objectives and actions to achieve the following vision:

A resilient, innovative and globally competitive economy that retains, grows and attracts new business and industry, provide high-wage jobs and opportunities that result in the highest quality of life and sustainable prosperity for residents.

1. Economic Competitiveness

The USVI's strengths for economic development have been its traditional core industries, tourism, construction, and manufacture. These anchor industries will continue as the nucleus of economic development; but the USVI will pursue a broader range of high growth impact industries to support them, and enhance economic opportunities by linking these base industries with new knowledge and business innovations.

Goal 1: Diversify and grow the economy and create quality jobs.

Objective 1: Strengthen tourism and re-brand with new high-end products and value-added unique experiences to create a sustainable tourism industry.

Strategies

- Formulate and implement a comprehensive tourism development policy and strategy in collaboration with industry stakeholders.
- Promote tourism as a priority and mobilize adequate public and private sector investments for its development.
- Develop and implement tourism guidelines and regulations towards sustainable utilization of natural, historic, and cultural resources.
- Expand into niche areas and develop new tourism products by creating linkages with other economic sectors.

- Diversify the tourism market-base by penetrating into new and emerging high-end markets.
- Facilitate manpower and skills requirements of the tourism sector through training and advancement opportunities.
- Improve visitor experience by creating a safe, clean, and wholesome environment.

Target Opportunities

Tourism accounts for 30 percent of GDP and more than 7,900 direct jobs or 20 percent of total wage and salary employment. It includes accommodations and food, gaming, recreation and sports, arts and entertainment services. The industry attracted 2.7 million air and cruise ship passengers in 2013 and generated \$1.2 billion in visitor expenditures.

The strategy will focus on aggressive promotion, marketing and retooling of the brand, and attracting visitors and business by offering new and diverse experiences in sports, gaming, and entertainment, and developing niche areas in health, retirement and second homes, film and media.

Special Events and Film and Media

The USVI can create demand in potential niche tourism markets such as sports, entertainment, festivals and film and media. Both St. Thomas and St. Croix have hosted a number of golf, swimming and basketball events. St. Croix is home to the Ironman Triathlon and the Caribbean Classic Triathlon, the Blues Festival and Agriculture Fair. St. Thomas hosts one of the best carnivals in the Caribbean. Connecting these cultural activities and other commemorative events—such as the upcoming 2017 Centennial Celebration of the transfer from Denmark to the United States—to economic development will provide economic benefits. Other opportunities lie in utilizing tax credit incentives and the Sustainable Tourism Through Arts Based Revenue Streams (STARS) program to attract television and film industry to film on location in the USVI, thereby generating significant economic impact and spinoffs.

Internet Gaming

Online gaming is being called the “new frontier of gaming” for states eager for new sources of revenue. Legislation to legalize online gaming has been

introduced in ten states. New Jersey began offering online gaming in November 2013, joining Delaware and Nevada. These states began to aggressively pursue online gaming after a U.S. Department of Justice ruling in December 2011 reversed position that online gambling was illegal under the Wire Act, 18 U.S.C § 1084—which bars wagers via telecommunications that cross state lines or international borders. The Department’s Office of Legal Counsel gave an opinion that the Wire Act prohibits only the transmission of communications related to bets or wagers on sporting events or contests.

Joining the ranks with other states, the USVI has stepped-up efforts to ensure online gaming operations in the Territory. The USVI passed legislation authorizing internet gaming in 2002 by enacting the Internet Gambling and Enforcement Act, 32 V.I.C §601, et seq., but did not pursue online gaming, primarily because of questions of its legality. With its expanded broadband infrastructure and robust tax incentive programs, the USVI is positioning to take advantage of new opportunities to attract online gaming technology companies, and create high-skilled and higher-paying jobs in knowledge-based Information, Community and Technology (ICT) activities, call centers, and customer service.

Ecotourism, Cultural and Heritage Tourism

Tourists are increasingly seeking unique and authentic travel experiences. Indicative of this trend is the growth in ecotourism, geotourism, cultural and recreational tourism. The Territory’s beaches, national park, trails, nature reserve, and historic sites and churches represent potential for development as niche areas. The National Park on St. John, the Buck Island Reef



Diving in St. Croix

Monument, Salt River National Park and Ecological Reserve, Blue Mountain and Tide Pools on Annaly Bay in St. Croix offer unique experiences for bird and wildlife observation, kayaking, boating, under-water diving, fishing, horseback riding, and camping. St. Thomas boasts one of oldest synagogue and Moravian

church in the western hemisphere with untapped tourism potential to market as historic landmarks.

Retirees and Second Home Owners

The USVI, and St. John in particular, is an ideal and attractive location for wealthy retirees and second homes owners due to its idyllic weather, amenities, high quality of homes and quality of life. According to the U.S. Census Bureau, 14 percent of the U.S. population are 65 years and older in 2012 and by 2030, more than 20 percent of the population are projected to be aged 65 years and older. With the aging of the baby boomers, the need for geriatric care and support services to serve this population will continue to grow, thereby providing opportunities for the development of continual care facilities and services and second homes. This group of homeowners and retirees tends to generate demand for goods and services, and therefore should be targeting for their potential economic impact.

Medical Tourism

The USVI can capture opportunities to develop a stronger health care industry, build a vibrant medical cluster, and attract major federal and local funding and philanthropic contributions to spur research activities, especially with the development of the University of the Virgin Islands medical school. By building a stronger base of research and health and medical services (through the University's enterprise networks of the Caribbean Exploratory Research Center (CERC), Experimental Program to Stimulate Competitive Research (EPSCoR), and RTPark, and local health institutions and partners), the USVI can take advantage of opportunities in medical tourism and related activities in biotechnology, clinical trials and testing, imaging/devices, medical equipment supplies, and telemedicine. The development of adjunct businesses would allow for sustainable growth in this sector.

Tourist Visa Programs

In May 2012, the President Obama's administration launched the National Travel and Tourism Strategy for expanding travel to and within the U.S., and to encourage and make it easier for international travelers to visit the U.S. The strategy includes expediting tourist visas and expanding the national Visa

Waiver Program to facilitate legitimate travel from emerging markets in Brazil, China and India, in an effort to spur economic growth.

The USVI should continue to lobby for a special visa waiver program for visitors from the Caribbean, similar to Guam and the Commonwealth of the Northern Marianas Islands (CNMI). In addition to tourist visas, granting visa waivers for tourists are critical to encourage tourism and develop the USVI as a hub for healthcare services for Caribbean nationals and foreign visitors. The visa program would also lead to increase business, meetings and conventions, spending and investments from nearby countries that will bolster the economy.

Objective 2: Create a strong Business and Information Technology and Communication (ITC) Ecosystem.

Strategies

- Create business districts through the use of enterprise and economic zones.
- Establish the Territory as a lead for venture capital, foreign investment and captive insurance.
- Create innovation centers for applied research, education and training with expertise in products and processes.
- Create a university-industry research grant program to create technologies that can be transferred and commercialized.
- Establish a policy framework that encourages an innovation ecosystem around the ITC sector.

