UNITED STATES VIRGIN ISLANDS HOUSING FINANCE AUTHORITY

INFRASTRUCTURE PROGRAM POLICIES

VERSION: 1.0
June 6, 2019

Prepared by:

Virgin Islands Housing Finance Authority – CDBG-DR Program Division

The policies stated in this manual are current as of June 6, 2019. This Manual represents the current version of the Virgin Islands Housing Finance Authority's (VIHFA) policies which shall provide general guidance for the operation of the Infrastructure Programs. All manuals will be reviewed periodically and will be updated. Therefore, you are strongly urged to visit our website www.vihfa.gov/disaster-recovery to ensure that you have the latest version.

SUBJECT: Infrastructure Program	
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1.1 Version History

Version Policy

Version history is tracked in Table 1, with notes regarding version changes. The dates of each publication are also tracked in this table. The first version of this document is 1.0.

Substantive changes within this document that reflect a policy change will result in the issuance of a new version 2.0, an increase in the primary version number. Future policy changes will result in additional revision and the issuance of a new primary version number.

Non-substantive changes such as minor wording and editing, or clarification of existing policy, that do not affect the interpretation or applicability of the policy will be included in minor version updates denoted by a sequential number increase behind the primary version number. Such changes would result in a version number such as 2.1, 2.2, etc.

Policy Change Control Board

Policy review and changes for the USVI Infrastructure Programs (the Program) are considered through a change control process. When policy clarifications, additions, or deletions are needed to more precisely define the rules by which the Program will operate, Program staff will submit a Policy Change Request Form or a Request for Decision Form for internal review by the Policy Change Control Board (PCCB). Within the PCCB, two members will separately perform a review to verify that all relevant information and any supporting documentation are included in the request. Upon PCCB concurrence by these two members that the request raises a policy issue, rather than a process issue, the Policy Change Request Form or Request for Decision is forwarded to the Policy Change Control Board for consideration. The requests are compiled and brought before the entire PCCB for a final policy change determination.

The PCCB is composed of the Special Counsel for Disaster Recovery, the Senior Policy Manager, the Infrastructure Program Senior Manager, at least one Subject Matter Expert, and other program staff members representing Program leadership as needed.

The PCCB meets bi-weekly, as needed, to consider all pending requests but may meet as frequently as necessary to consider critical policy decisions. The schedule for PCCB meetings is expected to move to a lower frequency as the Program matures.

1.2 Agencies and Acronyms

BCA – Benefit Cost Analysis

BIT – Bureau of Information Technology

DOB – Duplication of Benefits

DOE – U.S. Department of Energy

DOL – Virgin Islands Department of Labor

DPNR – Virgin Islands Department of Planning and Natural Resources

DPP – Virgin Islands Department of Property and Procurement

DPW – Virgin Islands Department of Public Works

DSPR – Virgin Islands Department of Sports, Parks and Recreation

EDIN – Energy Development in Island Nations

EERE – Office of Energy Efficiency and Renewable Energy

EPA – Environmental Protection Agency

FAST-41 – Fixing America's Surface Transportation, Title 41

FEMA – Federal Emergency Management Agency [part of the U.S. Department of Homeland Security]

FHWA-ER – Federal Highway Administration – Emergency Repair

GIS – Geographic Information System

HCDA – Housing and Community Development Act

HMGP – Hazard Mitigation Grant Program

HUD – U.S. Department of Housing and Urban Development

IGCC – International Green Code Council

LEED – Leadership in Energy and Environmental Design

M/WBE – Minority/Women-Owned Business Enterprise

NAI – No Adverse Impacts

NDRC – National Disaster Resilience Competition

NTP – Notice to Proceed

OMS – Outage Management Systems

PAAP – Public Assistance Alternative Procedures

PFA – Virgin Islands Public Finance Authority

PW – Project Worksheet

QPR – Quarterly Status Report

STEP – Sheltering and Temporary Emergency Power Program

USACE – United States Army Corp of Engineers

VIDOL – Virgin Islands Department of Labor

VIHFA – Virgin Islands Housing Finance Authority

VITEMA – Virgin Islands Territorial Emergency Management Agency

WAPA – Virgin Islands Water and Power Authority

1.3 Definitions

Action Plan - A plan to guide the spending of a HUD CDBG-DR grant award to address unmet housing economic, and infrastructure needs after a disaster.

Allocation: 1) Amount of a grant award that has been determined for a particular grantee. 2) Amount of funding attributed to a program.

Community Development Block Grant – Disaster Recovery (CDBG-DR): Flexible grant assistance from HUD to help the Territory recover from presidentially declared disasters, especially in low-income areas, subject to availability of supplemental appropriations.

Cross-cutting regulations: Regulations outside of CDBG-DR regulations that apply to CDBG-DR programs. These include regulations pertaining to financial management, procurement, environmental, labor, acquisition, relocation, fair housing, and non-discrimination.

Davis Bacon and Related Acts (DBRA): Federal law requiring payment of local prevailing wages as determined by the U.S. Department of Labor on certain federally funded projects or most HUD-assisted construction projects. It applies to contractors and subcontractors performing work on federally funded or assisted contracts in excess of $2,000 for the construction, alteration, or repair of public buildings or public works.

Duplication of Benefits (DOB): A duplication of benefit is the receipt of funding from multiple sources for the same purpose. The Robert T. Stafford Disaster Assistance and Emergency Relief Act (Stafford Act) prohibits any person, business concern or other entity from receiving financial assistance from CDBG Disaster Recovery funding with respect to any part of the loss resulting from a major disaster as to which he/she has already received financial assistance under any other program or from insurance or any other sources. It is an amount determined by the program that may result in the reduction of an award value.

Eligible Activity: Activities eligible to be assisted under the CDBG program. All CDBG-DR grantees must: (1) use CDBG funds only for activities that fall under an authorized category of basic eligibility; (2) properly classify the activity; and (3) provide adequate documentation as required by the category it selects for each such activity.

Emergency work: FEMA's Public Assistance program designation for disaster response tasks including debris removal (Category A) and emergency protective measures (Category B) that occur immediately after a disaster.

Environmental Review Record (ERR): the document resulting from required environmental review which includes a description of activities, evaluation of environmental impact, documentation of compliance with applicable environmental regulations, and an environmental determination.

FEMA Individual Assistance Program (FEMA IA): provides financial help or direct services to those who have necessary expenses and serious needs if they are unable to meet these needs

through other means. The forms of help available are housing assistance (temporary housing, repair, replacement) and other needs assistance (personal property, other items).

FEMA Public Assistance Program (FEMA PA): Provides grants to state, tribal, territorial, and local governments, and certain types of private non-profit organizations so that communities can quickly respond to and recover from major disasters or emergencies. Through the program, FEMA provides supplemental federal disaster grant assistance for debris removal, life-saving emergency protective measures, and the repair, replacement, or restoration of disaster-damaged publicly-owned facilities, and the facilities of certain private non-profit organizations.

Grantee: HUD grantees receive funding from HUD to support HUD's mission to create strong, sustainable, inclusive communities and quality affordable homes for all. HUD grantees include state and local governments, non-profit and for-profit organizations, public housing authorities, and tribal entities.

Implementing Partner (Partner): Territorial agencies that are provided CDBG-DR funds by a grantee for their use in carrying out agreed-upon, eligible activities through an Subrecipient Agreement with VIHFA.

Low- and Moderate-Income (LMI): A household is considered to be of low- and moderate-income if the household income (including income derived from assets) is at or below 80 percent of an area's median income. All income is based on the Area Median Income limits set annually by HUD.

National Objective: The authorizing statute of the CDBG program requires that each activity funded, except for program administration and planning activities, must meet one of three national objectives. The three national objectives are: 1) Benefit to low- and moderate-income (LMI) persons; 2) Aid in the prevention or elimination of slums or blight; and 3) Meet a need having a particular urgency (referred to as urgent need). An activity that does not meet a national objective is subject to recapture.

