

1 **VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY**
2 **TESTIMONY TO THE COMMITTEE ON FINANCE**
3 **FISCAL YEAR 2014 BUDGET HEARING**
4 **30th LEGISLATURE OF THE VIRGIN ISLANDS**
5 **ST. THOMAS, VIRGIN ISLANDS**
6 **JULY 26, 2013**

7
8 Good Morning, Chairman Graham, members of the Committee on Finance, other
9 members of the 30th Legislature present, fellow testifiers, ladies and gentlemen gathered here,
10 and the viewing and listening audiences. I am Percival E. Clouden, Chief Executive Officer of
11 the Virgin Islands Economic Development Authority (the “Authority”). With me today are Ms.
12 Jennifer Nugent-Hill, Assistant Chief Executive Officer and Chief Operating Officer and Mr.
13 Ernest Halliday, Director of Administration and Finance. Other members of the Authority’s
14 management staff, to include: Ms. Margarita Benjamin, Director of Applications; Ms. Stephanie
15 Berry, Director of Compliance; Ms. Nadine Marchena Kean, Director of Enterprise Zone
16 Commission; Ms. Dianne Duinker, Director of Lending; Mr. Frederick Handleman, Director of
17 Legislative & Legal Affairs; Ms. Cusa Holloway, Incubator Program Manager and Ms. Kelly
18 Thompson Webbe, Budget and Financial Analyst are present in the Chamber and are available to
19 respond to inquiries.

20 The Virgin Islands Economic Development Authority (VIEDA) is an umbrella authority
21 consisting of five (5) entities under one executive Board.

22 Last year, we justified the Virgin Islands Economic Development Authority’s Fiscal Year
23 2013 proposed budget and outlined bold and ambitious objectives that we are here to report on
24 today. We promised to create opportunities for our residents by creating jobs so that the quality
25 of life for our residents can improve. We believe the stage is set on which we can tell this story.

26 We promised to uphold and maintain the highest degree of integrity and accountability in
27 financial reporting. We have done that! An Unqualified audit opinion on Fiscal Year 2012

28 financials is the third consecutive year we have achieved a “clean audit review”. This means that
29 national and international banks along with the Federal Government look at the VIEDA more
30 favorably with respect to the solicitation of grants and loans. And, I am bold enough to say that
31 this is the only quasi-government agency with an unqualified opinion.

32 We set out to improve operational efficiencies in every way possible and to create an
33 environment conducive for staff and clients to do business in a productive, healthy, and suitable
34 work environment. We have done that! One major event was the relocation of the VIEDA offices
35 on St. Thomas, which allowed the Authority to reduce its rental cost by twenty four percent
36 (24%), utility services by approximately fifty percent (50%) and other related expenses by fifteen
37 (15%).

38 We said that we will be aggressive and go after those Federal dollars that will help us not
39 only build a strong workforce, but nurture and successfully develop local small businesses and
40 entrepreneurs. And we kept our word.

41 **UNITED STATES ECONOMIC DEVELOPMENT ADMINISTRATION POST**
42 **DISASTER RELIEF REVOLVING LOAN FUND (RLF) GRANT**
43

44 The Authority was successful in receiving Two Million Dollars (\$2,000,000) in grant
45 funds from the US Department of Commerce Economic Development Administration to assist
46 small and mid-sized businesses in the Territory who are engaged in commercial, manufacturing,
47 retail, construction and other business-related services and were affected by tropical storms Otto
48 and Tomas. This money will be circulated in the economy to directly assist approximately thirty-
49 two (32) small businesses and to maintain or create an estimated one hundred and fifty (150)
50 jobs.

51

52 **VIEDA DISASTER SMALL-MIDSIZE ENTEPRISES INCUBATION PROGRAM**

53 In 2005, the Twenty-Six Legislative body appropriated funding to perform a feasibility
54 study on business incubators in the U.S. Virgin Islands. The result of that study, which
55 encompassed every cross section of the small business community, revealed that there is
56 sufficient demand for additional incubator programs in the Territory. I am pleased to report that
57 during this fiscal year, the Authority was successful in securing One Million Dollars
58 (\$1,000,000) in grant funding from the US Department of Commerce Economic Development
59 Administration to provide technical assistance and to assist in the administration and
60 management of an incubator at the William D. Roebuck Industrial Park on St. Croix. This center
61 will house a wide spectrum of small businesses to include professional service, food and
62 agribusiness, tourism, e-commerce and information technology. To date, ten (10) entrepreneurs
63 have expressed serious interest. Entrepreneurs will be selected and are expected to be in the
64 program by the end of August 2013.