Target Opportunities

St. Croix offers high-quality, broadband telecommunications and data transmission capabilities because of the multi-directional fiber-optics network of Level 3 facilities. The existing telecommunication infrastructure and broadband capability provide St. Croix with a unique strategic advantage, allowing for the development of a thriving e-commerce and information technology and communication ecosystem.

Specific opportunities include the establishment of research and development firms involved in information technology, film production and distribution,

e-commerce and other internet-oriented businesses, call centers and customer support, data centers, IT and website management, and marketing operations.

Objective 3: Enhance and regenerate the manufacturing sector.

Strategies:

- Create manufacturing innovation centers for applied research, education and training.
- Create manufacturing clusters that link high value-products and promote the growth of knowledge-based industries.
- Develop industry-university research partnerships to speed technology transfer and commercialization.
- Create incubators, innovation zones, and pre-permitting zones for manufacturing.
- Provide funding for small enterprise businesses to modernize operations and expand exports.
- Support entrepreneurship and business development by providing access to technical assistance, training, and networking services.
- Identify and promote business lending options to meet the needs of new and emerging micro-businesses.

Target Opportunities

The manufacturing sector consists primarily of two rum distilleries, Suntory Beam, Inc., which manufactures for the bulk market and rum brands such as Cruzan and RonRico, and Diageo Plc., the world's leading Spirit Company which manufactures the Captain Morgan brand. There is also a single watch company and a few jewelry manufacturers. The industry's workforce has declined from about 2,200 to 650 workers or just 2 percent of total wage and salary employment. The sector's contribution to GDP is about 20 percent.

Even with the closure of the oil refinery, the manufacturing sector remained the strongest source of business sales in the economy according to the 2012 Economic Census, accounting for \$2 billion or 28 percent of total sales—the most of any sector. Simply stated, the USVI growth and prosperity depend upon a vital, resilient manufacturing sector.

The central thrust of the strategy framework is to create a more diversified manufacturing sector by attracting investment in research, technology, energy, and trade. Emerging industries for attraction include light manufacturing, yacht building, and renewable energy.

Manufacturing companies have the potential to capture intra-regional export markets with the development of maritime industries and a transshipment hub on St. Croix. The expansion of the Panama Canal provides a unique opportunity for St. Croix to become a global hub for trade, manufacturing, and tourism. The opportunities to expand trade flows can also provide a launch pad for growing export-oriented industry clusters. The Renaissance Park, an underutilized asset, can be fully developed to achieve potential in renewable energy production, yachting and other maritime activities and support services. The defunct oil refinery is also an enormously valuable asset with opportunities in refinery, storage, and renewable energy.

The USVI can also recapture its leadership position in the marine, yachting and charter industries if amendment to the “Six Passenger Rule” in the Howard Coble Coast Guard and Maritime Transportation Act of 2014, which was passed by Congress on December 10, 2014, is signed into law by President Obama. The bill would allow uninspected vessels less than 24 meters overall in length to carry up to 12 passengers (instead of limited to six) to or from a port in the USVI. If enacted, vessels must comply with the Code of Practice for the Safety of Small Commercial Motor Vessels, and the Code of Practice for the Safety of Small Commercial Sailing Vessels published by the U.K. Maritime and Coastguard Agency.

This measure will allow vessel owners and operators the ease of travel between the USVI and British Virgin Islands and provide major opportunities for home-porting, resulting in the increased marine services for sail-makers, ships stores, boatyard services, and yacht repair and boat building.

Objective 4: Support diversity in the agriculture and aquaculture and grow the share of value-added products.

Strategies

- Organize collaboration with the University of the Virgin Islands Agricultural Experiment Station (AES) and Corporate Extension Service (CES) to promote training for farmers in crop and livestock production.

- Create opportunity for innovation by linking agriculture with technology.
- Invest and expand the aquaculture industry.
- Improve opportunities for farmers to produce for the local market and export to regional markets.
- Increase access to capital for farmers to develop and expand operations.

Target Opportunities

The agricultural and aquaculture sector is small, comprised fewer than 170 small farmers involved in crop and livestock production and fishery. All agricultural goods produced are for local consumption, except for a few food processing items such as tea and confectionary goods sold to tourists.

Available land on St. Croix gives the agriculture and aquaculture industries potential for further development. There are opportunities from the growing market for organically and locally-produced food, meat, tilapia and shrimp farming. Opportunities may be created to tap into agricultural markets in neighboring islands. Future niche opportunities may also exist in biofuel crops such as hemp.

2. Education and Workforce Development

An educated and skilled workforce is important in determining the future growth and competitiveness of the USVI economy. Therefore, raising the education and skill levels of residents is a priority. This requires investment in the intellectual infrastructure and stimulating students' interest in the science, technology, engineering and math (STEM) fields to encourage innovation, support job growth, and reinforce the USVI's competitiveness. It also requires training and life-long learning programs to develop new skills that align with labor market needs. Efforts will concentrate on creating partnerships with educational institutions, business, and labor to improve education and skill levels, job training and placement services.

Goal 1. Foster education and build an educated and competitive workforce.

Objectives

- Improve the education system's ability to deliver excellent classroom instruction with rigorous academic standards and effective support services.

- Improve secondary and postsecondary completion rates and completion of vocational and technical training programs.
- Increase college access and completion by improving higher education and lifelong learning opportunities.
- Foster digital literacy and technology education in schools, the university and workforce training programs.
- Promote the acquisition of soft skills and ICT literacy.
- Create partnerships between the university, educational institutions, business and labor to improve the skills of the workforce, provide job training and placement.
- Expand internships and apprenticeships programs to tie students to employers to generate a talent pool of workers in technology areas.
- Promote the use of Big Data as a tool to drive innovation in education and improve teacher quality.

Strategies

- Implement the nationwide Common Core State Standards in public education to assure that students acquired the necessary knowledge to meet the requirements of higher education institutions and employers upon graduation.
- Target scholarships for students entering science, technology, engineering and math (STEM) fields.
- Promote USVI Career Pathways to help students gain the skills they need for successful careers.
- Align education and skills with labor market needs, built around collaboration between industry, academia, and government.
- Engage business leaders to articulate skills needs in high-demand occupations and to help develop education pathways that are matched to career pathways.
- Engage a business, industry, education and government planning group to develop and implement a comprehensive training, education and employment strategy.

Target Opportunities

UVI is a long-established, good quality small public university with campuses on St. Croix and St. Thomas and an Academic Center on St. John. The university offers associates, bachelor's and master's degrees in 30 programs through five colleges and schools namely, College of Liberal Arts and Social Sciences, College of Science and Mathematics, School of Business, School of Education, and School of Nursing. The university also has a number of research units engaged in various areas of research and development (R&D) in agriculture and aquaponics, marine and environmental science, green technology and water resources.

The Territory can continue to build on this asset by leveraging the university as a primary source for educating and training workers, support research investments in innovative and processes, develop technology transfer for commercial product development, and spur the exchange of ideas that foster invention and innovation. The recently adopted Territorial STEM Educational Plan by the Department of Education is a first step in the process.

UVI also has unique opportunities to stimulate research and create new knowledge industries by developing STEM skills through its EPSCoR program, and with the opening of the new medical school, combine STEM skills with research in medicine and healthcare fields.