Permanent work: FEMA's Public Assistance program designation for "recovery work" which restores or rebuilds a damaged asset and is comprised of five categories: roads and bridges (Category C); water control facilities (Category D); buildings and equipment (Category E); utilities (Category F); and parks, recreation facilities, and other facilities (Category G).

Project Worksheet (PW): FEMA form used to document the scope of work and cost estimate for a FEMA Public Assistance project. This form supplies FEMA with the information necessary to approve the scope of work and itemized cost estimate prior to funding.

Request for Release of Funds (RROF): An environmental review term for a process used by Responsible Entities (the Territory) when requesting the release of funds and the authority to use such funds for HUD programs identified by statutes that provide for the assumption of the environmental review responsibility by units of general local government and states. The approval of the RROF is required before environmental clearance may be provided to a recipient of CDBG-DR funds.

Section 3: A provision of the Housing and Urban Development (HUD) Act of 1968 that requires that recipients of certain HUD financial assistance, to the greatest extent feasible, provide job training, employment, and contracting opportunities for low- or very-low income residents in connection with projects and activities in their neighborhoods.

Section 504: A provision of the Rehabilitation Act of 1973 which provides that no qualified individual with a disability should, only by reason of his or her disability, be excluded from the participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance.

Subrecipient: Non-profits and limited for-profits that are provided CDBG-DR funds by VIHFA for their use in carrying out agreed-upon, eligible activities through a Subrecipient Agreement with VIHFA.

Sheltering and Temporary Essential Power (STEP) program: STEP, known in the Virgin Islands as the Emergency Home Repairs VI program, is intended to protect public health and safety, to protect property and to enable hurricane-displaced residents to shelter at home. The program is for disaster-damaged single-family, owner-occupied residential properties.

2.0 INTRODUCTION

2.1 Summary

As a result of the 2017 hurricanes, Irma and Maria, the U.S. Virgin Islands received an allocation of Community Development Block Grant Disaster Recovery (CDBG-DR) funds which are being administered by the Virgin Islands Housing Finance Authority (VIHFA). The Department of Housing and Urban Development's (HUD) allocations for the U.S. Virgin Islands' CDBG-DR program currently totals $1,021,901,000 to assist local entities with unmet recovery needs for housing, infrastructure, and economic resilience. This document represents the policies for implementation of the Infrastructure Programs, which include the Local Match for Federal Disaster Recovery Program, the Infrastructure Repair and Resilience Program, and the Electrical Power Systems Enhancement and Improvement Program. The allocations for each program are listed in Table 2.

Table 2: Infrastructure Program Allocations for Tranches 1 and 2

Program		Tranche 1	Tranche 2	Total
Infrastructure	Local Match for Federal Disaster Recovery	$45,549,800	$123,256,150	**$168,805,950**
	Infrastructure Repair & Resilience	$30,000,000	$275,000,000	**$305,000,000**
	Electrical Power Systems Enhancement and Improvement	$45,000,000	$90,000,000	**$135,000,000**
Total				**$608,805,950**

2.2 BACKGROUND

In the wake of the storms, the President announced a Major Disaster Declaration for Irma (DR-4335) and another for Maria (DR-4340) to make federal disaster assistance available to the Territory. In response, Congress approved the Supplemental Appropriations for Disaster Relief Requirements, 2017 (Pub. L. 115-56) on September 8, 2017, which made available $7.39 billion in Community Development Block Grant Disaster Recovery (CDBG-DR) funds to assist in long-term recovery from 2017 disasters. On February 9, 2018, Congress approved a bill appropriating an additional $28 billion CDBG-DR funds, of which $11 billion was set aside to address the remaining unmet needs including those of the U.S. Virgin Islands and Puerto Rico from Hurricane Maria (Pub. L. 115-123).

To address these unmet needs, the U.S. Department of Housing and Urban Development (HUD) has awarded $1,863,742,000 of CDBG-DR funds to the U.S. Virgin Islands. The Territory will be strategic in optimizing the mix of the allocation towards infrastructure programs to ensure effective and efficient use of funds. The U.S. Virgin Islands has requested a waiver of the non-federal cost share for FEMA Public Assistance (PA) funding under the Insular Areas Act.

3.0 INFRASTRUCTURE PROGRAMS OVERVIEW

3.1 Summary

The suite of Infrastructure Programs designed through the Territory's CDBG-DR Action Plan (Action Plan) addresses multiple unmet needs for proper functioning of its infrastructure systems. Reliance on these systems, including energy, transportation, and telecommunications infrastructure, was evident when many failed in the aftermath of Hurricanes Irma and Maria.

The U.S. Virgin Islands' has identified multiple infrastructure priorities that must be addressed, many of which directly support housing needs. Residents not only suffered from direct damage to their homes from the hurricanes, but also endured the loss of critical services such as power and water due to damaged public infrastructure. Without water or power, residents were forced to evacuate their homes and seek shelter and emergency assistance. If the Territory's infrastructure is made more resilient, critical services could be stabilized and maintained for residents in the event of a future disaster, creating a safer and more secure environment.

3.2 Objectives

The objectives of this Action Plan's Infrastructure Programs address the unmet needs of the Territory through:

- Comprehensive planning to identify resilience opportunities
- Adoption and enforcement of codes to bring critical infrastructure up to industry standards
- Holistic mitigation designs to meet future challenges and hazards
- Implementation of innovative technology and other best practices to create a more reliable, sustainable, and cost-effective electric grid
- Covering a portion of the Territory's local match obligations

All CDBG-DR programs must meet one of three HUD National Objectives: benefit to low- and moderate-income persons (LMI), elimination of slum and blight, or addressing an urgent need. For the Infrastructure Programs, it is expected that most projects will seek to meet the Low- to Moderate-Income Area (LMA) Benefit as the National Objective. This objective is met when at least 51% of residents in the service area are classified as LMA. The Territory has analyzed the potential projects and estimate the following LMA by program in Table 3. Projects seeking funding under these programs will need to assess the service area and beneficiaries of the project's impacts as a part of the overall benefit requirement.

Table 3. LMA Projections for Infrastructure Programs

Program		Total Allocation	Projection of Allocation for LMA Benefits	
		$	$	% of Total
Infrastructure	Local Match for Federal Disaster Recovery	$168,805,950	$109,723,868	65%
	Infrastructure Repair & Resilience	$305,000,000	$198,250,000	65%
	Electrical Power Systems Enhancement and Improvement	$135,000,000	$108,000,000	80%

4.0 METHOD OF DISTRIBUTION

4.1 Prioritization Criteria Definitions

A standard set of criteria was developed through the Action Plan to ensure funding is allocated to projects that will have the biggest benefit to recovery first. All three Infrastructure Programs are designed around the same set of criteria, which are used in the concept development and project design phases. These criteria are as defined as:

- **LMI:** Project beneficiaries are documented to be at least 51% low- and moderate-income persons.
- **LMA**: Project service area has been determined to be at least 51% low/mod and is predominantly residential.
- **Readiness:** Projects demonstrate they are ready to begin rehabilitation or construction. A project is considered "ready" if environmental review and engineering have already been completed, where required OR the project can demonstrate an accelerated timeline. For instance, external factors like gubernatorial executive orders or the approach of a new hurricane season may warrant a heightened priority.
- **Criticality:** Determined based on the extent to which the normal conduct of social, economic, or government processes is impeded without the project. Special consideration will be given to projects that have a strong tie to housing unmet needs or will contribute to long-term recovery and restoration of housing.
- **Resilience:** Project includes measures that prevent vulnerability in the future or provide innovative solutions to existing vulnerabilities.
- **Technical Feasibility:** The degree of specialized equipment or advanced technical capacity required.
- **Sustainability:** Degree to which modern sustainability standards or best practices are taken into consideration for the project.
- **Economic Benefit:** The project is evidenced to resolve an impediment to or create new opportunities for economic activities.

