Appendix A
U.S. Virgin Islands Government Officials Comments on Water Island
VIRGIN ISLANDS
HOUSING FINANCE
AUTHORITY

TESTIMONY

BEFORE THE
COMMITTEE OF
HOUSING, SPORTS & VETERANS AFFAIRS

PRESENTED BY:
CLIFFORD GRAHAM
EXECUTIVE DIRECTOR

June 28, 2005
Good morning, Senator Celestino A. White, Sr., Chairman of the Housing, Sports and Veterans Affairs Committee, Members of the Housing, Sports and Veterans Affairs Committee, other Senators present, and the listening audience, I am Clifford Graham, the Executive Director of the Virgin Islands Housing Finance Authority. It is with great pleasure that I come before you here today to provide Testimony relative to Bill No. 26-0033 as it relates to the transfer of two hundred acres of real property located on Water Island to the Affordable Housing Program and Bill No. 26-0058 as it relates to Amendments to Titles 28 and 29, of the Virgin Islands Code, for the Low- and Moderate-Income Affordable Housing Act of 1990 and other related purposes.

First, before I proceed with my Testimony let me take this opportunity to thank you for sponsoring Bill No. 26-0033 and Bill No. 26-0058 along with Senate President Lorraine Berry and Senator Shawn-Michael Malone.

Bill No. 26-0033 proposes to transfer the two hundred acres on the fourth Virgin Island - Water Island from the Government of the Virgin Islands to the Virgin Islands Housing Finance Authority. This property was recently transferred from the United States Department of Interior to the Government of the United States Virgin Islands.

The transfer of this property to the Affordable Housing Program will enable the Authority to expand our Moderate-Income Homeownership Program by developing and marketing moderate size homes, on approximately 1/3 acre of land, to persons on the upper side of the Affordable Housing Program income limit. With the recent
passage of Bill No. 26-0014 and subsequently, Act No. 6733, sponsored by you, Mr. Chair, the maximum income limits to participate under the Affordable Housing Program was increased to 3½ times the median income of each District. This increase has widen the client base that can purchase our Moderate-income homes.

In essence, the transfer of this property under the Affordable Housing Program will truly assist to incorporate Water Island with the other three islands by making the dream of homeownership available to clients of the Authority.

Relative to Bill No. 26-0058, the Virgin Islands Housing Finance Authority supports these changes which will clarify, and in some cases, strengthen the benefits to developers of Affordable Housing which will assist in the reduction of the development cost of the units being developed.

Explanation

Section 1

Title 28, Virgin Islands Code, Section 134(a) is recommending that an exemption be granted for all recording fees associated with documents executed in connection with an Affordable Housing Development Agreement. The fees associated with the development and sale of the affordable units are ultimately passed on to the clients purchasing the unit. Any cost saving will help reduce the overall cost of units being developed.
Section 2
Title 29, Virgin Islands Code, Section 713e, Subsection (c) recommends that the same benefits afforded to the Developer of the Affordable Housing is also passed on to the subcontractors. As the law presently states, only building materials, articles, supplies, goods, merchandise, tools manufactured or brought into the United States Virgin Islands to be used exclusively in the production of affordable housing units by the Developer are exempt from the payment of excise taxes and all but 1% of custom duties. Therefore, currently if a subcontractor wanted to purchase and ship material to the Territory it must be done through the Developer which requires additional paperwork. A change to this Section will reduce the paper work and expedite the deliveries of material to the development.

Section 3
Title 29, Virgin Islands Code, Sections 932(d), (e) and (f) removes the Zoning Administrator from involvement with the Affordable Housing Affordable Agreement. This is being recommended because at the time the Affordable Housing Developers Agreement is executed for the design/build development, the development’s drawings are only conceptual which makes it difficult for the Zoning Administrator to determine conformity with the zoning laws.

Title 29, Virgin Islands Code, Section 945(a)(3) and Section 945(c)(3) changes are being recommended to clarify the sale of affordable rental units developed pursuant to the Low Income Housing Tax Credit Program.
Section 4
Title 33, Virgin Islands Code, Section 128 seeks to exempt the taxes imposed when units developed pursuant to the Low Income Housing Tax Credit Program are converted to homeownership.

Section 5
Title 29, Virgin Islands Code, Section 527 should actually read Title 33, Virgin Islands Code, Section 527. This change is being recommended to confirm with Section 2 above.

Section 6
Title 33, Virgin Islands Code, Section 2302(c) recommends that a new paragraph is added to address the transfer of property from the Affordable Housing Program to a new homeowner.