3. Infrastructure, Environment, and Quality of Life

The USVI's physical assets and natural resources undergird its competitive advantages. However, the USVI unlikely will remain competitive without a modern, high quality infrastructure network that includes its air and seaports, roads, energy, water, broadband, public health facilities, housing and open space/recreational areas.

Goal 1: Build modern infrastructure and preserve and enhance the environment and quality of life.

Objectives

- Invest in quality infrastructure and promote conservation of the natural and cultural resources.
- Increase collaboration between the public and private sector on infrastructure project development and enhancement.

- Integrate infrastructure development plans into a master plan.
- Invest in affordable and quality housing for residents and ensure sufficient open spaces for recreation.
- Promote investment on Main Street, downtowns and heritage and cultural amenities to attract and retain businesses, and spur commercial and entertainment opportunities.
- Develop programs that promote community beautification and quality of place.
- Protect the environment and ensure the health and safety of the general public.

Strategies

- Create a Geographic Information Systems (GIS) profile of current infrastructure projects, approved projects, and future projects.
- Maintain a current assessment of all major infrastructure needs, including energy, water, waste management, transportation, housing, broadband and communications.
- Establish a capital projects working group for infrastructure resource development.
- Prioritize development and expansion of ports and transshipment hubs to facilitate larger vessels and connection with the Panama Canal, and foster new niche industries to capture intra-regional trade.
- Commission a feasibility study to examine how the infrastructure can be expanded and developed to cope with future growth opportunities from the Panama Canal.
- Accelerate development of alternative clean/renewable energy.
- Restore historic buildings by encouraging preservation and improvements efforts.
- Increase Enterprise Zone tax credit and Tax Increment Financing (TIF) for rebuilding and capital infrastructure development.

Target Opportunities

There are opportunities within the creative, innovation, technology and green economies. The Territory can become a leader in the design and construction of infrastructure that takes advantage of communications and information technologies with the development of new digital applications and services, and green energy with the development of wind, solar, and biomass technologies.

What has become a major economic development issue is the Territory's comparatively high cost of electricity. Continued investment and development of renewable energy sources, and in energy conservation technologies will reduce the cost of energy, and ensure that grid and transmission infrastructure can meet current and future demand.

In this regard, the Virgin Islands Water and Power Authority (WAPA) embarked upon a strategy that includes implementing measures to enhance production efficiency at existing power generation facilities; converting base load power production from fuel oil to liquefied natural gas or liquefied petroleum gas; develop grid interconnection between the Virgin Islands and Puerto Rico; maximize development of solar and wind resources; and pursue biomass energy and ocean thermal energy as potential diversification of base load energy. WAPA is also working with small wind power generators to meet their "green goals," and UVI is taking the lead in developing curriculum to train workers in these emerging fields.

Downtown revitalization efforts such as the Main Street Enhancement Project, Christiansted and Fredriksted Town Plan, and waterfront development are also crucial in supporting business development and the USVI's quality of place. These developments will provide opportunities for shopping and dining, water transportation, yachting and maritime activities.

4. Health Care

The USVI has two hospitals: Schneider Regional Medical Center (SRMC) on St. Thomas and the Governor Juan F. Louis Hospital and Medical Center (JLH) on St. Croix, and two federal qualified health clinics—Federiksted Health Center and East End Clinic. There is a community health/urgent care Myrah Keating Clinic on St. John and community health clinics under the Department of Health. There are a number of resident care facilities to serve the elderly population.

The provision of health care services has been impacted by a number of barriers that affect the ability of health care providers to render patient care. These include limited access to federal funding programs, shortages of health workers; lack of health professions education programs; local educational institutions not being able to produce enough medical professionals, especially nurses; limited health care infrastructure; and funding constraints. Meeting the current and future health care needs of the residents, therefore, will require creative allocation of scarce resources and creating health partnerships to develop the healthcare delivery infrastructure.

Goal 1: Create a modern, diversified and sustainable healthcare delivery system.

Objectives

- Recruit and train a competent healthcare workforce.
- Support advancement of specialized research and development initiatives in healthcare.
- Strengthen partnerships between the university, health and workforce programs to provide innovative pathways for higher education, skills and careers advancement in the health care fields.
- Increase the use and application of new e-health technology.
- Increase health care services and make them more accessible and affordable.

Strategies

- Evaluate and track current and future health workforce needs and create a health workforce development plan.
- Increase distance learning programs in partnership with mainland U.S. allied health education programs to address the educational needs of residents and promote career advancement.
- Continue to lobby Congress and federal Executive Branch for parity funding on Medicaid, access to Supplementary Security Income (SSI), and amend the Social Security Act to extend the 'J' waiver.
- Facilitate partnerships between hospitals, health care providers, institutions of higher education, and workforce systems to increase job opportunities in healthcare fields.

- Increase funding opportunities for research and development in healthcare related fields.
- Seek investments to enhance infrastructure to increase quality of care and patient outcome.
- Advance initiatives to expand health insurance coverage.
- Develop public education programs on healthy lifestyles and provide incentives to encourage healthy lifestyles.
- Improve delivery of services and patient care through utilization of e-health technology.

Target Opportunities

The current levels of funding, education, and research activity are inadequate to build a significant medical and health cluster; however, the establishment of the university's medical school will enhance the quality of care and help to address the shortage of physicians and nurses. Opportunities will grow in areas such as biotechnology, clinical research and testing, electronic medical records, tele-health, and medical equipment and supply industries. The university's collaborative research with the private sector and federal grant funding from institutions such as National Institute of Health (NIH) can lead to technology transfer and commercialization.

5. Government Support Systems

Excessive and cumbersome regulations and high cost of doing business are seen as impediments to a more competitive business environment. The Territory, therefore, will build institutions and strengthen existing support systems.

Goal: Develop efficient and customer-focused business support services.

Objectives

- Reform licensing, permitting, development review, and other regulatory processes to make them efficient, consistent, and cost effective.
- Promote simplified, timely, customer focused services to businesses and share information using electronic media such as web sites to respond timely to business needs and opportunities.

- Provide support to small businesses by encouraging incubators, entrepreneurial centers and other small business support systems.
- Expand programs for networking and training.
- Improve access to capital by implementing policies that encourage capital investment in businesses in partnership with financial institutions.

Strategies

- Streamline the permitting process for establishing and operating businesses and new developments.
- Require agencies to process permits within a defined time period.
- Establish a web portal for tracking government permits and projects.
- Eliminate or revise outdated Virgin Islands Code regulations that are not consistent with development trends.
- Establish a business investment fund to grant access to capital for small businesses and entrepreneurs.

Target Opportunities

The Government has implemented several measures aimed at improving the business climate, including online services for applying and renewing business, streamlining procedures to register new companies and for issuing permits, reducing insurance costs through tort reform, providing financing opportunities for small businesses through local banks, revolving loan fund, and Small Business Development Agency (SBDA). Continued efforts to further streamline regulatory processes, reduce cost of doing business, and attract venture capital funding to help businesses could enhance perceptions of the USVI as business friendly, and translate into a more competitive place to conduct business.