Documentation supporting the fulfillment of relevant criteria will be collected in coordination between Implementing Partners and VIHFA during the Initial Scope and Budget Phase and the

Detailed Scope and Budget Phase. Program staff will then determine the priority level of each project, taking into account the criteria as well as the other project needs at the time.

4.2 Local Match for Federal Disaster Recovery Program

4.2.1 Program Administration

Administering Entity: VIHFA & Virgin Islands Territorial Emergency Management Agency (VITEMA)

Eligible Applicants: Governmental and quasi-governmental entities.

Estimated Start and End Dates: Quarter 2, 2019 through Quarter 3, 2024.

Eligibility Criteria: The projects must be currently funded under a federal funding source that requires a local match and demonstrates a tie to the storm or have clear evidence of resiliency functions to prevent future damage. Infrastructure projects must exhaust other eligible funding sources, such as FEMA, prior to receipt of CDBG-DR. Applicants need not meet all prioritization criteria to be eligible.

Program Allocation: $168,805,950 ($45,549,800 (initial allocation), $123,256,150 (second allocation))

Maximum Award: There is no maximum award for an individual project. Awards will be based on project cost estimates and benefit analysis.

National Objective: Low- and Moderate-Income Area, Low- and Moderate-Income Limited Clientele, or Urgent Need.

4.2.2 Program Description

In some cases, federal disaster recovery programs require State, Territorial, or local governments to pay a share of the cost of a project, called the "local match." In the aftermath of a disaster, the local match requirements can be burdensome on grant recipients with limited resources that have been overwhelmed by emergency and relief work and further weakened by lost government revenues.

To offset this burden, Congress allows CDBG-DR funds to be used to provide the local match. The Federal Register Notice from February 14, 2018 (FR-6066-N-01) provides guidance on the utilization of the first allocation of funds for disasters in 2017, allowing the U.S. Virgin Islands to use CDBG–DR funds as the local match portion for disaster-related programs or activities administered by other federal agencies. Specifically, the Notice states that "[a]s provided by the HCD Act, funds may be used as a matching requirement, share, or contribution for any other federal program when used to carry out an eligible CDBG–DR activity." This includes activities carried out by FEMA, the USACE, FHWA, and other federal agencies. The Notice limits the amount of CDBG–DR funds that may be contributed to a USACE project at $250,000 or less. The Appropriations Act specifically "prohibits the use of CDBG–DR funds for any activity reimbursable by, or for which funds are also made available by FEMA or USACE."

The U.S. Virgin Islands has developed the Local Match for Federal Disaster Relief Program (Match Program) to provide the cost share for CDBG-DR-eligible projects. The Territory is proposing a "coordinated match" approach to fund eligible projects. The U.S. Virgin Islands intends to use 17.5% of first and second tranche CDBG-DR program funds for the local match requirement for federally-funded projects tied to the disaster. Projects supporting housing needs such as public housing facility repairs will be prioritized for matching fund and will need to comply with both FEMA and CDBG-DR requirements. Priority will also be given to infrastructure projects providing critical services directly related to housing needs. CDBG-DR funds for local match will be used as the funding of last resort and only after an eligibility determination has been made and a duplication of benefits analysis has been conducted.

The U.S. Virgin Islands is receiving FEMA PA funds through two disasters: FEMA-4335-DR-VI for Hurricane Irma and FEMA-4340-DR-VI for Hurricane Maria. As of March 29, 2019, FEMA has written 673 Project Worksheets (PWs) for a total of $2,197,976,277 which includes $70.7 million for Hurricane Irma and $2.12 billion for Hurricane Maria. These amounts will continue to increase. For both of these disasters, FEMA covered 100% of the cost of projects through May 3, 2018, for Irma and May 14, 2018, for 4340-DR. On May 18, 2018, it was announced that FEMA's 100% share has been extended for all debris removal (Category A) work and all STEP work. However, emergency protective measures (Category B) work that is not STEP is now covered 90% by FEMA. The U.S. Virgin Islands is responsible for the 10% local cost share match for the remaining PA emergency protective measures work, which it intends to use CDBG-DR to cover. The Territory has requested a further extension of the 100% cost share coverage for all emergency work, however, the U.S. Virgin Islands is anticipating that FEMA PA will require cost share for all permanent work.

CDBG-DR funds are limited in the Match Program for FEMA PA-eligible PWs and other federal funding sources requiring a local match, such as FHWA-ER funding. For these projects, the CDBG-DR funds may not be used to expand a project beyond the scope already approved by the federal agency. In addition, to be eligible for CDBG-DR assistance, the activity must be an eligible activity and meet a national objective, per CDBG-DR rules and regulations. Similarly, the project must fully comply with all applicable rules and regulations, to include Davis Bacon and Related Acts, Section 3, Section 504, procurement, environmental review and all other CDBG-DR, cross-cutting, Territorial and local applicable statutes, rules, and regulations. In the U.S. Virgin Islands, the allocation of match funds will be considered based on the following cost share needs:

Table 4. Match Requirements for Federal Disaster Recovery Programs, as of December 1, 2018

Federal Agency	FEMA Section	Category of Work	Program	Type of Work	Federal Cost Share*	Local Cost Share
FEMA	Section 407	A	PA: Debris Removal	Emergency	100%	0%
FEMA	Section 403	B	PA: Emergency Protective Measures	Emergency	100%; 90%**	0%; 10%
FEMA	Section 403	B	PA: Sheltering and Temporary Essential Power (STEP)	Emergency	100%; 90%**	0%; 10%
FEMA	Section 406	C-G	PA: Public Assistance & Mitigation	Permanent	90%	10%
FEMA	Section 428	C-G	PA: Public Assistance Alternative Procedures (PAAP)	Permanent	90%	10%
FEMA	N/A	N/A	PA: Direct Administrative Costs (DAC)	N/A	90%	10%
FEMA	N/A	Z	PA: State Management Costs (SMC)	N/A	100%	0%
FEMA	Section 404	N/A	Hazard Mitigation Grant Program (HMGP)	Mitigation	100%	0%
FHWA	N/A	N/A	Emergency Relief Program	Emergency, Permanent	100%	0%
USACE **and Other Federal Agencies (OFA)**	N/A	N/A	Mission Assignment (MA)	Permanent	90%**	0%; 10% $250,000 max. per project

*Subject to change per Congress.
**100% federal cost share for 240 days from the start of the incident period for Hurricanes Irma and Maria, ending August 31, 2018, for Hurricane Irma and September 11, 2018, for Hurricane Maria; 90% thereafter.

All infrastructure under the FEMA PA program is being designed to consider mitigation components to protect against future damages. Proactive measures to promote risk-informed infrastructure development include diversification of power generation, micro-grid development, relocation of critical facilities, and flood-mitigated roads. VITEMA is currently updating the 2014 Territory Hazard Mitigation Plan to account for post-storm needs. All projects undertaken through the CDBG-DR program will be coordinated with the results of this planning process.

To align future CDBG-DR projects with existing Territory capital improvement projects, Implementing Partners may be required to consult DPNR's Division of Comprehensive and Coastal Zone Planning. Given the historic and cultural significance of a multitude of buildings and areas, infrastructure projects should also address the historic preservation priorities of DPNR's Division of Historic Preservation. Much of the proposed energy and water-related work through

these programs already align with goals and previous capital projects envisioned by WAPA in their 2012 Power Generation Action Plan and will continue to build on this vision. Projects should comply with Executive Order No. 474-2015 which ensures that climate change adaptation policy and planning is conducted in a coordinated and collaborative manner, also a key focus of the USVI Hurricane Recovery Task Force's Plan. While local agencies and authorities' plans will guide many projects, the funding should also provide opportunities for enhanced private investment.

The Territory understands the critical need to strike a balance between advanced technology and reliable results. Under this program, prioritization criteria will consider the technical feasibility of a project as a factor in how it will receive funding to encourage realistic project design from the onset. However, it is also understood that traditional energy systems and infrastructure pathways might not be the most geographically-relevant or effective solution for long-term recovery, so resiliency will be heavily weighted as a prioritization criterion as well.