Section 7
Title 33, Virgin Islands Code, Section 2304 recommends that a new paragraph is added to exempt all Affordable Housing Development from the payment of property taxes during the term of the Agreement. The rising cost of the hazards insurance here in the Territory is causing a severe hardship on the management and maintenance of the all properties developed with the Low Income Housing Tax Credits. If these properties are not maintained to Housing Quality Standards the potential of the units losing their tax credit equity dollars and their affordability. Just for the record, one such development has already received this property tax exemption.
I trust that my Testimony here today provided the Authority's position on Bill No 26-0033 and also provided some clarity for the changes recommended for Bill No. 26-0058. In the event that you have any questions, I will remain available to answer them. Thank You.
Water Island appears frozen in time, but big plans run under the surface
V.I. says land acquired from the feds is about to undergo large-scale improvements
Friday, November 18th 2005

WATER ISLAND - Six months after the final transfer of land on Water Island to the territorial government, the island does not look much different.

A temporary floating dock - which has been there for seven years - welcomes visitors to the island. Narrow roads, some with crater-like potholes and some unpaved, wind across the 500-acre island. Lush, green foliage surrounds most of the roads, and there are few homes or developments in sight. A small privately owned ferry boat shuttles passengers between Water Island and Crown Bay on St. Thomas. Beaches are pristine and private. A small white government-owned building sits quietly in a clearing near a metal water-supplying framework that plants have started to grow around. At the end of an unpaved road, trash bins sit in a clearing.

"After everyone pays taxes, there's no effort from the government - just promises," Water Island resident Tommy Ziel said with a shrug.

Water Island, which is the territory's fourth-largest island and just south of Sub Base on St. Thomas, was under the jurisdiction of the U.S. Interior Department for more than 40 years. According to the 2000 Census, the island has 161 residents. Privately owned land has been recorded in the territory's property rolls since the 1990s, and 50 acres of the island's land transferred to the territorial government in 1996. The island's final 200 acres were purchased from the Interior Department for $10 in May, and the island's jurisdiction quietly changed hands.

Despite the lack of visible change, government officials said that they have been preparing large-scale improvements to enhance the quality of life for Water Island residents and help the island preserve its undeveloped character.
"Public Works is dedicated to investing a tremendous amount of money in Water Island so the residents can see our efforts," Acting Commissioner George Phillips said.

St. Thomas-Water Island Administrator James O'Bryan Jr. said that several government agencies have plans in full swing to improve services on the island.

Public Works is leading the efforts to provide the island with improved roads and a new permanent ferry dock, he said. First-responding agencies, in the meantime, are discussing how best to utilize the government-owned facility on the island near the former Water Isle Hotel and Beach Club. Government House and the V.I. Water and Power Authority permanently have placed vehicles on Water Island. Government employees soon will be stationed on Water Island as well, officials said. A land-use study to examine what Water Island is suited for has been commissioned from the University of the Virgin Islands.

O'Bryan said that since the territory took over the island, massive cleanup efforts to remove garbage and abandoned vehicles that created health hazards have been completed. The U.S. Homeland Security Department would not allow a dinghy dock in Crown Bay, where many people who live on Water Island and work on St. Thomas tied up their boats. O'Bryan said that he helped establish another dinghy dock at nearby Krum Bay.

Even though many improvements still are needed, O'Bryan said, the people of Water Island are used to helping themselves, and he has not heard many complaints.

"They have proven to be very aggressive in addressing problems as a community instead of waiting for the government to do something," O'Bryan said.
Water Island Civic Association president Chuck Gidley said the organization is pleased with the government's efforts so far and is looking forward to seeing improvements. Other residents said that the government has seemed slow to address infrastructure issues, but they would not live on an island if they were unable to cope with them.

"There are tradeoffs," resident William Coleman said. "We accept the inconveniences for the solitude of living on an island."

**Ferry dock**

Acting Public Works Commissioner George Phillips said that he is committed to improving Water Island's infrastructure soon. Since being named acting head of Public Works in March, Phillips said that he has made several trips to Water Island to assess the roadways and work that needs to be done.

Phillips acknowledged that improvements up to this point have not been as visible as Water Island residents would like, but he said that will change soon. Those improvements, he said, will be made in preserving the atmospheric feel of the island.

"We don't want to change the character too much of Water Island," Phillips said. "We want to improve the infrastructure so residents will have the proper facilities."

By early 2006, Phillips said, work will be under way on repaving and widening the island's roads and replacing the floating ferry dock with a more permanent structure. The plans for the ferry dock, which Phillips said is overdue, are complete. Funding has been allocated from the Federal Highway Administration.