Clearly, not all of the USVI's growth prospects are contained within these target industries. There are other industries or emerging industries with high economic potential; hence, the strategy would be periodically adjusted to take advantage of emerging market opportunities and trends. But collectively, these industries and target opportunities can help to drive economic diversification and long-term growth of the economy.

V. Priority Projects

The CEDS Committee created a priority list of economic development projects which to implement during the five-year planning period (Table 8). These projects have been prioritized or ranked into five categories of 1 to 5, with 1 and 2 being those public and private sector projects that will have a more immediate impact on the economy, have been funded, or partially funded, or which are considered critical. Projects ranked 3 to 5 are those which government agencies and departments wish to execute, but may lack funding or are of longer term priority.

Table 8: CEDS Priority Projects and Studies, 2015-2019

Project Rank	Project Name and Applicant	Project Description	Funding Source	Estimated Cost	Project Type	Stage of Development
1	West Indian Company Limited New Pier Long Bay - STT West Indian Company Limited (WICO)	The construction of a new finger pier on the edge of Yacht Haven Grande in Long Bay, St. Thomas, will give WICO a total of five berths and allow the Virgin Islands to remain competitive with regional cruise ship destinations. The feasibility study has been done and the CZM and USACE permits have been applied for.	Bonds, Private, Public-Local, Federal	\$55 million	I	C
1	Crown Bay - STT Virgin Islands Port Authority (VIPA)	Maintenance dredging of the north side of the Crown Bay Cruise Ship Dock and the East Gregerie Channel. Purchase additional property; construct new warehouse building (re-location of Sub-base tenants; construct office complex; improve facilities adjacent to the Austin "Babe" Monsanto Terminal, including old WAPA Building.	VIPA bonds, Private	\$20.2 million	I	C
2	The Cyril E. King Airport - STT Virgin Islands Port Authority	Construct new maintenance and warehouse building (WAPA potential). Relocate passenger departure area to the 2nd floor of terminal building. Construct new police training facilities (for potential relocation). Expand existing general aviation apron.	VIPA, Private, PFC, Federal	\$15 million	I	C

Project Rank	Project Name and Applicant	Project Description	Potential Funding Source	Estimated Cost	Project Type	Stage of Development
2	Gallows Bay Facility Expansion Virgin Islands Port Authority	Dredging for smaller cruise vessels and Gallows Bay Facility Expansion, including Schooner Channel maintenance dredging. Pavement resurfacing and shoreline restoration. Stormwater drainage improvement, and replace Aids-to-Navigation.	VIPA bonds, Federal	\$3.8 million	I	C
2	Red Hook Facility Expansion Virgin Islands Port Authority	Construct a Federal Inspection Services Building and create a 2nd level parking lot.	VIPA bonds	\$11 million	I	C
3	Transshipment Hub - STX Virgin Islands Port Authority, Virgin Islands Economic Development Authority and Renaissance Group LLC	Develop a international transshipment port on 1,244-acre industrial park owned by the St. Croix Renaissance Group that includes a 45-acre parcel owned by VIPA with a deep-water container port facility on the south shore of St. Croix. A pre-feasibility analysis has been done; an MOU has been signed with the three entities for collaboration. A feasibility study is being planned.	Public, Private, Bond, Federal	\$250 million	I	P
1	Medical School and Simulation Center - STT & STX University of the Virgin Islands (UVI)	Classroom Building (STT) with classrooms and labs, faculty and staff offices. Comprehensive Simulation Center (STX) which will be used for sophisticated manikin based simulation, train and evaluate students, physicians, EMTs, other first responders.	Public, Private, Foundation, Federal	\$30 million \$10 million additional funding	E	D
1	Multipurpose Complex - STX University of the Virgin Islands	Facility will be used for indoor sporting activities, graduation, and other large gatherings. It will provide income generation opportunities spurred by sports tourism.	Public	\$10 million	E	P

Project Rank	Project Name and Applicant	Project Description	Potential Funding Source	Estimated Cost	Project Type	Stage of Development
1	Innovation Center - STT & STX University of the Virgin Islands	These centers will serve as advanced incubators for the innovative development of ideas and inventions. They will provide an atmosphere for new and creative thinking that will generate new patented products and services. They will promote hackathons and reward faculty, staff, and students for the development of new ideas that are brought to market.	Federal	\$6 million	E	P
2	Maritime Training Institute - STX University of the Virgin Islands and Virgin Islands Port Authority	This facility will provide training in maritime functions including navigation, STCW and IMO certification in marine vessel operations, maritime engineering, and sailing. It will also serve as a simulation training center for marine pilots, captains of vessels of all tonnage including cruise and cargo ships and oil and gas tankers.	Public, Private	\$7 million	E	P
2	Culinary Arts Institute - STT & STX University of the Virgin Islands, Virgin Islands Department of Tourism and Virgin Islands Hotel Association	These facilities will support the hospitality and tourism studies program of the University. Students will receive practical hands-on training in bakery/pastry, batch cooking, and fine dining.	Public, Private	\$6 million	E	P
3	Student (Union) Centers - STT & STX University of the Virgin Islands, Virgin Islands Department of Tourism and Virgin Islands Hotel Association	These centers will be the hub of student activities. Centers with gift and coffee shops, beauty and barber salons, bookstores, national franchise eateries, cyber cafes, and a twenty-room inn operated by the hospitality studies program.	Private	\$10 million	E	P
3	Executive Center STT & STX University of the Virgin Islands	This executive conference center will host numerous high end executive conferences, colloquiums, seminars, workshops, etc. The center will feature a 300 seat amphitheater, breakout rooms, dining area, and amenities. It will be constructed on the UVI's Sugden property.	Private	\$5 million	E	P

Project Rank	Project Name and Applicant	Project Description	Potential Funding Source	Estimated Cost	Project Type	Stage of Development
4	Institute for Leadership and Organizational Effectiveness (ILOE) Towers - STT University of the Virgin Islands	This facility will feature a fully functional institute for leadership and organizational development suite of income generating programs and services. It will also be the hub for federal contracting services from agencies including Department of Defense (DOD), Department of Justice (DOJ), National Institutes of Health (NIH), and National Fire Service (NFS).	Private	\$ 6 million	E	P
4	Business Development Center STT & STX University of the Virgin Islands	These centers will serve as business development units for faculty, staff, and students who develop new income generating ideas and bring them to market with a profit sharing formula with the University.	Private	\$5 million	E	P
4	Nature Reserve and Campground - STT University of the Virgin Islands and Virgin Islands Department of Tourism	Facilities will be constructed for marine and environmental research, agricultural experiment station, and cooperative extension services on donated 65 acre property. Wet and dry nature trails and a camp ground will also be on the property.	Federal, Private	\$3 million	E and R	P
5	Interfaith Center/Chapel - STT & STX University of the Virgin Islands	These centers/chapels will serve as sacred spaces for reflection, meditation, and interfaith activities; and promote the practice of ethical standards and values of leadership.	Federal, Private	\$4 million	E	P
5	Childcare Center - STX & STT University of the Virgin Islands	These centers will meet the needs of students, faculty, and staff who need child care services especially during class and work times.	Public, Private	\$3 million	E	P
1	Backstreet Underground Project - STT Virgin Islands Water and Power Authority (WAPA) and Federal Emergency Management Agency (FEMA)	This project is part of the hazardous mitigation program to transfer overhead lines and pole mounted transformers to a new underground electric infrastructure. Work includes the electrical manholes, pad mounted transformers, installation and termination of primary and secondary cables for Wilmeskafts Gade in Charlotte Amalie.	Federal	\$2 million	I	P