Roles and Responsibilities

VIHFA

VIHFA administers the grant funds for the Match Program through the CDBG-DR Division. Division staff are responsible for ensuring projects comply with all applicable federal and Territorial regulations, including but not limited to, Pub. L. 115-56, Pub. L. 115-123, NEPA, HCDA, and Territorial procurement regulations where applicable, and align with the CDBG-DR Action Plan. Division staff provide technical assistance to Implementing Partners to meet these requirements as needed. VIHFA may proactively identify priority PWs for match based on reporting on PW obligation and draw status provided via VITEMA.

- Determine sufficient capacity and payment procedures are in place for Implementing Partners
- Determine project eligibility and mechanisms to comply with crosscutting requirements
- Disburse funds in accordance with VIHFA Financial Policies
- Complete desk, onsite, and formal monitoring of the project
- Prepare and maintain documentation of activities and compliance with requirements for monitoring and audits

Implementing Partner

The Implementing Partner under the Match Program is the entity that serves as the project applicant under any federal program requiring local cost share for Irma and Maria. Implementing Partners coordinate between VIHFA and VITEMA to ensure critical documentation of activities, such as invoices, timesheets, and records of construction are available for monitoring. Implementing Partners can request funds from the Match Program by submitting the Initial Scope and Budget Form to VIHFA (Appendix B).

- Meet the requirements of VIHFA grant conditions
- Manage all aspects of design and construction

- Responsibly manage project funds
- Coordinate activities with other federal and Territorial agencies
- Implement crosscutting requirements
- Report back to VIHFA on a monthly basis
- Prepare and maintain documentation of activities and compliance with requirements for monitoring and audits

VITEMA

VITEMA is the administering entity for the federal cost share of the project for FEMA. VITEMA is responsible for processing and approving drawdown requests under the FEMA programs requiring local cost shares. VIHFA and VITEMA may be required to coordinate closely on the timing of draw requests, document sharing, and payment schedules to ensure eligible invoices are paid in a timely manner. VITEMA is responsible for reporting on the status of PW obligations and drawdowns to VIHFA to assist in identifying priority PWs.

4.2.3 Prioritization Matrix

The criteria for the Match Program are categorized based primarily on factors relating to the FEMA PW. A PW is the form used to document the scope of work and cost estimate for a project. This form supplies FEMA with the information necessary to approve the scope of work and itemized cost estimate prior to funding. Each project must be documented on a separate PW which then becomes the basis for funding under the FEMA PA program. The prioritization included in this document refers primarily to FEMA PA PWs as they account for the majority of match unmet need. Match required for FHWA-ER and other federal funding sources may be prioritized with similar requirements based on the relative amount of match funds needed.

The Match Program will seek to spend match funds as quickly and efficiently as possible within specific parameters. FEMA's PW drawdown status and obligation status will help to filter projects and ensure more rapid match spending. Within these Tiers, the Territory will then further determine priority based on the shared Prioritization Criteria for the Infrastructure Program.

Table 5: Prioritization for Match Program (FEMA PA projects only)

Tier 1 **PWs that have been obligated and have received a drawdown payment from VITEMA.**
Tier 2 **PWs that have been obligated and have submitted a drawdown request to VITEMA that has not yet been paid.**
Tier 3 **PWs that have been obligated, but a drawdown request has not yet been submitted to VITEMA.**
Tier 4 **PWs that have not yet been obligated.**

428 Alternative Procedures:

Section 428 of the Stafford Act identifies goals for the alternative procedures that reduce the cost to the federal government of providing FEMA PA, increase flexibility in the administration of such assistance, expedites the provision of assistance; and provides financial incentives and disincentives for timely and cost-effective completion of projects with such assistance. This includes potentially packaging multiple PWs into one to reduce the administrative requirements, which in turn, assists in reducing the reporting requirements for match funds as they are combined under one project instead of multiple projects. This process may impact a PW's prioritization level.

4.2.4 Method of Match Implementation

Once project has been identified as a priority for the Match Program, the Territory intends to use a "coordinated match" approach to consolidate requirements and reduce administrative burden. Using the 10% local match requirement for FEMA PA as an example, the following scenarios demonstrate the advantages of a coordinated match strategy over a traditional approach.

4.2.3.1 Traditional Match

A traditional approach to matching the local cost share is to provide 10% of the total of individual PW line items. This carries heavy administrative burdens as for each FEMA PW requiring match, every single activity will have to adhere to CDBG-DR and crosscutting requirements, requiring a tedious line-item review. These requirements go beyond the requirements of FEMA, so applying them across the entirety of the project is a heavy administrative requirement and may result in many ineligible projects.

Table 6: Traditional Match Example Scenarios

Invoice #	Total Cost	FEMA Share	HUD Share (Local Match)	Date
1	$ 1.0 M	$ 0.9 M	$ 0.1 M	Jul. 2018
2	$ 1.0 M	$ 0.9 M	$ 0.1 M	Jan. 2019
3	$ 1.0 M	$ 0.9 M	$ 0.1 M	Jul. 2019
4	$ 1.0 M	$ 0.9 M	$ 0.1 M	Jan. 2020
5	$ 1.0 M	$ 0.9 M	$ 0.1 M	Jul. 2020
6	$ 1.0 M	$ 0.9 M	$ 0.1 M	Jan. 2021
7	$ 1.0 M	$ 0.9 M	$ 0.1 M	Jul. 2021
8	$ 1.0 M	$ 0.9 M	$ 0.1 M	Jan. 2022
9	$ 1.0 M	$ 0.9 M	$ 0.1 M	Jul. 2022
10	$ 1.0 M	$ 0.9 M	$ 0.1 M	Jan. 2023
Total	**$ 10.0 M**	**$ 9.0 M**	**$ 1.0 M**	
% Total Share		**90%**	**10%**	

4.2.3.2 Coordinated Match

Coordinated match approaches the required cost shares as a holistic package, then isolates 10% of the total activities to focus only on those that are HUD-eligible costs. A project may use CDBG-DR for design, FEMA PA for construction, for example. This reduces administrative burden and avoids duplication of benefits. In the example scenario below, match funds are used for a singular invoice to reach 10% of the total cost quickly and efficiently. This strategy has been successfully used in several ways, in particular by New York City after Superstorm Sandy.[1]

Table 7: Coordinated Match Example Scenario

Invoice #	Total Cost	FEMA Share	HUD Share (Local Match)	Date
1	$ 1.0 M	$ 0.0 M	$ 1.0 M	Jul. 2018
2	$ 1.0 M	$ 1.0 M	-	Jan. 2019
3	$ 1.0 M	$ 1.0 M	-	Jul. 2019
4	$ 1.0 M	$ 1.0 M	-	Jan. 2020
5	$ 1.0 M	$ 1.0 M	-	Jul. 2020
6	$ 1.0 M	$ 1.0 M	-	Jan. 2021
7	$ 1.0 M	$ 1.0 M	-	Jul. 2021
8	$ 1.0 M	$ 1.0 M	-	Jan. 2022
9	$ 1.0 M	$ 1.0 M	-	Jul. 2022
10	$ 1.0 M	$ 1.0 M	-	Jan. 2023
Total	**$ 10.0 M**	**$ 9.0 M**	**$ 1.0 M**	
% Total Share		**90%**	**10%**	

[1] https://www.hudexchange.info/onecpd/assets/File/2015-CDBG-DR-Training-Planning-for-FEMA-Match-NYC.pdf

The following examples of success with the coordinated match approach illustrate the Territory's intentions to seek efficient solutions to the challenges of local match.

