The Virgin Islands Consortium

Bill Offering Property Tax Exemption to Developers Who Build Affordable Housing Units in USVI Moves Forward

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Senators who make up the Committee on Finance on Monday approved a measure that seeks to retain and build upon the current stock of low-income housing in the U.S. Virgin Islands by offering property developers exemption of real property taxes.

According to proponents of the measure, problems affecting the housing sector in the territory include high construction costs, limited infrastructure, extremely high insurance and utility and operating costs, and lower area median incomes that translate into lower rents.

To combat these challenges, the bill seeks to extend exemptions from the payment of real property tax to developers whose properties are used to provide housing for low-income residents.

Developments built or renovated for that purpose will receive a tax credit on their U.S. or USVI income since they are exempt from paying property tax for as long as an agreement exists with the local government through the Housing Finance Authority and Housing Authority.

To qualify for the Low-Income Housing Tax Credit (LIHTC) program, a developer would have to restrict rental fees for at least 20 percent of the housing units built for occupants who do not exceed 50 percent of the median gross income in their area. Otherwise, 40 percent of the occupancy rate would have to be rent-restricted and have tenants whose incomes do no exceed 60 percent of the gross income in their area.

According to the proposal before legislators, the unit should remain low-income and rent-restricted for at least one 15-year term with the option to renew for a second 15-year term, and the possibility of continuing with the program after 30 years once all requirements are met.

Rent allowance and gross utilities should not exceed a certain amount.

After the 30-year period, the owner of the affordable housing project is no longer required to continue to operate as an affordable housing community. They can therefore raise the apartment rents to full market prices with no income restrictions for tenants.

However, it is hoped that the extension of the tax exemption period, which was originally only 15 years, will stimulate new development for low-income housing.

“By having the Property Tax Abatement Act continue indefinitely, you’re going to eliminate incentives to sell the property, to raise the rates, to take it out of the affordable housing stock,” said attorney Marjorie Roberts who testified on the need for the change.

Ms. Roberts said once implemented, she believes the bill will help finance and encourage investors to build homes that are more affordable for the 9,000 residents who are currently on a housing waiting list.

The bill was also supported by Robert Graham, executive director of the Virgin Islands Housing Authority, who said that in order for the authority to implement its redevelopment plan to replace 3,000 obsolete public houses, it too would need to rely on funding from the LIHTC program.

Dayna Clendinen, interim executive director and chief disaster recovery officer at the Housing Finance Authority, said units developed under the LIHTC program account for the majority of the units added to the territory's affordable rental housing inventory for the past three decades.