65

66 **STATE SMALL BUSINESS CREDIT INITIATIVE (SSBCI) GRANT**

67 The State Small Business Credit Initiative program is supported by Thirteen Million One
68 Hundred Thousand Dollars (\$13,100,000) in Federal funds and supports loan enhancements and
69 performance bonding in partnership with local banks. We received the first tranche of Four
70 Million Three Hundred Forty Five Thousand Five Hundred Fifty Six Dollars (\$4,345,556)
71 approximately fifteen (15) months ago. The use of these funds and the success of the program
72 rest heavily with local financial institutions that are reluctant to embrace the program, even
73 though the program poses little or no risk to them. However, not deterred, we continue our
74 dialogue with the local banks about the SSBCI program. This resulted in an increase in the

75 number of inquires and actual requests for enhancements from the participating banks. To date,
76 these loan enhancements have already supported fourteen (14) loans with a total dollar value of
77 Seven Hundred Eighty Four Thousand Three Hundred Twenty Five Dollars (\$784,325) to local
78 businesses. The loan enhancements has kept approximately fifty (50) residents employed and
79 injected an estimated Four Million Six Hundred Fifty One Thousand Three Hundred Ninety
80 Dollars (\$4,651,390) in direct economic activities representing total bank loans.

81

82 **STATE TRADE AND EXPORTING PROMOTION GRANT (STEP)**

83 In difficult economic times, companies are always tasked with reducing cost or
84 increasing revenue to survive. As a recipient of the United States Small Business
85 Administration's State Trade and Export Promotion grant (STEP), the VI Economic
86 Development Authority created opportunities for small business concerns to increase their
87 revenue by increasing sales in international markets. This program has provided growth
88 opportunities for twenty (20) small businesses including training, translation of marketing
89 materials, and assistance with attending tradeshow in Florida, Georgia, New York, France, and
90 Brazil. These companies were predominantly in the health and beauty, food, and yachting
91 industries. The funds have also been utilized to create www.usvimarketplace.com, the Virgin
92 Islands' premier virtual mall for export purposes, which has been translated into thirty-two
93 different languages. With a two year grant authorized at just over \$812,000, VISTEP has made a
94 difference.

95

96 **ENERGY SUN POWERED LOAN PROGRAM**

97 The Virgin Islands Energy Office (VIEO) received funds from the American Recovery
98 and Reinvestment Act (ARRA) to develop and implement energy conserving programs in the
99 Territory that will spur economic recovery, create jobs, reduce green house gas emissions and
100 reduce fossil fuel dependency. Through a Memorandum of Agreement (MOA) among the Virgin
101 Islands Energy Office, the Virgin Islands Water and Power Authority, and the Virgin Islands
102 Economic Development Authority, we processed loan applications, issued loans and rebate
103 checks. We continue to administer customers' loans and files. The Sun Power Loan program was
104 a success. It provided Eight Hundred Twelve (812) loans to residents – Five Hundred Sixteen
105 (516) on St. Croix and Three Hundred Fifty Eight (358) in the St. Thomas-St. John District,
106 representing a total of Four Million Two Hundred Thousand Dollars (\$4,200,000) in loans and
107 rebates.

108 During this fiscal year, the Virgin Islands Economic Development Authority received
109 funding of Six Hundred Eighty Nine Thousand Two Hundred Sixty Dollars (\$689,260) from the
110 Virgin Islands Energy Office to serve as the administrator of the Sun Powered Loan Program for
111 its Phase two (2) program. This funding makes it possible to continue the Sun Power Loan
112 Program by providing affordable options for homeowners and small businesses to purchase solar
113 water heaters that will reduce energy costs, increase efficiency, and promote clean energy for
114 homeowners and small businesses in the Territory.

115

116 **MARKETING AND PUBLIC RELATIONS INITIATIVES**

117 Equally important, we said that we would revitalize and become more aggressive in our
118 marketing and public relation initiatives.