Project Rank	Project Name and Applicant	Project Description	Potential Funding Source	Estimated Cost	Project Type	Stage of Development
1	Automated Generator Control (AGC) STT & STX Virgin Islands Water and Power Authority	The installation of an Automatic Generation Control (AGC) system which is a system for adjusting the power output of multiple generators in response to changes in the load. The system has the capability of determining the on/off schedule of VIWAPA's energy resources to provide optimal and efficient service while minimizing cost.	Federal	\$300,000	I	P
1	Distribution Automation - STT & STX Virgin Islands Water and Power Authority	Distribution Automation (DA) or Smart Grid capital improvement project to upgrade the currently installed pad mounted and pole mounted switches to more intelligent DA switches that will aid in improving system operation and system reliability.	Federal	\$1 million	I	P
1	Nazareth Transmission Main (Ritz Carlton) - STT Virgin Islands Water and Power Authority	This project is the expansion of the water distribution system on route 322 to Ritz Carlton, Secret Harbor, Cowpet Bay, Anchorage and Elysians.	Federal	\$3.2 million	I	P
1	Bolongo Bay Transmission Main - STT Virgin Islands Water and Power Authority	This project is the expansion of the water distribution system on route 30 to Bolongo Beach Resort, Watergate Est., Sea Cliff and Regatta Point Condos.	Federal	\$3 million	I	P
1	Mars Hill Multipurpose Indoor Sports Complex - STX Virgin Islands Housing Finance Authority (VIHFA)	Development and construction of a Multi-Purpose Indoor Sports Complex on 44.503 acres of land located at Matricula 22-A Estate Mars Hill, West End Quarter, St. Croix. The structure will include accommodations to house sports, concerts and other activities.	Local	\$17.5 million	I	P
1	Williams Delight Development - STX Virgin Islands Housing Authority (VIHA)	Reconstruction/rehabilitation of 200 units. Of the reconstructed units, 50% are anticipated to be offered for sale to low-income buyers, and the remaining units will be offered as low-to moderate income rentals.	Bonds, LIHTC, Local	\$16 million	I	P
2	Louis E. Brown Villas Phase III - STX Virgin Islands Housing Authority	Construction of 102 units of low-rise/garden apartment public housing on approximately 12 acres.	HUD, Local, LIHTC	\$40 million	I	P

Project Rank	Project Name and Applicant	Project Description	Potential Funding Source	Estimated Cost	Project Type	Stage of Development
1	deChabert/Christiansted Revitalization - STX Virgin Islands Housing Authority and Virgin Islands Economic Development Authority (VIEDA)	This project will implement comprehensive neighborhood multi-site development that include mixed-income (public housing/project-based vouchers, tax credit and market-rate units), mixed finance and mixed uses. Include four (4) family and two (2) family federally-assisted housing sites.	Federal, Local, Bonds, LIHTC	\$57 million	I	P
2	Walter I. M. Hodge Development - STX Virgin Islands Housing Authority	Reconstruction/rehabilitation of 168 units of 2, 3, and 4 bedrooms.	Bonds, LIHTC, Local	\$42 million	I	P
2	Nicasio Nico Community - STX Virgin Islands Housing Authority	Construction of sixty (60) family units in low-rise/garden apartments in the Estate Princess community.	Bonds, LIHTC	\$23 million	I	P
2	Redevelopment of Estate Lindberg Bay/Bournefield - STT Virgin Islands Housing Authority and Virgin Islands Port Authority	Development of Mixed-Income/Mixed-Financing Housing and Mixed-Use of 78.8 acres at Estate Lindberg Bay to provide housing options for residents of Bourne Field Housing.	LIHTC, NMTC, Bond, Federal, Local, Private	\$30-60 million	I	P
1	Christiansted Downtown Business Revitalization - STX Virgin Islands Department of Public Works, Virgin Islands Port Authority and Virgin Islands Economic Development Authority	Restored commercial "traditional" mixed use buildings, introduction of historically appropriate parking garages, and a boardwalk extension.	Federal, Local, Private Foundation	\$10 million	I	P
1	Fort Frederik - STX Virgin Islands Department of Public Works, Virgin Islands Department of Planning and Natural Resources, the Division of Libraries, Archives, and Museums and the State Historic Preservation Office	Conservation and stabilization of this National Historic Landmark, with specific emphasis on roof renovations to prevent water damage to historic archives.	Federal, Local, Private Foundation	\$2 million	I	P
1	Melvin Evans Highway - STX Virgin Islands Department of Public Works	Include drainage improvement, guardrail and other safety improvements, and construction of roadside shoulders	Federal, Garvee Bonds	\$40 million	I	C

Project Rank	Project Name and Applicant	Project Description	Potential Funding Source	Estimated Cost	Project Type	Stage of Development
1	Fort Christian Renovation - STT Virgin Islands Department of Public Works, Virgin Islands Department of Planning and Natural Resources, the Division of Libraries, Archives, and Museums and the State Historic Preservation Office	Conservation and stabilization to include roof reconstruction; historic paver replacement; lime plaster wall repairs; re-installation of historic wood floors in Governor's Room and former Church area; re-interment of human remains; electrical rewiring; exterior landscaping and restoration of historic grounds.	Federal, Local, Bonds	\$4 million	I	C
1	Main Street & Side Streets Enhancement - STT Virgin Islands Department of Public Works and Downtown Revitalization Inc.,(DRI)	Revitalization of downtown Charlotte Amalie to include pedestrian walkways, widening of roads, security cameras, and landscaping enhancements.	Federal, Public, Private	\$10.5 million	I	C
1	Harbor Transportation - STT Virgin Islands Department of Public Works (VITRAN)	Construction of small, passenger ferry boats which will provide water transportation through the harbor between Water Island, Crown Bay, Downtown Charlotte Amalie, and the Yacht Haven/Havensight Area.	Federal	\$4.8 million	I	D
1	Veterans Drive Water Front Phase 1 - STT Virgin Islands Department of Public Works	Phase I will widen Route 30 from 2 to 4 lanes to ease congestion between Lovers Lane and Vendors Plaza. Work also entails installation of a landscaped median; new sidewalks on the north side connecting to a small park area at Lovers Lane intersection; and a new promenade with landscaped seating areas on the south side.	Garvee bonds	\$60 million	I	D
2	Salt River Marine Research and Education Center - STX University of the Virgin Islands, Government of the Virgin Islands, and JICMS (Joint Institute for Caribbean Marine Studies, a consortium of universities)	Construction of a 59,000 square foot campus facility on eight acres include six research wet lab modules, classrooms and lecture space, living accommodations, and related support facilities. The facility will accommodate 40 undergraduate students and 16 researchers/graduate students at one time. Also include additional student based K-12 programs; public tours for "science in the park"; and allow recreational use, trails, beach, and water access.	Bonds, Private, Federal, Local	\$42.6 million	I, E and R	P