1. Police Overtime: After Hurricane Sandy, police overtime cost the City of New York $174 million in eligible force account labor. Some of the preparedness costs were ineligible for CDBG-DR since they occurred in the weeks leading up to the disaster. However, post-disaster costs were CDBG-DR-eligible. Instead of reviewing each of these payroll costs individually, the grantee identified that the total service area (city-wide) qualified as the LMA national objective. Therefore, the City simply paid 10% of the total CDBG-DR-eligible costs in one payment, without needing to review LMA for each line item.
2. STEP: FEMA's STEP program was used by the City of New York after Hurricane Sandy, named the Rapid Repairs Program, to provide emergency home repairs, similarly to STEP in the Territory. However, given the nature of emergency work, many repairs were made that were not compliant with CDBG-DR's Davis-Bacon prevailing wages. To ensure match funds were only used for eligible work, the grantee isolated any work done on single-family homes, on which Davis-Bacon does not apply. In doing so, match funds only went to CDBG-DR-compliant contracts and reduced the need to sort through hundreds of contracts with insufficient wage documentation.

Though coordinated match strategies can help to reduce the administrative burden of local match requirements, it can be challenging to isolate 10% of the project costs. FEMA PA work is sometimes initiate before CDBG-DR has even been awarded. As such, documentation of CDBG-DR requirements should be done proactively by Implementing Partners under FEMA contracts that anticipate receiving CDBG-DR match funds.

This coordinated match approach it will be assessed on a case-by-case basis. Implementing Partners under the Local Match for Federal Disaster Recovery Program must be aware that incomplete documentation of CDBG-DR requirements or noncompliant procurement practices will impact their ability to receive match funds.

VIHFA will determine appropriate application of coordinated versus traditional match approaches according to the priority level, size, and eligibility of the project.

4.2.5 HMGP Waiver and STEP

On May 18, 2018, the White House authorized an increase in the federal FEMA contributions to the U.S. Virgin Islands in response to Hurricanes Maria and Irma. It announced that the Federal share for "all categories of Public Assistance is authorized at 90 percent, except for assistance previously approved at 100 percent; the 100 percent Federal cost share for debris removal and emergency protective measures is extended for 120 days, with the extension of emergency protective measures being limited to Sheltering and Temporary Essential Power (STEP); and the Federal share for hazard mitigation measures under section 404 of the Stafford Act is authorized at 100 percent of total eligible costs."

Thus, the "local match" for HMGP has been waived. While the non-federal match was reduced from 25% to 10% for FEMA PA emergency work and permanent work, the local match or non-federal cost-share is currently anticipated to reach over $500 million.

4.3 Infrastructure Repair and Resilience Program

4.3.1 Program Administration

Administering Entity: VIHFA

Estimated Start and End Dates: Quarter 2, 2019 through Quarter 3, 2024.

Eligible Applicants: Governmental and quasi-governmental entities.

Eligibility Criteria: Must be a project that meets the proposed goals stated above. Infrastructure projects must exhaust other eligible funding sources such as FEMA prior to receipt of CDBG-DR. Applicants need not meet all prioritization criteria to be eligible.

Program Allocation: $305,000,000 ($30,000,000 (initial allocation), $275,000,000 (second allocation))

Maximum Award: There is no maximum award for an individual project. Awards will be based on project cost estimates and cost benefit analysis.

National Objective: Low- and Moderate-Income Area benefit, Low- and Moderate-Income Limited Clientele, or Urgent Need.

4.3.2 Program Description

The goals of the Infrastructure Repair and Resilience Program (Repair and Resilience Program) are to:

- Repair and replace damaged infrastructure;
- Harden infrastructure against extreme weather events; and
- Construct new infrastructure to improve the level and breadth of service to communities.

The demand for repair and resilience interventions, as described above, will exceed the investment in this program; however, this investment will provide a significant improvement to a weakened energy infrastructure and will aid to fill a gap identified as a result of the hurricanes.

The Territory will ensure there is no duplication of benefits and will follow the guidance for proper documentation. There will be a review process for project selection based on the priorities identified and Subrecipient Agreements as deemed necessary.

Program funds will be used to meet the three goals described below. Priority will be given to projects directly supporting housing needs and critical services. Roads and public and community facilities will be prioritized as they are sectors with the greatest unmet need.

- *Repair and Replacement*: The Repair and Resilience Program will pay for eligible costs to complete repairs and replacements for public infrastructure that have not yet been completed (e.g., repair of non-federal aid roads).

- *Hardening*: The Repair and Resilience Program will cover activities to harden infrastructure against severe weather events. This will include both structural and non-structural measures to harden facilities against high winds, heavy rainfall, flood exposure,

storm water run-off, and their effects (e.g., erosion). For example, the Department of Public Works (DPW), with assistance from FEMA and FHWA, has identified potential mechanisms to reduce overall vulnerability of the transportation infrastructure. Structural projects for DPW may include, repair, reconstruct, and improve resilience to transportation infrastructure including roads, bridges, ghuts, culverts, additional drainage systems, embankments, traffic signals, and signage to industry standards, as applicable to the Territory. Non-structural approaches may include hydrologic and hydraulic studies, flood-risk modeling, monitoring systems such as GIS, public outreach and education, and future planning measures.

Energy resilience measures will keep public facilities operational in times of disaster. Making these facilities less vulnerable to future disasters will provide communities with that first layer of support beyond the home. Energy resilience measures may include but are not limited to: backup solar power with or without battery storage, standby generators for emergency purposes (not base load), and other types of distributed energy resources located on site or within a nearby community (e.g., microgrids).

- *New Construction*: The Repair and Resilience Program will cover the cost of new construction to extend public services to populations that are not currently connected and/or to deliver services more effectively. Eligible projects may include construction of new trenches to bury or extend multiple utilities, e.g., burying telecom fiber optic network in a trench built to extend a water line to an isolated community. This reduces the cost of each individual project, minimizes disturbances to traffic flow, and decreases the risk of damage to previously placed but unmarked utilities.

Roles and Responsibilities

VIHFA

VIHFA administers the grant funds for the Repair and Resilience Program through the CDBG-DR Division. Division staff are responsible for ensuring projects comply with all applicable federal and Territorial regulations, including but not limited to, Pub. L. 115-56, Pub. L. 115-123, NEPA, HCDA, and Territorial procurement regulations where applicable, and align with the CDBG-DR Action Plan. Division staff provide technical assistance to Implementing Partners to meet these requirements as needed. VIHFA's responsibilities include:

- Determine sufficient capacity and payment procedures for Implementing Partners
- Determine project eligibility and mechanisms to comply with crosscutting requirements
- Disburse funds in accordance with VIHFA Financial Policies
- Complete desk, onsite, and formal monitoring of the project
- Prepare and maintain documentation of activities and compliance with requirements for monitoring and audits.

Implementing Partner

The Implementing Partner under the Repair and Resilience Program refers to the entity managing and executing the project activities. Implementing Partners can request funds from the Repair and Resilience Program by submitting the Initial Scope and Budget Form to VIHFA (Appendix B). The Implementing Partner's responsibilities include:

- Meet the requirements of VIHFA Capacity Assessments and grant conditions
- Manage all aspects of design and construction
- Responsibly manage project funds
- Coordinate activities with other federal and Territorial agencies
- Implement crosscutting requirements
- Report back to VIHFA monthly basis
- Prepare and maintain documentation of activities and compliance with requirements for monitoring and audits.

4.3.3 Prioritization

Potential projects in the Infrastructure Repair & Resilience Program are largely determined at the discretion of the Governor of the U.S. Virgin Islands. An initial eligibility analysis is then done to ensure that the projects will meet HUD CDBG-DR requirements.

Each project's eligibility will be determined on a case-by-case basis then prioritized based on program criteria to ensure the most impactful projects for recovery are funded first.

Prioritization Tiers for Infrastructure Repair and Resilience Program

- **Tier 1: Critical:** Determined based on the extent to which the normal conduct of social, economic, or government processes is impeded without the project. Special consideration will be given to projects that have a strong tie to housing unmet needs or will contribute to long-term recovery and restoration of housing.
- **Tier 2: LMI/LMA:** Project beneficiaries are documented to be at least 51% low- and moderate-income persons or project service area has been determined to be at least 51% low/mod and is predominantly residential.

