The Virgin Islands Consortium

USVI Seeks 18 Opportunity Zones as Expanded Eligibility Could Bring Major New Private Investment

Federal approval would allow qualifying investments across 18 census tracts on St. Croix, St. Thomas and St. John to receive tax advantages, potentially drawing new capital into housing, businesses, redevelopment and other projects across the territory.

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Aerial view of St. Croix's South Shore industrial corridor, where expanded Opportunity Zone eligibility could help attract new private investment into redevelopment, businesses and other major projects.

The Virgin Islands is seeking federal approval to designate 18 census tracts across St. Croix, St. Thomas and St. John as Opportunity Zones, a move that could significantly broaden the territory's ability to attract private investment into housing, businesses, industrial redevelopment and other projects beginning in 2027.

An Opportunity Zone is a low-income census tract designated by the U.S. Department of the Treasury where private investors can receive federal tax advantages for placing qualifying capital into businesses, real estate and other projects through specialized investment funds. It is not a direct federal grant program. If Treasury approves all 18 Virgin Islands nominations, every census tract in the territory currently eligible under federal law — nine on St. Croix, eight on St. Thomas and one on St. John — would carry the designation, giving investors additional tax incentives to put private money into qualifying projects in those areas beginning January 1, 2027.

The potential reach is substantial. The nominated areas include Christiansted and Frederiksted, St. Croix's South Shore industrial corridor containing the Renaissance properties and former HOVENSA refinery site, Cruz Bay and southwestern St. John, and large sections of St. Thomas including Tutu, Smith Bay, Crown Bay, Bovoni, Charlotte Amalie and Havensight. The Bryan administration says the designation could help attract investment into housing, commercial and industrial development, tourism, manufacturing, healthcare, small businesses and other job-producing projects.

All 18 nominated tracts are also classified as rural under the revamped federal program, making qualifying projects eligible for enhanced incentives aimed specifically at rural Opportunity Zones. Among those benefits, the IRS says the amount that must be spent substantially improving certain existing property in a qualifying rural Opportunity Zone has been reduced from 100 percent of the property's basis to 50 percent, potentially making redevelopment projects easier to qualify.

But as the territory prepares for what could be a significant expansion of the incentive, an August 24 report from the U.S. Government Accountability Office highlights how little was known about investment activity under the original program.

In a 2025 survey conducted as part of its review, Virgin Islands officials told federal investigators they were aware of fewer than five Opportunity Zone investments in the territory. The officials said the investments they knew about leaned more heavily toward real estate than operating businesses and were concentrated more in non-metropolitan areas.

That figure does not establish that fewer than five Opportunity Zone investments actually occurred in the Virgin Islands. The federal review measured what state and territorial officials knew about, and one of its central findings was that governments often lacked comprehensive information about projects using the tax incentive.

Under the original program, Qualified Opportunity Funds were not required to publicly disclose all of their investments or routinely notify state and territorial governments when private capital was deployed within a designated zone. As a result, officials could have been unaware of qualifying investments taking place within their jurisdictions.

A separate attempt to measure Virgin Islands activity using federal tax data encountered another limitation. The IRS provided the federal review with information from its Statistics of Income Partnership sample, which uses a sampling method that does not specifically target Qualified Opportunity Fund tax returns. That sample did not produce an estimate of any Opportunity Zone investment in the U.S. Virgin Islands, Guam or the Northern Mariana Islands.

Federal reviewers cautioned that the absence of an estimate should not be interpreted as evidence that no investments occurred. Instead, it illustrates the limits of the available data and the difficulty federal and territorial officials faced in determining how much Opportunity Zone money entered individual jurisdictions and where it went.

The data gap is particularly significant because the federal program has attracted substantial capital nationally. Qualified Opportunity Funds held more than $108 billion in assets by the end of 2024, according to the federal review. Yet investigators found that the broader effects of those investments remained difficult to measure, with many states uncertain about whether the incentive had meaningfully changed poverty, incomes, unemployment, housing availability or other economic conditions in the communities selected for the program.

Federal reviewers found that Opportunity Zone investment nationally has been concentrated heavily in real estate development. Areas receiving investment also tended to have infrastructure and community support already in place, raising longstanding questions over whether the incentive consistently directed capital toward the most economically distressed communities or toward locations where projects were already easier to develop.

The Virgin Islands is now seeking to dramatically broaden its participation in the next round.

The Bryan administration submitted all 18 eligible tracts to Treasury on July 24 following work to redraw federal census boundaries and reopen portions of the territory to consideration. That effort was particularly significant on St. Croix's South Shore, where the new census geography placed the Renaissance industrial properties and former HOVENSA refinery complex inside areas eligible for nomination. Cruz Bay on St. John also became eligible for the new round.

Governor Albert Bryan Jr. said the administration deliberately pursued designation for every tract that qualified while ensuring major economic-development assets were included.

“We did not want to leave any eligible community on the sidelines,” Mr. Bryan said. “We were also intentional about ensuring that strategic assets like Renaissance and the former HOVENSA property could be considered. If approved, these designations would give us another tool to attract investment in new industries, housing, businesses and good-paying jobs across the Virgin Islands.”

Congress created the Opportunity Zone program in 2017 to encourage taxpayers to move capital into economically distressed communities by providing federal tax benefits for qualifying long-term investments. Federal lawmakers made the incentive permanent in 2025 while revising eligibility standards, increasing incentives for rural areas and adding reporting requirements intended to provide a clearer picture of where Opportunity Zone money goes and what it produces.

Those reporting changes directly address one of the shortcomings identified in the federal review. Investigators found that the first version of the program lacked sufficient information to comprehensively determine where investments occurred or how they affected local economies. The revised framework is intended to make it easier for federal officials, states and territories and the public to assess investment activity and economic outcomes.

For the Virgin Islands, that means the next round could operate very differently from the first. If Treasury approves all 18 nominations, much larger portions of St. Croix, St. Thomas and St. John would become available for tax-advantaged Opportunity Zone investment, while federal reporting requirements are expected to provide far greater visibility into how much private capital reaches those communities and what ultimately results from it.

Treasury has not yet issued its final decision on the Virgin Islands nominations. If approved, the new Opportunity Zone designations are scheduled to take effect January 1, 2027.