Project Rank	Project Name and Applicant	Project Description	Potential Funding Source	Estimated Cost	Project Type	Stage of Development
1	St. Croix Water Adventure Park - STX Department of Property and Procurement (VIDP&P) and Virgin Islands Economic Development Authority	Construction of an adventure and water park incorporating experiential cultural, historical and ecological themes based on amusement features to include a water park, zip line, retail and food and beverage offerings.	Bonds, Public Private	\$34 million	I	P
1	Paul E. Joseph Stadium - STX Department of Property and Procurement (VIDP&P) and Virgin Islands Economic Development Authority	Demolition of the deteriorated structure; construction of a multi-sports complex for athletic tournaments, races, exhibitions, and events; construction of a Little League village; and development of a Carnival Village for events.	Local Community Trust Fund, PFA Bonds	\$20 million	I	P
2	Wastewater Treatment Plant Expansion and Collection System - STJ Virgin Islands Waste Management Authority (VIWMA)	The new Coral Bay Wastewater Treatment Plant and Collection System, to include the pump station and sewer network, is essential to protected the surrounding marine ecosystem and respond to the growing community.	Federal, Local	\$14.4 million	I	P
2	Wastewater Treatment Plant Upgrades, Cruz Bay - STJ Virgin Islands Waste Management Authority	Upgrades include collection, pump out to treatment facility, wet wells, and ejector pumps aeration line.	Federal, Local, St. John Capital Improvement Funds	\$2.4 million	I	P
1	Water Island Preparedness Center Virgin Islands Territorial Emergency Management Agency (VITEMA) and Water Island Search and Rescue Inc.	Expansion of the existing Water Island Fire House to develop a Preparedness Center to include shelter for emergency vehicles, which will ensure that the community is adequately prepared in emergency or natural disaster situation.	Federal, Local	\$1.5 million	I	P
2	Water Island Ferry/Phillips Landing Terminal Virgin Islands Department of Public Works	Construction of a terminal at the primary entry point to Water Island will provide shelter to arrivals and departures from the island.	Federal, Local	\$1 million	I	P

Project Rank	Project Name and Applicant	Project Description	Potential Funding Source	Estimated Cost	Project Type	Stage of Development
1	Comprehensive Broadband Infrastructure Expansion and Enhancement Virgin Islands Next Generation Network (viNGN)	Expand viNGN's broadband network to connect additional Community Anchor Institution (CAI) sites to business enterprises, Public Computer Centers (PCCs), and residences.	Federal, BAN/Term Loan/Bond	\$50 million	I	P
2	Enterprise Zones: VI 12 and VI Hub Activities Virgin Islands Economic Development Authority	VI 12 project designed to assist local businesses by developing efficient production and distribution methods to increase expansion opportunities and employment targeting residents in distressed neighborhoods. VI Hub activities involve expanding community based clusters to generate business partnerships to promote economic development in existing industry clusters.	Federal, Local	\$4 million	EZ	P
2	Telehealth Feasibility and Marketing Study VI Partnership for Telehealth	Feasibility study to determine the scope of the Territory's need and benefits of establishing a local telehealth network.	Federal	\$140,000	FS	P
2	Renewable Energy Feasibility Study Islands Energy Innovation LLC	Feasibility study of shifting the electric power supply base from fossil fuels to high utilization of clean, lower-cost renewable energy.	Federal	\$500,000	FS	P

Project Type *

I = Infrastructure
E = Education
EZ = Enterprise Zone
FS = Feasibility Study

Stage Of Development*

P = Planning
D = Design
C = Construction

Island *

STT = St. Thomas
STX = St. Croix
STJ = St. John

VI. Performance Measures and Evaluation

Key performance measures will be used to assess the progress of the CEDS in meeting the goals and objectives previously identified. These include input measures, such as education and infrastructure, and outcomes such as job growth, income growth, tax revenues, number and types of investments, technology commercialization, and incubators creation. Output metrics that relate to innovation, such as R&D spending, venture capital and business start-ups, will also be tracked.

The following measures will be computed annually as the data become available.

- Number of economic development initiatives from the CEDS process that leads to public and private investment and jobs.
- Number of grants written.
- Number of grants received.
- U.S. public dollar investment in CEDS-related programs.
- USVI public dollar investment in CEDS-related programs.
- U.S. private dollar investment in CEDS-related programs.
- USVI private dollar investment in CEDS-related programs.
- International private dollar investment in CEDS-related programs.
- Number of jobs created after implementation of CEDS.
- Number of jobs retained as a result of CEDS-related programs.
- Median wage after implementation of CEDS.

Priority Indicators

1. Economic Diversification and Competitiveness
 - a. Gross Domestic Product.
 - b. Number of air and cruise ship visitors.
 - c. Number of manufacturing jobs created.
 - d. Number of small farmers involved in agriculture and aquaculture.

2. Education and Workforce
 - a. Percent of higher education attainment.
 - b. Number of locally employed University of the Virgin Islands graduates.
3. Physical Infrastructure and the environment.
 - a. Number of jobs created as a result of infrastructure investments.
 - b. Number of building permits.
 - c. Number of programs created that promotes conservation of natural and cultural resources.
4. Healthcare
 - a. Number of healthcare workers.
5. Government support systems
 - a. Number of entrepreneurial venture start-ups.
 - b. Amount of available venture capital funding.

VII. Accomplishments

A 2012 Update to the 2009 CEDS Plan was prepared, which builds on a strategy of job creation, economic growth and sustainability. The USVI has integrated resilience and mitigation strategies into the CEDS Plan, and successfully sought and received funding to support planning and strategic projects to bolster job and economic growth, and improve disaster mitigation, response, recovery and resiliency.

The Government has also achieved key strategic objectives and created partnerships with the private sector on economic development initiatives that will help to create jobs and grow the economy. As an example, on October 29, 2014, the Government signed an operating agreement with Atlantic Basin Refining V.I., which proposed to purchase the HOVENSA petroleum refinery to operate as a 300,000 barrel per day refinery. If the operating agreement is ratified by the 30th Legislature of the Virgin Islands and the sale of HOVENSA proceeds, the refinery is expected to be operational in two years after the sale, and anticipates hiring 500 permanent jobs and 200 contractors.

The 2012 CEDS Update identified critical priorities and initiatives, several of which will help to implement the economic development strategies, including mitigation of 'sudden and severe' economic impacts of natural disasters and plant closures; support for small business; production and utilization of new and alternative energy; economic diversification; and workforce development. The following selected achievements represent strategic priority projects, planning and technical assistance initiatives in progress or completed since the 2012 CEDS Update.