119 We have revamped the VIEDA website – www.usvieda.org and transformed it to be a
120 more user-friendly, interactive site that can capture the imagination of the curious browser,
121 meeting the needs of those who want to access our services and to tell how fresh air + clear water
122 + lots of sunshine = ideal conditions for growth. We kept that promise!

123 We wanted to be aggressive with our local public relations campaign and so we launched
124 the TV show appropriately titled, “VIEDA Focus on the VI Market Place” - a show that
125 promotes and highlights all of the VIEDA programs and initiatives and, in addition, features and
126 showcases our small businesses at work.

127 In October of last year, the VIEDA sponsored a Small Hotels Economic Development
128 Summit on both islands. The Summit gathered the decision makers at small hotels that are
129 currently operating in the Territory and consisted of various presentations and informative,
130 interactive discussions on financing, expansion and growth opportunities for small hotels located
131 in the Territory. As a result of the Hotel Economic Development Summit, two (2) small local
132 hotels were provided financing for expansion that created additional jobs.

133 Our national and international marketing campaign promoting the Territory as a
134 destination for commerce and business was a high priority.

135 During March 2013, in partnership with the United States Embassy and the Denmark-
136 American Business Forum (DABF), ninety (90) businesses attended the VIEDA business forum
137 that was held in Copenhagen, Denmark. Additionally, seven (7) direct company meetings
138 resulted in four (4) highly promising prospects namely:

- 139
- 140 1) An International Travel Reservation System, which resulted in a trip to the Virgin
141 Islands by company official;

- 142 2) A Renewable Energy Firm, **whereby the** principal made several site visits to St.
143 Thomas;
- 144 3) An Information Technology Firm, which is in the early stages of the due diligence
145 process; and
- 146 4) A Small High Tech Manufacturing firm, which has a planned visit for
147 August/September 2013.

148

149 During June 2013, two (2) local Economic Development Commission (EDC) companies
150 partnered with the VIEDA to host the New York Marketing EDC event. There were
151 approximately forty (40) attendees at that event, most of whom represented financial services
152 and hedge fund companies.

153 Additionally, this Investment Mission took us to the US East Coast to include stops in
154 Washington, D.C. and Boston. During that mission, meetings were held with ten (10) companies
155 that resulted in five (5) new investment leads and four (4) active prospects, including:

- 156 1. Hedge Fund – a new application received one week ago;
- 157 2. Food Import Company – actively looking at real estate on St. Croix;
- 158 3. Renewable Energy Firm – for establishing the Caribbean/Latin America Regional
159 Headquarters; and
- 160 4. Asset Management Firm - early stages of due diligence process.

161 Our voices have been loud. Our message is clear – there is no better place to start a
162 business than in America’s Paradise!

163

164

165 **LENDING DIVISION**

166 Those of us who understand economic development know that the availability of capital
167 is like the wheels on a car – it is stagnant without them. So, we promised to increase available
168 sources of lending funds, accelerate the level of lending activities and aggressively pursue
169 borrowers who are delinquent in meeting their loan obligation. The first nine (9) months in this
170 fiscal year reflected the following data:

- 171 - Dollar Value of New Loans Approved: \$458,500
- 172 - Dollar Value of Collections: \$842,224
- 173 - Number of Delinquent Borrowers: 242
- 174 - Dollar Value of Delinquent Loans: \$7,470,534

175 The number of loans granted within the last nine months was a reflection of the weak
176 economic condition in the Territory and the due diligence now exercised in approving loan
177 requests. Further, the closure of the largest private employer in St. Croix, Hovensa, LLC.,
178 negatively affected business owners from expanding or starting up new business ventures. There
179 were less qualified applicants and a decrease in risk takers willing to start new businesses.

180 Notwithstanding, our reinvigorated and aggressive collection efforts are showing
181 results as there was a four percent (4%) increase in collections compared to the same period last
182 year. Moreover, the number of delinquent borrowers decreased by thirty-seven percent (37%).

183 This was due to legal actions instituted against individuals in our loan portfolio and the
184 Superior Court marshals acting Writs-of Execution on several individuals. To date, nine(9)
185 cases were filed in Superior Court totaling \$515,933, eighteen (18) were filed in Small Claims
186 Court, amounting to \$92,535, while sixty-three (63) cases adding up to \$2,261,462 are in the
187 hands of our outside legal counsel to be filed.