He said the holdup has been in waiting for the proper permits. Years ago, when there were plans to build the dock but no action, Public Works received permits for the work from the U.S. Army Corps of Engineers and the Coastal Zone Management Commission. In order to receive funds from the federal government, Phillips said, the permits have to be current. After waiting several months, the U.S. Army Corps of Engineers just renewed the permit, Phillips said.

With all the permits in place, Phillips said Public Works will share the plans for the dock with the Federal Highway Administration so that funding can be released and work can begin. The dock construction is expected to be under way early next year.

**Roadwork**

The roads are a different story. With funds from the Federal Emergency Management Agency and the Federal Highway Administration, Phillips said that repaving, patching, widening and striping of the roadways will begin soon. Many of the roads on Water Island, which Phillips said were built by residents, are part of the Federal Highway System, and federal funds are available for their upkeep. Water Island roads tend to be narrow because many residents use golf carts to get around. Phillips said that the roads in the Federal Highway System all will be repaved to meet federal standards in terms of width and right of way.

While many of the roads are in decent condition, some of them have large potholes. Still others never have been paved, like the road that leads to the bins where residents put their garbage, which Phillips said is in the Federal Highway System.

Phillips said that most roads on Water Island are expected to be repaved and improved by the middle of 2006. Contractors are currently bidding on the work at the Property and Procurement Department. Once a contractor is chosen, the work can begin. Phillips said that he also is working on a contract to have crews cut the brush by the roadsides.

Some of the roads are in deplorable condition, Phillips said, gesturing toward a pothole a foot and a half long and several inches deep.
"The territorial government inherited these roads, but we'll fix it," Phillips said.

Gidley said that the Water Island Civic Association is impressed with Phillips' interest in the island and attitude toward getting things done.

"Almost all the work that has to be done on our infrastructure will be done," Gidley said.

**Fire station**

When the territory received Water Island, it also received a building set up as a government facility. The building still is unoccupied, but it has been renovated and hooked into the electrical grid. Phillips said the building is going to be a government center, and flagpoles to fly the United States and Virgin Islands flags will be erected soon.

Many refer to the building, built by the federal government, as a fire station. It has a structure to provide trucks with water on site, and Fire Service Director Merwin Potter said he is working on a plan to get some first responders to man the building. Right now, Potter said he is discussing basing a multi-agency team at the facility - blending police, fire, emergency medical and rescue personnel with other agencies. The people at the station should be able to respond to a fire as well as a boat crash, he said.

"Once you have a multi-agency response team there, you can do a little bit of everything," Potter said.

Potter said that he hopes to have an agreement hammered out for first-responders next year. He also hopes to move one of the department's smaller pumper trucks to Water Island to be used in case of emergency.

The building is not just a fire station, officials said. Current plans call for it to be used by all agencies with a presence on Water Island. As soon as roadwork begins on Water Island, someone from Public Works will be on the island full-time, Phillips said. He said that Government House, the V.I. Police Department, and the V.I. Housing, Parks and Recreation Department may also use the building.

O'Bryan said he plans to use the building for a formal ceremony to commemorate the final transfer sometime in the coming months.

**The future**

Since the transfer, Water Island has been the topic of much discussion among government officials. Sen. Celestino White Sr. has been active in proposing legislation affecting Water Island. A bill he proposed to transfer 60 acres to the V.I. Housing Finance Authority for affordable housing on the island passed the Senate in July and was signed by Gov. Charles Turnbull in August.

The homes to be built on Water Island would be for the upper level of people who qualify for housing assistance - with an annual household income of up to $130,725. When he testified before the Senate about this bill in June, Housing Finance Authority Executive Director Clifford Graham estimated they could be 1,600 square feet and larger.

White's bill also mandated that the government spend $75,000 on a comprehensive land-use plan for Water Island to determine how the newly transferred land will be best used. O'Bryan said that UVI is working on this land-use plan, which the law requires to be presented to the Senate by mid-February.

Officials and residents said that this plan is the best thing that the government could do for the future of Water Island at this point.

"We would like to have Water Island developed properly so it can remain unspoiled," Gidley said.
"I'm interested in Water Islanders being able to participate in the development of the land-use plan."

Phillips said that depending on the outcome of the land-use plan, the government may look for someone to develop a resort and marina complex on the site of the old Water Isle Hotel and Beach Club.

Another bill that White has proposed would start government-regulated ferry service between St. Thomas and Water Island. Sunbow Ocean Services, which is not regulated and has no franchise agreement, currently provides ferry service between the two islands on a regular schedule. The ferry bill stalled in committee because of questions about franchise agreements for ferries between St. Thomas and St. John, but an amendment added to a bill the Senate passed Monday directs money to be spent on ferry boats for the St. Thomas-Water Island route.

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