Strategic Priority: Comprehensive Economic Development Planning and Mitigation Planning

The Territory received a \$440,000 grant from the U.S. Economic Development Administration (EDA), awarded to the Bureau of Economic Research to prepare the 2015 CEDS, conduct a Target Competitive Industry Study which identifies opportunities for recruiting and developing new industries that promote job creation and private investment, with an emphasis on St. Croix; and develop an Input-Output (I-O) model that can be used to measure the economic impact

from natural and economic disasters, including the economic, financial and fiscal impact associated with the sudden plant closures.

Strategic Priority: Support for small business entrepreneurs.

Disaster Relief Revolving Loan Fund: The U.S. Economic Development Administration (EDA) awarded a \$2 million grant to the VIEDA to establish a Post-Disaster Relief Revolving Loan Fund (RLF) designed to assist small and mid-sized businesses that are engaged in commercial, manufacturing, retail, construction and other business-related services affected by tropical storms Otto and Thomas. This investment will support approximately 32 small businesses that can create and/or maintain approximately 150 jobs. It will also support the implementation of the USVI Disaster RLF program by mitigating the potential for future losses and adverse economic impacts.

State Small Business Credit Initiative (SSBCI) Grant. The \$13.1 million grant funds from the U.S. Department of Treasury provide collateral support for small business programs, including credit loan guarantee/payments, and surety and performance bonding in partnership with local commercial banks. As of 2013, 17 businesses obtained SSBCI enhancements through 3 local banks totaling \$246,825. Total loans made by banks in partnership with SSBCI are \$1.2M. These funds have kept 50 residents employed and injected approximately \$4.7M in direct and indirect economic activities.

State Trade and Exporting Promotion (STEP) Grant. The VIEDA received a second year \$322,498 State Trade and Export Promotion (STEP) grant from the U.S. Small Business Administration to assist small businesses to develop and expand products for foreign export market. The STEP Grant program is a three-year pilot trade and export initiative. Under the first grant competition in 2011, the VIEDA was awarded \$489,646. The \$812,144 STEP grant program offered growth opportunities for 20 small businesses and included training, translation of marketing materials, pop-ups and valuable assistance with trade shows abroad. STEP funds were used to build www.usvimarketplace.com, which is the Virgin Islands premier virtual mall for export.

Payment and Performance Bonding Program: The Payment and Performance Bonding Program is in its third year of providing Bonds to small and medium-sized contractors needing to obtain bid, performance and payment bonds. Since its inception, a total of four (4) bonds valued at \$1,497,763 were granted to small

local contractors to support contracts amounting to 100 percent of the contract amounts.

Strategic Priority: Investing in Renewable/Alternative Energy and Infrastructure.

Estate Donoe Solar Project: The Virgin Islands Water and Power Authority executed long-term power purchase agreements with LANCO VI, LLC, one of two companies chosen to provide solar energy to the island of St. Thomas. In February 2013, Main Street Morgan Power signed Consent to Assignment agreement with LANCO VI LLC and assumed full rights and responsibility for the project.

On June 11, 2012 the Public Services Commission (PSC) voted to approve the power purchase agreements (PPAs) that WAPA executed with the solar power providers (including Sun Edison and Toshiba International). Under a revised PPA, Main Street Power Company, Inc. (Main Street Power), a national developer, owner and operator of solar installations, along with MS Solar Solutions Corp. (MSSS), an indirect, wholly owned indirect subsidiary of Morgan Stanley, have partnered to develop, construct, and finance a 5 MW DC (4.2 MW AC) ground-mounted photovoltaic solar power plant and connect this plant directly to the sub transmission circuit.



Estate Donoe Solar Project on St. Thomas

The Donoe Solar project, anticipated to be complete by January of 2015, will provide 4-5 percent of St. Thomas' current base load capacity during daylight hours. With clean, renewable power from the sun, the approximately 7.9 million kilowatt hours of electricity generated annually with this project, will be sold directly to WAPA, helping to combat the ongoing challenge of high energy costs.

St. John Solar Energy Micro-Grid Project: WAPA is in discussions to evaluate a proposed Distributed Generation + Intelligent Grid (DG+IG) project that would

use WAPA's substation on St. John to demonstrate how 12 megawatts of solar energy can supply 25 percent of the island's energy requirements.

Estate Spanish Town Solar Facility: The WAPA opened the Gregory E. Willocks Substation and the Estate Spanish Town Solar Facility on St. Croix on October 27, 2014. The solar farm, which began construction in May 2014, was acquired by NFG Energy from Toshiba in July 2014. The 4 MW facility, which occupies 17 acres, connects directly to the Willocks Substation and is estimated to produce more than 8.5 million kilowatt-hours annually. At an annual average of 4,800 kilowatt-hours per household, the facility will provide power to about 1,800 households on the island.

Along with the other solar installations, there will be a total of 18 megawatts (MW) of solar power generated throughout the Territory, which represents approximately 15 percent of the Territory's peak load demand.

University of the Virgin Islands Photovoltaic Energy Plants: In 2014, UVI announced a power purchase agreement with New Generation Power (NGP), a Chicago-based solar energy company, under which NGP will build new photovoltaic energy plants on UVI's St. Thomas and St. Croix campuses. UVI estimated that the new facilities, which will have a combined capacity of approximately 3 megawatts, will substantially reduce UVI's reliance on electricity generated from fossil fuels, as well as substantially reduce its energy costs by 50 percent. These new facilities will also allow UVI, in partnerships with the Illinois Institute of Technology (IIT), to expand its programs of research on renewable energy.

In 2014, UVI announced that Veriown Energy would work with UVI and IIT to develop microgrids on UVI's campuses, providing enhanced energy storage and distribution capacity for the new solar systems. The microgrid project is being financed with a \$3 million grant the U.S. Department of Agriculture.

Energy Sun Powered Loan Program- The program, created by the VIEDA through partnership with the Virgin Islands Energy Office, provides low interest loans to small businesses for the purchase and installation of solar thermal and photovoltaic systems to reduce energy costs and promote clean energy. The VIEDA has administered approximately 769 energy loan to customers with a total loan value of \$1.4 million at the end of 2013.

Territory-wide Metropolitan Area Network (“MAN”) Program: The Government, through the Virgin Islands Public Finance Authority, with viNGN as a sub-recipient, was awarded \$68 million of federal funding to implement four Broadband Technology Opportunities Programs (BTOP): the Comprehensive Community Infrastructure project; the Public Computing Centers project; the State Broadband Initiative project; and the Sustainable Broadband Adoption project. Additional funding was provided by the Government via a \$32 million bond issue and in-kind contribution of assets by the Virgin Islands Water and Power Authority. The grant funding was used to construct and connect a state-of-the-art “middle-mile” broadband infrastructure, with a purpose to help drive the Territory’s economic growth and social development by increasing high speed broadband use and access, and encouraging Internet Service Providers (ISPs), cellular phone providers and other broadband service providers to offer services at lower cost to customers.

As of October, 2014, viNGN’s network connects more than 300 Community Anchor Institutions (CAS’s) which include government agencies, households, schools, public libraries, public safety, emergency management, healthcare delivery, private sector business, and UVI and the RTPark. In addition, viNGN has established 28 Public Computer Centers (PCCs) in partnership with public libraries, public housing communities, community organizations, and other government departments to offer digital literacy and training programs.