188 One of our collection agencies indicated that the VIEDA's delinquent portfolio continues
189 to outperform the national averages. The shared goal with external collection agencies to
190 collect on the delinquent loans have resulted in a few loan payoffs, which is having a positive
191 impact on our revolving loan funds.

192 When I joined the VIEDA in November of 2007, I requested an audit of the Lending
193 Department because I saw an unreasonably high delinquency rate. In April of this year, the
194 Office of the Virgin Islands Inspector General completed a report on its audit of the various loan
195 programs and made several recommendations for improvement. Thirteen (13) of the fifteen (15)
196 recommendations were considered resolved by the Inspector General before the final report was
197 issued with no further action needed and, of the two (2) recommendations unresolved at the date
198 of the Inspector General's final report, one has been fully resolved and the other (credit bureau)
199 is in the process of resolution. This is solid proof of a team that is committed to working smart
200 and producing work at the highest level.

201 It has been duly noted that some of the criticisms levied against the Lending Programs
202 were justified and we have used some of those same criticisms to improve our processes and
203 programs.

204

205 **ECONOMIC DEVELOPMENT COMMISSION (EDC)**

206 The EDC Tax Incentive Program still proves to be of paramount significance to the
207 economy of the Virgin Islands given its appreciable effect on the Gross Territorial Product and
208 Government Revenues.

209 The local economy suffered from three major economic and financial events: (1) the
210 passage of the 2004 JOBS Acts that restricted the residency requirement and sourcing rules for

211 EDC Beneficiaries; (2) the impact of the Great Recession; and (3) the closure of the Hovensa Oil
212 Refinery. All these events resulted in the loss of businesses, erosion of the tax base, jobs, and a
213 significant decline in EDC applications. Yet, despite these challenges, the program continues to
214 offer opportunities to grow, expand, and diversify the Virgin Islands' economy.

215

216 **EDC APPLICATIONS UNIT**

217 Last year we pledged to lead the charge and guide economic recovery – with no time
218 wasted. A reflection of our figures shows that in the first nine (9) months of this fiscal year, six
219 (6) new EDC applications were filed with the Economic Development Commission. These six
220 (6) new applications represent potential future economic impact of a minimum of sixty-three
221 (63) new jobs to be created, over Three Million One Hundred Thousand Dollars (\$3,100,000) to
222 be paid out in wages and over Two Million Two Hundred Thousand Dollars (\$2,200,000) to be
223 made in capital investment. These applicants also represent the potential for the US Virgin
224 Islands to realize additional revenues from direct and indirect taxes, thereby adding to our tax
225 base.

226 The EDC Applications Unit continues to improve on its processes. With the institution of
227 pre-application meetings and continued improvements to streamline the application process, we
228 have reduce the time required to process applications and are now able to hold Public Hearings
229 and Decision Meetings in the same day or month. We are now beginning to see signs of a slow
230 economic recovery in the Territory. Business confidence is up and there is no better way of
231 telling than when we see beneficiaries with approved certificates finally activating them. So far
232 this fiscal year, thirteen (13) new applicants have elected to commence benefits. This means that
233 over a five (5) year period, these businesses are expected to add a minimum of three hundred

234 fifteen (315) full-time jobs, spend an estimated One Hundred Forty Six Million (\$146,000,000)
235 in capital investments, make annual charitable contributions of approximately Six Hundred
236 Twenty Eight Dollars (\$628,000) and pay over Thirteen Million Nine Hundred Thousand Dollars
237 (\$13,900,000) in wages. Additionally, these businesses are anticipated to contribute
238 approximately One Hundred and Fifty Six Million (\$156,000,000) in taxes to the local Treasury
239 should the businesses perform as **PROJECTED** over this five (5) year period.

240 One large beneficiary that activated its certificate this fiscal year, and is expected to
241 contribute greatly to the potential economic impact in the US Virgin Islands, is Wyndham St.
242 Thomas Development Company, LLC., which is located on St. Thomas.