4.4 Electrical Power Systems Enhancement and Improvement Program

4.4.1. Program Administration

Estimated Start and End Dates: Quarter 1, 2019 through Quarter 4, 2022.

Geographic Area(s) Served: Territory-wide.

Administering Entity: VIHFA

Eligible Applicants: WAPA and other governmental entities which may have electrical projects outside of the existing WAPA network.

Eligibility Criteria: Must be a project that meets proposed goals stated above. Infrastructure projects must exhaust other eligible funding sources such as FEMA prior to receipt of CDBG-DR. Applicants need not meet all prioritization criteria to be eligible.

Program Allocation: $135,000,000 ($45,000,000 (initial allocation), $90,000,000 (second allocation))

Maximum Award: There is no maximum award for an individual project. Awards will be based on project cost estimates and cost benefit analysis.

National Objective: Low- and Moderate-Income Area, or Urgent Need

4.4.2 Program Summary

The main objectives of the Electrical Power Systems Enhancement and Improvement Program (Electrical Power Program) will be to invest in optimizing the generation mix, improving asset productivity, and providing more sustainable, more reliable, and more cost-effective energy for the U.S. Virgin Islands. To achieve these goals, WAPA will need to deliver several projects across the different areas of investment. Eligible activities may include but are not limited to the following:

- Enhancement of existing generation and/or storage, including supporting infrastructure;
- Development of new generation and/or storage, including supporting infrastructure;
- Repair and reconstruction of energy infrastructure, including structures;
- Hardening of energy infrastructure, including structures;
- Mitigation measures to prevent and/or reduce service disruptions or failures;
- Public facilities and improvements;
- Energy efficiency/conservation programs; and
- Code enforcement.

Generation is a major determinant of both cost and performance of the electrical power system in the U.S. Virgin Islands. Similar to other remote areas, the Territory's primary sources of electricity are combustion and steam turbines powered by fuel oil or propane, which must be shipped to the island and kept in storage facilities owned by third-party providers. The Electrical Power Program will help to reduce the Territory's dependence on oil and propane by allowing for projects that replace existing, conventional generator units with advanced, high efficiency technologies or build new capacity with more advanced technologies. Such projects may also have health and environmental benefits to improve air quality for communities near the power generation plants and decrease the overall emissions into the atmosphere.

Enhancing the electrical power system also involves optimizing the type of generation, including conventional and renewable sources. One of the initial priorities for the Territory is to invest in utility-scale solar and wind projects, and eventually consider community-scale or rooftop solar programs. The abundance of solar and wind make the Territory a prime location for investment in renewable energy. Decreasing capital costs and zero marginal fuel costs also make renewable energy technologies an increasingly attractive opportunity for investment. This reduction in variable operating cost could also be passed on to customers, thus decreasing the cost of electricity for ratepayers, including LMI households.

Projects may also include the adoption of grid-scale energy storage systems to smooth intermittent generation from renewable energy sources, supported by interconnection infrastructure to supply

energy directly or provide ancillary services to the grid. By combining renewables and battery storage, WAPA would have more freedom to store energy when power generation is high but demand for electricity is low, then dispatch electricity to the grid when generation is low, but demand is high. For example, electricity demand typically spikes in the early evening, while solar power generation is decreasing as the sun sets. By storing excess energy when solar output is peaking in the middle of the day, the utility can supply power to the electric grid without incurring additional marginal costs from other fuel sources. This is a key feature to the success of utility scale renewable energy resources.

Modernization of services is another element of this program. Investments will be made to increase the utilities ability to respond to outages more quickly using Outage Management Systems (OMS) and ease billing from customers through advanced metering infrastructure. With an advanced metering infrastructure in place, there will no longer be a need for workers to read individual meters, which is more time-consuming and less accurate. More active monitoring will enable the utility to respond to outages or local increases in load prior to outages and can redirect load to support changes or spikes in usage.

Roles and Responsibilities

VIHFA

VIHFA administers the grant funds for the Repair and Resilience Program through the CDBG-DR Division. Division staff are responsible for ensuring projects comply with all applicable federal and Territorial regulations, including but not limited to, Pub. L. 115-56, Pub. L. 115-123, NEPA, HCDA, and Territorial procurement regulations where applicable, and align with the CDBG-DR Action Plan. Division staff provide technical assistance to Implementing Partners to meet these requirements as needed. VIHFA's responsibilities include:

- Determine sufficient capacity and payment procedures for Implementing Partners
- Determine project eligibility and mechanisms to comply with crosscutting requirements
- Disburse funds in accordance with VIHFA Financial Policies
- Complete desk, onsite, and formal monitoring of the project
- Report to HUD on a quarterly basis
- Prepare and maintain documentation of activities and compliance with requirements for monitoring and audits.

Implementing Partner

The Implementing Partner under the Electrical Power Program is the entity managing and executing the project activities. Implementing Partners can request funds from Electrical Power Program by submitting the Initial Scope and Budget Form to VIHFA (Appendix B). The Implementing Partner's responsibilities include:

- Meet the requirements of VIHFA Capacity Assessments and grant conditions
- Manage all aspects of design and construction

- Responsibly manage project funds
- Coordinate activities with other federal and Territorial agencies
- Implement crosscutting requirements
- Report back to VIHFA on a monthly basis
- Prepare and maintain documentation of activities and compliance with requirements for monitoring and audits.

4.4.3 Prioritization Matrix for Electric Power Enhancement

Tier 1 **Projects that reduce the cost of power in the Territory.**
Tier 2 **Projects that strengthen the electric grid system to be more resilient and redundant using improved technology.**
Tier 3 **Projects that lessen the Territory's dependence on fossil fuels.**
Tier 4 **Projects that serve low- and moderate-income (LMI) persons and communities.**

The first tier of prioritized project is to reduce the cost of power, which is prohibitively expensive for some residents and businesses in the U.S. Virgin Islands. Post-hurricane, the already-high cost of electricity has escalated. Thus, it is a high priority for electric grid projects reduce the cost of power through improved technology and ensuring system-wide resilience and to improve the technology in the Territory.

The second tier of prioritized projects is to make the electric grid system more resilient and redundant using improved technology. A key factor in determining project funding will be to determine how it includes measures that prevent vulnerability in the future or provide innovative solutions to existing vulnerabilities. This priority relates to the first priority in that systemic improvements to help reduce the cost of power can make the wholistic system more resilient, rather than piecemeal repairs.

The third tier of prioritized projects is to lessen the Territory's dependence on fossil fuels. In 2009, the Territory was almost 100 percent dependent on imported oil for electricity, water desalinization, and transportation. At that time, the Virgin Islands began a pilot project as part of the Energy Development in Island Nations (EDIN) initiative, with support from the US Department of Energy (DOE) and the Office of Energy Efficiency and Renewable Energy (EERE). the Virgin Islands set a goal of reducing fossil fuel use by 60 percent by 2025. Five years towards

that goal the Virgin Islands' fossil fuel use was down 20 percent. To keep the Territory on track and possibly exceed the goal, funding these projects is a priority.

The fourth tier of prioritized projects is to serve low- and moderate-income (LMI) persons and communities throughout the U.S. Virgin Islands.

VIHFA will seek to compliment this approach to the distribution of funds in this program with the anticipated Tranche 3 funding for mitigation, much of which may go to electrical system improvements.

5.0 CDBG-DR PROGRAM REQUIREMENTS

The Territory will ensure that each project which receives funding under the Infrastructure Programs corresponds to a CDBG-DR eligible activity, meets a national objective, and demonstrates a direct connection to the disaster. Funds will be provided as payment to governmental agencies, eligible organizations, or other entities for eligible activities within approved scopes with relevant documentation from Implementing Partners.