Ports Development: VIPA closed in October, 2014 on \$48.6 million bond to fund capital projects, including cross-channel dredging at the Wilfred Allick Port and Transshipment Center; refurbishment of the south tender landing at the pier of the Abramson Marine Facility in Frederiksted; refurbishment of the Gallows Bay Marine Terminal and bulkhead; dredging of the Schooner Bay Channel to facilitate the berthing of small cruise ships in Christiansted; dredging the East Gregorie Channels to accommodate the largest cruise ships at Crown Bay; and constructing a U.S. Customs and Border Protection Facility and multi-level parking garage at Fredericks Marine Terminal in Red Hook.

Strategic Priority: Investing in Research and Technology Park, Innovation Centers, and Incubators.

The University of the Virgin Islands 10-acre Research and Technology Park located on the University’s St. Croix campus, was created “to position the USVI as

a near-shore, world-class provider of e-commerce and information technology infrastructure solutions for knowledge-based, e-commerce and digital content companies.” The Park’s first 18,000 square foot building was started in 2011 and completed in 2013 at a cost of \$13 million. The university invested more than \$2 million in the project, with additional funding from a variety of sources, including the U.S. Commerce Department's Economic Development Administration, which provided \$5.5 million; the V.I. Public Finance Authority, which provided \$3.5 million; and private donors, who bridged the final \$3 million gap.

While the new building provides a physical hub for the Park’s activities, RTPark companies can be located anywhere in the Territory. As at the end of 2013, 18 companies were participating in the program, including providers of telecommunications and broadband services, e-commerce companies, on-line content providers and financial services. Together they employ approximately 220 people. The RTPark provides state-of-the-art technologies, including a data communications center, conference room and support facilities.

The Virgin Islands Experimental Program to Stimulate Competitive Research (VI-EPSCoR), administered through UVI, promotes the development of the Territory’s science and technology resources through multi-disciplinary research and education programs. In 2014, UVI received a \$20 million grant from the National Science foundation which will be distributed over five years, with 4 million each year. The award bolster science and engineering academic research infrastructure, as well as support fundamental research, science and engineering education, and workforce development in the USVI.

VIEDA's Disaster Small-Mid-sized Enterprise Incubation Program: In 2013, the VIEDA was awarded a \$1 million grant from the U.S. Department of Commerce's Economic Development Administration (EDA) to support the establishment of an incubator program to assist small businesses and emerging entrepreneurs. With a focus on growing sustainable businesses, the new incubator located at the William D. Roebuck Industrial Park on St. Croix, targets the professional service, food and agribusiness, tourism, e-commerce, and information technology industries. The incubator offers technical assistance on the establishment, operation, and administration of small businesses, as well as grants, training, and mentoring services to encourage increased entrepreneurial activities. It also provides funding for the VIEDA to hire business consultants and support service

providers. The incubator offers access to high-speed internet services, low-cost office rental space, and shared office equipment. Currently, there are 10 participants under the VIEDA's incubator program, three of which are incubator tenants, and seven businesses that are outreach/virtual tenants that are located off-site.

VIII. Actionable Agenda

A number of actionable items are set forth as first steps to begin the process of implementation. These were selected based on specific measures recommended in the Business and Innovation Roundtable Summit and public meetings. Best practices from other states were also adopted for use in the USVI.

It is envisioned the Office of the Governor will lead in ensuring that agencies and departments' priorities, programs and strategic plans align with the economic development strategy. The Bureau of Economic Research will serve as lead agency working with other agencies, with support from local and federal partners to implement the plan.

Critical actions recommended for implementation of the CEDS

Education and Workforce Development

- Convene a working group of higher education, long-life learning, workforce development, labor, and business leaders to devise a strategy for integrating education and workforce development with current and anticipated business demands.

Business and Innovation

- Establish a team comprised of representatives from UVI, businesses, and financial services to identify commercialization models for replication, and private financing options to enable development of products and processes.
- Create a team with representatives from the VIEDA, UVI RTPark, and industry tax incentive experts to assess existing tax incentives, and recommend alternative approaches to attract companies and industry.
- Create a team with representative from the VIEDA, UVI RTPark, Department of Tourism, the Chambers of Commerce, Hotel and Tourism Association, and other partners in the private sector to identify existing and emerging industry opportunities, and create a comprehensive global business and tourism development strategy for the USVI.

Manufacture

- Continue to market the “Made in the USA” initiative to encourage competitive industries to manufacture in the USVI.
- Advance pre-permitting zones in certain industrial areas where all pre-clear environmental and impact requirements have been approved for manufacturing.

Infrastructure

- Initiate the process to develop an integrated strategy for addressing economic development, land use, infrastructure, energy, environmental protection, and community development over a 20-year period.
- Prepare an assessment of infrastructure support systems, including ports, roads, and storage capacity to handle expanded transshipment trade.

Regulatory Reform

- Establish a team comprised of business and government leaders to identify specific permitting rules and processes that pose the greatest barriers to business, and recommend legislative changes to the Virgin Islands Code to eliminate redundant permitting and regulatory processes.
- Launch a central economic development web site to provide information and tools to help businesses navigate government requirements for licensing and permitting, and enable seamless registration and application for government services.

Federal Advocacy

- Advocate for tax reform that creates stability for business; the Visa Waiver Program to attract foreign visitors and sporting events, trade, and investments; and residency requirements and income sourcing.

CEDS Committee Membership

Private Sector Representatives

Name	Position	Organization
Mark W. Eckard, Esquire	President	St. Croix Chamber of Commerce
Sebastiano Paiewonsky Cassinelli	President	St. Thomas and St. John Chamber of Commerce
Lisa Hamilton	President	St. Thomas/St. John Hotel Association
John Holmberg	Marine Advisor	Pajero Point Inc., (PPI)

Public Sector Representatives

Name	Position	Government
John P. deJongh, Jr.	Governor/Chairman	Office of the Governor
Nathan Simmonds	Deputy Chief of Staff	Office of the Governor
Wharton Berger	Director	Bureau of Economic Research
Debra Gottlieb	Director	Office of Management & Budget
Beverly Nicholson-Doty	Commissioner	Department of Tourism
Jean-Pierre Oriol	Acting Commissioner	Department of Planning & Natural Resources
Donna Frett-Gregory	Commissioner	Department of Education
Albert Bryan, Jr.	Commissioner	Department of Labor
Daryl Smalls	Commissioner	Department of Public Works
Claudette Watson-Anderson	Director	Bureau of Internal Revenue

Quasi-Government Representative

Name	Position	Government
Joseph B. Boschulte	President & CEO	The West Indian Company Ltd.
Hugo V. Hodge, Jr.	CEO	Water & Power Authority
Percival Clouden	CEO	Virgin Islands Economic Development Authority
David Hall, PhD	President	University of the Virgin Islands
Carlton Dowe	Executive Director	Virgin Islands Port Authority

Community and Workforce Development Representatives

Name	Position	Government
Dee Baecher-Brown	President	Community Foundation of the Virgin Islands
Roger Dewey	President	St. Croix Foundation
Richard Difede	Chairman	Workforce Development Board
Sheryl Parris	President	Central Labor Council