243 Wyndham St. Thomas Development Company, LLC., purchased the property formerly
244 known as the Grand Beach Palace Hotel and will renovate and convert the existing hotel rooms
245 into approximately one hundred forty-five (145) timeshare units, utilizing the existing footprints
246 of thirteen (13) hotel buildings. This beneficiary is projected to employ one hundred and twenty-
247 six (126) full-time employees and invest over Seventy Seven Million Dollars (\$77,000,000) over
248 the next three years.

249 This is not to negate the positive economic impact of smaller employers such as
250 Designated Service Businesses who are in most part less labor intensive but high growth
251 industries. Nine (9) or Sixty-Four percent (64%) of the thirteen (13) businesses that elected in
252 this fiscal year to commence benefits are Designated Service Businesses that will represent 143
253 employees, contribute almost One Hundred Two Million Dollars (\$1,200,000) in capital
254 investment and provide over Four Hundred Seventy Five Thousand Dollars (\$475,000) in
255 charitable giving.

256 One such Designated Service Businesses is Altisource Asset Management Corp., the first
257 publicly traded Virgin Islands Company under the Economic Development Program. This
258 company provides asset management services to its clients in connection with the acquisition and
259 holding of single-family residential homes for rent throughout the United States, along with the
260 acquisition and ownership of other real estate related assets.

261 The Eligible Virgin Islands Suppliers Program administered by the EDC Applications
262 Unit is also growing. A total of twenty-six (26) applications were received to date in this fiscal
263 year. There are now three hundred twenty eight (328) approved Virgin Islands businesses on the
264 Eligible Virgin Islands Suppliers Program.

265

266 **EDC CUSTOMER CARE UNIT FORMERLY REFERRED TO AS THE COMPLIANCE**
267 **UNIT**

268 At the beginning of this fiscal year, we made a promise to increase reviews and site visits
269 under our EDC Customer Care Unit, formerly referred to as the Compliance Unit. We have been
270 committed to improving the level of customer care by encouraging full adherence to the EDC
271 agreement from our beneficiaries, and ensure that the program operates with the highest degree
272 of integrity. We have done all of this!

273 During the first nine (9) months, we have conducted nineteen (19) reviews. We have
274 accelerated customer care visits by fifty (50%), decreased the orientation turn around period and
275 quadrupled the number of beneficiary orientations from three (3) to twelve (12) and we are
276 working aggressively to resolve all discrepancies within a reasonable timeframe.

277 In an effort to improve coordination with our agency partners, the Economic
278 Development Commission implemented the EDC Task Force that consists of agencies

279 responsible for enforcing the applicable provision of Title 29, Chapter 12 of the VI Code. These
280 agencies and departments include the Department of Labor, Office of the Tax Assessor, Bureau
281 of Internal Revenue Service, Department of Licensing and Consumer Affairs, Small Business
282 Development Agency, Office of the Lieutenant Governor - Divisions of Corporation and
283 Trademarks, and Division of Securities, Department of Tourism, and Department of Planning
284 and Natural Resources. As part of our efforts to maintain continued and consistent involvement
285 and collaboration, the EDC Task force members have increased communication and information
286 flow. We strongly believe that this has strengthened our beneficiary care initiatives and will
287 assist us in developing a more efficient and effective EDC program.

288 On August 13 and 15, 2013, we will be hosting a comprehensive Economic Development
289 Commission Beneficiary summits on St. Croix and St. Thomas, respectively. It is a coordinated
290 effort made possible with our summit partners including members of our EDC Task Force, and
291 this year's summit theme is entitled "Maintaining Ideal Conditions for Growth."

292 The EDC Beneficiary Summit has established itself as an important forum for
293 beneficiaries and other governmental agencies to gather and exchange information relevant to
294 our EDC Tax Incentive Program.

295 **ENTERPRISE ZONE COMMISSION**

296 On the community level, it is the Enterprise Zone Commission that is tasked with being
297 the catalyst for the economic resurgence of our historic neighborhoods, but it is always
298 challenged by the lack of program funds. The rehabilitation of our neighborhoods impacts all of
299 us including visitors as we have seen an upward trend in our community involvement and
300 activities in these neighborhoods. Buildings, which include some of great historical significance,

301 are now being secured, constructed and repaired resulting from the Enterprise Zone
302 Commission’s initiatives and true activism amongst stakeholders in the community.