5.1 Overall Program Administration

VIHFA will oversee all activities and expenditures in connection with the CDBG-DR funds. Existing VIHFA employees, additional personnel and contractors will be hired to aid in the administration of, and to carry out, the recovery programs. These partners will ensure that the Program meets all requirements, including but not limited to: the disaster threshold, eligibility, national objective, compliance, fair housing, labor standards, nondiscrimination, environmental regulations, Section 3, and procurement regulations.

VIHFA has created a Compliance and Monitoring Manual in accordance with CDBG-DR requirements so that each activity funded will meet the disaster threshold and one of HUD's three national objectives, with emphasis on eligible activities achieving the primary national objective of benefiting low- and moderate-income persons.

All projects must comply with any applicable federal laws and regulations and effectively meet their stated goals. In accordance with HUD requirements, VIHFA will submit a Quarterly Progress Report (QSR) through DRGR no later than thirty days following the end of each calendar quarter. QPR's will be posted on a quarterly basis until all funds have been expended and all expenditures have been reported. QPRs will be informed by monthly reports submitted by Implementing Partners to VIHFA.

5.2 Tie to the Disaster

All activities funded with CDBG-DR in the Infrastructure Program must in some way respond to a direct or indirect impact of one of the following federally-declared disasters:

- Hurricane Irma (DR-4335)
- Hurricane Maria (DR-4340)

Match Program

FEMA disaster recovery programs, along with the EPA disaster recovery programs, require clear documentation showing a direct storm-related impact as a prerequisite for entry into these programs and funding. Only after an impact threshold has been met will the lead federal agency consider making disaster funds available to the applicant. It is assumed that if the applicant received funding and support through one of the federal recovery programs set out above, the applicant was impacted by one or more of the declared disasters. For example, the FEMA PA program, a tie to the storm is documented by FEMA's approval of the PW.

Repair and Resilience and Electrical Power System Enhancement Programs

For non-FEMA projects, the tie to the disaster will be determined by one of the following:

- For physical losses – Damage, rebuilding estimates, or insurance estimates
- For economic or other non-physical losses – Post-disaster analyses or assessments (documenting relationship between loss and disaster)[2]
- Funds may be used to address an unmet need that arose from a previous disaster, which was exacerbated by a disaster cited in the Appropriation.
- If an impact or need originating from a disaster identified in the Appropriation is subsequently exacerbated by a future disaster, funds may also be used to address the resulting exacerbated unmet need.

[2] https://www.hudexchange.info/resources/documents/CDBG-DR-Eligible-Activities-Slides.pdf

5.3 Eligible Activities

Table 8 below summarizes the total infrastructure CDBG-DR allocations in accordance with basic eligible activities per HCDA Section 105:

Table 8. Summary of Infrastructure Program Eligible Activities

Program	Sectors	HCDA Eligible Activities (Section 105(a))	Total Allocation
Local Match for Federal Disaster Relief Programs	• Educational Facilities • Energy • Government Facilities • Hospitals & Healthcare Facilities • Telecommunications • Transportation (including roads, ports, & airports) • Waste: Solid Waste/Landfill Debris • Water & Wastewater	• Payment of the Non-federal Share • Acquisition of Real Property • Public Facilities and Improvements • Clearance, Rehabilitation, Reconstruction, and Construction of Buildings • Public Services • Relocation • Assistance to Institutions of Higher Education (must be facility)	$168,805,950
Infrastructure Repair and Resilience	Same as above	• Acquisition of Real Property • Public Facilities and Improvements • Clearance, Rehabilitation, Reconstruction, and Construction of Buildings • Public Services • Relocation • Assistance to Institutions of Higher Education	$305,000,000
Electrical Power Systems Enhancement and Improvement	Energy	• Acquisition of Real property • Public Facilities and Improvements • Clearance, Rehabilitation, Reconstruction, and Construction of Buildings • Relocation • Payment of the Non-federal Share	$135,000,000
Total			**$608,805,950**

For each activity, the Territory will determine the appropriate service area based on factors including: the nature of the activity; the location of the activity; accessibility issues; the availability of comparable activities; and boundaries for facilities and public services. The Territory will ensure that projects will be prioritized to provide services to LMI persons and support unmet housing needs.

5.3.1 Ineligible Activities

The CDBG-DR program regulations identify certain activities as categorically ineligible. They also identify certain other activities that are ineligible unless they are carried out under the authority of §570.204.

The general rule in the CDBG-DR program is that any activity that is not authorized under the provisions of §570.201-570.206 (or, where applicable, the statute) is ineligible to be assisted with CDBG-DR funds. However, the eligible activities are so broad that it is easy to forget that some things cannot be done under the Program. The purpose of this section is to discuss specific activities that are ineligible and to provide guidance in determining the eligibility of other activities frequently associated with housing and community development.

Categorically Ineligible

The following activities may not be assisted with CDBG-DR funds under any circumstance:

- General government expenses. Except as otherwise specifically authorized in Subpart C of Part 570 or under OMB Circular A-87, expenses required to carry out the regular responsibilities of the unit of general local government are not eligible for assistance under this part. Reference: §570.207(a)(2).
- Political activities. CDBG funds may not be used to finance the use of facilities or equipment for political purposes or to engage in other partisan political activities, such as candidate forums, voter transportation, or voter registration. However, a facility originally assisted with CDBG funds may be used on an incidental basis to hold political meetings, candidate forums, or voter registration campaigns, provided that all parties and organizations have access to the facility on an equal basis, and are assessed equal rent or use charges, if any. Reference: §570.207(a)(3)

Generally Ineligible

The following activities may not be assisted with CDBG-DR funds unless authorized as Special Economic Development Activities under §570.203 or §570.204.

- Furnishings and personal property. The purchase of equipment, fixtures, motor vehicles, furnishings, or other personal property not an integral structural fixture is generally ineligible. CDBG-DR funds may be used, however, to purchase or to pay depreciation or use allowances (in accordance with OMB Circulars A-21, A-87, or A-122, as applicable) for such items when necessary for use by a recipient or its subrecipients in the administration of activities assisted with CDBG-DR funds, or when eligible as firefighting equipment, or when such items constitute all or part of a public service pursuant to §570.201(e)2. Also, these items are eligible when carried out by a for-profit business as part of CDBG-DR assistance under the authority of §570.203(b). Reference: §570.207(b)(1)
- Operating and maintenance expenses. The general rule is that any expense associated with repairing, operating, or maintaining public facilities, improvements, and services are ineligible.
    - However, specific exceptions to this general rule are operating and maintenance expenses associated with public service activities [see §570.201(e)], interim assistance [see §570.201(f)], and office space for program staff employed in carrying out the CDBG program (see §570.206).

- For example, the use of CDBG-DR funds to pay the allowable costs of operating and maintaining a facility used in providing a public service (e.g., salaries, rent) would be eligible under §570.201(e), even if no other costs of providing the service there are assisted with such funds. Examples of operating and maintenance expenses that are generally ineligible include:

- Maintenance and repair of publicly-owned streets, parks, playgrounds, water and sewer facilities, neighborhood facilities, senior centers, centers for persons with disabilities, parking, and other public facilities and improvements. Examples of maintenance and repair activities for which CDBG-DR funds may not be used include the filling of pot holes in streets, repairing of cracks in sidewalks, the mowing of grass in city or county parks, and the replacement of street light bulbs.
- Payment of salaries for staff, utility costs, and similar expenses necessary for the operation of public works and facilities. Reference: §570.207(b)(2).

5.4 National Objectives

Per HUD 24 CFR 570 Section 101(c), the primary objective of the Program is the development of viable communities by the provision of decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income. The statute further states that this is to be achieved in the CDBG program by ensuring that each funded activity meets one of three named national objectives. Those three objectives are identified as: benefiting low- and moderate-income persons; preventing or eliminating slums or blight; and meeting urgent needs. Federal Register FR-6109-N-01 states that each grantee must ensure that at least 70% of all CDBG-DR funds must be used for activities qualifying under the national objectives of Benefit to Low- and Moderate-Income Persons. The following national objectives are applicable to all Infrastructure Programs and all projects will be required to meet at least one of the national objectives below.