303 During the fiscal year, the Enterprise Zone Commission completed the “Board Up
304 Program” which included cleaning, boarding and placing renderings on critical buildings within
305 the community. These activities helped to protect the community from the threat of fire,
306 vandalism and other criminal acts. The ripple effect was significant in that we received a large
307 number of calls from families inquiring as to how they could do the same thing with their
308 buildings. Additionally, we have granted benefits to applicants who have started repairing
309 and/or constructing their buildings. We are seeing a domino effect in these communities as
310 owners of neighboring properties are doing the same to upkeep their property as well.

311 After a true collaboration with the stakeholders of Frederiksted, and the very successful
312 and well-attended charrettes in Christiansted and Garden Street, there has been an unprecedented
313 activism amongst the stakeholders to create a road map for the economic, social, and
314 architectural development for the zones.

315 The Frederiksted Collaborative Plan is in its final stages of review and adoption. Both
316 the Christiansted and Garden Street plans are being created by VI planners who are consolidating
317 all information garnered at the meetings and creating plans for our review.

318 In the interim, the residents of both Christiansted and Garden Street have been actively
319 working in their communities to move forward ideas that were discussed at the charrettes.

320
321 Although the plans are not completed, stakeholders have started working in their communities.
322 For example, in Christiansted, stakeholders have started to meet in order to “build upon the
323 recent community meetings and strengthen their community bond.”

324 So, even in these difficult economic times, the Enterprise Zone Commission continues to
325 be performance based and results driven.

326

327 **INDUSTRIAL PARK DEVELOPMENT CORPORATION**

328 We said we wanted to increase rental revenues at the Industrial Park in order for it to
329 continue to support itself (the Industrial Park is a self-supporting entity) and to maintain and
330 improve the infrastructure. We did. Although the number of tenants remained unchanged (2
331 tenants left and 2 new tenants were added), revenues improved by Eighty Six Thousand Seven
332 Hundred Seven Dollars (\$86,707) or forty-two percent (42%) during the first eight (8) months
333 this year compared to the same period last year due to higher rents being paid by the new tenants.
334 We will not rest until we reach our ultimate goal of a hundred percent (100%) occupancy

335

336 **FISCAL YEAR 2014 BUDGET PLAN**

337 So, allow me to show you our Fiscal Year 2014 budget plan. The 2014 budget that I
338 present today is built on the accomplishments of Fiscal Year 2013.

339

340 This budget is about improving the economy of the Virgin Islands and focuses resources
341 to achieve an economic resurgence in these difficult times. To accomplish this objective, we are
342 requesting a General Fund appropriation of \$5,043,274. This amount represents an increase of
343 Three Hundred Twenty Five Thousand Five Hundred Seventy Four Dollars (\$325,574) or 6.9%
344 over the amount appropriated in Fiscal Year 2013. The additional amount will provide the
345 required local match of \$120,000 for Fiscal Year 2014 for the \$1M Incubator
346 grant, allow the VIEDA to aggressively market the EDC Incentive Program to

347 attract a larger pool of potential beneficiaries in order to create jobs and increase
348 the tax base and to invest in computer base programs for the EDC and Lending
349 Divisions to enhance our capabilities for producing and analyzing data for quick
350 and objective decision making.

351 Let the truth be told: our targeted industries interest in the Territory is growing and we
352 cannot afford to slow down now. An aggressive and well-defined strategy for the EDC Tax
353 Incentive Program is a must. Additionally, we must simultaneously increase other development
354 opportunities which may give a big boom for immediate long-term job growth and job creation.

355 Here is a success story: United Electronic Industries Services (UEIS), a high tech
356 manufacturing company was established on St. Thomas in May 2012. An EDC beneficiary,
357 UEIS is a leader in the PC/Ethernet data acquisition and control, Data Logger/Recorder,
358 Programmable Automation Controller (PAC) and Modbus TCP markets. Its key customers
359 include global firms such as: Boeing, Raytheon, Lockheed Martin, Rolls Royce, General Electric
360 and NASA. UEIS currently employs ten (10) local St. Thomas residents including engineers.
361 And we the people are the beneficiaries of United Electronic Industries Services presence in St.
362 Thomas and they have been so successful, that negotiations have begun to expand their
363 operations at the Industrial Park.

364 And yet there is another success story. This time on the island of St. Croix. OCWEN,
365 LLC., also an EDC beneficiary and a multi-million company is currently expending over a One
366 Million Dollars (\$1,000,000) to build-out space at the Industrial Park for its Call Center
367 operations. They hired local contractors and they purchased locally, thus putting some
368 desperately needed revenues in the St. Croix economy. St. Croix residents are now being
369 recruited and trained to fill approximately sixty (60) jobs within the next few weeks.

370 There is an old saying that, “it takes money to make money.” It is still relevant today and
371 I cannot think of a better example than what we are seeing by the high level of interest shown by
372 national and international investors as a result of our lead generation and marketing initiatives. It
373 is now more than ever that we cannot take our foot off the gas.

374 We are considering various types of project development, marketing initiatives, and
375 programs that may leverage our ability to access innovative financing. We are also seeking to
376 collaborate with other agencies that are focusing on mid-sized economic development initiatives
377 to include V.I. Port Authority, Department of Tourism, and Department of Planning and Natural
378 Resources, as well as, investigating public-private partnership investment and development
379 opportunities.

380 Senators, the Governor will be submitting several proposed pieces of legislation to update
381 the current economic development statutes.

382 The original Industrial Development Program Law was enacted in 1972. While there
383 have been numerous amendments to add new industries and refine benefits, there has not been a
384 comprehensive revision to address the changing nature of business and industry as well as
385 advancements in technology.

386 In 2001 the Economic Development Authority was created to serve as a master unified
387 vehicle for economic development in the Territory. Given the volatile economics of today and
388 the evolution of global competition for economic development opportunities for jurisdictions,
389 makes this the right for a comprehensive revision of our Economic Development Law.

390 The Industrial Development Program law revision will propose changes to streamline
391 administration, accelerate timelines, define benefits and benefit periods to more accurately
392 reflect the current global economic conditions, competition and business needs.

393 The revision to the Economic Development Authority Law will clarify the
394 administration of the various programs so as to create a more administratively efficient process.

395 The creation of a Commercial Zone and updating of the Enterprise Zone law will assist in
396 the goal of reviving our historic neighborhoods. We envisioned that such legislation will pave
397 the way for the creation of temporary and permanent jobs with an apprenticeship component
398 built in, which is necessary for economic development.

399 Revisions to The Sustainable Tourism Through Arts- Based Revenue Streams Act or
400 "The S.T.A.R.S. Act" will remove conditions and unnecessary administrative hurdles for
401 applicants and provide the Territory with a viable economic development tool.

402 Research has revealed that the name Government Development Bank is somewhat
403 misleading as to the true mission of the Government Development Bank. The name Economic
404 Development Bank is a truer representation of the bank and its mission, especially with a
405 merging of the Small Business Development Agency.

406 The proposed merger of the Government Development Bank and the Small Business
407 Development Agency will combine the functions of the Government Development Bank and the
408 Small Business Development Agency. The proposed merger would place all of the functions
409 and personnel under the new Economic Development Bank, thus eliminating duplication of
410 efforts and allowing for better loan servicing, technical assistance and collection efforts.

411 We look forward to your speedy consideration and approval of those amendments when
412 they arrive. Again, we at VIEDA are determined to create a positive atmosphere for economic
413 resurgence in spite of these difficult times.

414 In conclusion, we are optimistic that Fiscal Year 2013-2014 will be a very successful
415 year for the VIEDA given the following reasons:

- 416 • With the initiative of EB-5 in pursuit of new foreign capital injection into the territory
417 for funding major projects
- 418 • With the recent formation and activation of the Governor's Marine Economic
419 Development Council which resides at the EDA
- 420 • Our aggressive and targeted Marketing/ Sales initiative which continues to show positive
421 results and should bear fruit within 18-24 months
- 422 • Our research and development of possible amendments to the TIF and Hotel
423 Development laws with the primary objective of encouraging new investments and;
- 424 • Lastly, our head-on approach to continue to streamlining processes that will increase
425 efficiency, effectiveness and improved delivery of customer care.

426 I take this opportunity to thank my dedicated and committed staff for the superior work
427 they are doing, Governor John P. DeJongh and his team for their continued support and this
428 body, for the interest and support you have shown in the recent past.

429 I am available for any questions you may have.

430 Thank you.

431

432