National Objectives: Low- and Moderate-Income Area, Low- and Moderate-Income Limited Clientele, or Urgent Need, Slum and Blight.

5.4.1 Low- and Moderate-Income Area (LMA)

To be eligible as LMA, the project service area must be at least 51% LMI households and be predominantly residential. In instances where the infrastructure investment activity does not serve the entire island but a particular location, an LMA analysis will be conducted to determine the low- and moderate-income benefit.

5.4.2 Low- and Moderate-Income Limited Clientele (LMC)

In contrast to the area benefit category, it is not the LMI concentration of the service area of the activity that determines whether the activity will qualify or not, but rather the actual number of LMI persons that benefit from the activity. Activities in this category provide benefits to a specific group of persons rather than everyone in an area. It may benefit particular persons without regard to their residence, or it may be an activity that provides a benefit to only particular persons within a specific area.

5.4.3 Urgent Need

While at least 70% of the entire CDBG–DR grant will be used for activities that benefit LMI persons, for certain activities the U.S. Virgin Islands will use the Urgent Need national objective. Activities carried out under the urgent need objective will not count towards the 70% LMI benefit.

5.4.4 Required Documentation

National Objective	Required Documentation
LMI Area Benefit	Boundaries of service area of activity; Census data including total persons and percentage LMI; Evidence area is primarily residential; and Survey documentation (if applicable).
LMI Limited Clientele	Documentation that the beneficiaries are or are presumed to be LMI (by category).
Urgent Need	Per 83-FR-5856, CDBG certification requirements for documentation of urgent need, located at 24 CFR 570.483(d), are waived and replaced with: 1. Document how each program and/or activity funded under the urgent need national objective responds to a disaster-related impact. 2. For each activity that will meet an urgent need national objective, the grantee must reference in its action plan needs assessment the type, scale, and location of the disaster-related impacts that each program and/or activity is addressing over the course of the applicable deadline for the expenditure of obligated grant funds.

5.5 DUPLICATION OF BENEFITS

The Infrastructure Programs will include a duplication of benefits review as part of the scope and budget review and award calculation process. The requirements of the Robert T. Stafford Act (Stafford Act), as amended, prohibit any person, business concern, or other entity from receiving federal funds for any part of such loss for which they have already received financial assistance under any other program, private insurance, charitable assistance, or any other source. This duplicative funding is called Duplication of Benefit (DOB). Any government entity that provides disaster recovery assistance must both prevent and correct any DOB by the establishment and implementation of policies to identify and adjust for such duplicative assistance payments.

DOB may apply in the following circumstances: when assistance for the same purpose has been received; when assistance for the same purpose will be received; or when assistance for the same purpose is reasonably available from another source, such as insurance or legal settlements due to the property owner.

All Implementing Partners will be responsible for accurately reporting the availability or receipt of duplicative grants, loans, insurance payments, legal claims, gifts or other payments pertaining to the property being mitigated. Reporting should occur at any point that such information becomes available, including:

- During scoping process development, pre-award, and approval;
- During the grant period of performance;
- During closeout; and
- After grant closeout, if duplicative funds are received at a later date.

Implementing Partners are responsible for reporting DOB information to VIHFA. VIHFA is ultimately responsible for ensuring that project participants comply with all federal laws and regulations. Any agency receiving duplicate benefits is legally responsible for the repayment of those benefits.

5.5.1 Preventing Duplication

All Implementing Partners and subrecipients must complete the DOB calculations as part of the Initial Scope and Budget, as well as the Detailed Scope and Budget Form, with assistance from Program staff. Both forms request information about all other sources of funding the agencies must be aware of that may impact the DOB. Agencies must provide documentation of these sources but VIHFA will also verify these funding sources with other federal partners. This process will be supported by TA from Program staff. Also included in these forms is the standard calculation method used by Program staff to determine if a duplication is present. Project DOB information must be maintained by the agency and reported to VIHFA throughout the life of the project. The agency reviews reported DOB and makes appropriate deductions. Additionally, CDBG-DR funds may not be used to supplant local resources used for infrastructure projects.

VIHFA maintains records in accordance with Federal grants requirements and assures that the agency has accurately completed DOB reviews and made deductions as appropriate. FEMA must also take steps to assure that its disaster-related assistance funds do not duplicate other assistance by providing information to VIHFA and agency, as needed, to clarify DOB requirements. FEMA's role may include coordination with other Federal agencies, insurance companies, or any other public or private entity to request and provide access to records to assure there is no DOB.

5.5.2 Recapture

An applicant may be required to repay all, or a portion of the funds received. The reasons for recapture include but are not limited to the following:

- An Implementing Partner or subrecipient is determined to have provided false or misleading information to the Program;
- An Implementing Partner or subrecipient withdraws from the Program prior to completion of the project;
- An Implementing Partner or subrecipient does not complete construction;
- An Implementing Partner or subrecipient fails to meet a national objective of the Program;
- An Implementing Partner or subrecipient is found to have used program funds for an ineligible activity; and/or,

- An Implementing Partner or subrecipient does not report the receipt of additional insurance, SBA, FEMA, non-profit assistance and/or any other duplication of benefits received after award.

The Program will develop a detailed recapture policy for the overall CDBG-DR program. The policy, once developed, will be referenced in an update to this manual.

5.6 Elevation Requirements

The following elevation standards apply to new construction, repair of substantial damage, or substantial improvement of structures located in an area delineated as a flood hazard area or equivalent in FEMA's data source identified in 24 CFR 55.2(b)(1).

Mixed-use structures with no dwelling units and no residents below two feet above base flood elevation, must be elevated or flood proofed, in accordance with FEMA floodproofing standards at 44 CFR 60.3(c)(3)(ii) or successor standard, up to at least two feet above base flood elevation. Implementing entities should review the UFAS accessibility checklist available at https://www.hudexchange.info/resources/796/ufas-accessibility-checklist/ along with the HUD Deeming Notice, 79 FR 29671 (May 23, 2014) to ensure that these structures comply with accessibility requirements.

All Critical Actions, as defined at 24 CFR 55.2(b)(3), within the 500-year (or 0.2 percent annual chance) floodplain must be elevated or flood proofed (in accordance with the FEMA standards) to the higher of the 500-year flood plain elevation or three feet above the 100-year floodplain elevation. If the 500-yearfloodplain is unavailable, and the Critical Action is in the 100-year-floodplain, then the structure must be elevated, or flood proofed at least three feet above the 100-year flood plain elevation. Critical Actions are defined as an ''activity for which even a slight chance of flooding would be too great, because such flooding might result in loss of life, injury to persons or damage to property.'' Critical actions include hospitals, nursing homes, police stations, fire stations and principal utility lines.

5.7 Infrastructure Program-Specific Requirements

HUD established infrastructure planning and design requirements for Grantees of this and the Prior Notice. Grantees are required to address long-term recovery and hazard mitigation planning in their Action Plan or substantial amendment by describing how projects will:

1) promote sound sustainable long-term recovery planning informed by post-disaster hazard risk;
2) adhere to elevation requirements of Prior Notice;
3) coordinate with local and regional planning efforts, including how Grantee will promote community-level and/or regional post-disaster recovery and mitigation planning;
4) for infrastructure allocations Grantee must describe how mitigation measures will be integrated into rebuilding activities, how infrastructure activities will be informed by cost-benefits analysis, how Grantee will ensure infrastructure does not have adverse impact on vulnerable populations, how Grantee will align investments with other planned capital improvements and infrastructure efforts and work to foster and leverage funding from other

sources, and how Grantee will employ adaptable and reliable technologies to guard against premature obsolescence of infrastructure. Subrecipients and Implementing Partners will also be held to these requirements.

5.7.1 Integration of Mitigation for Resilience

The Territory is acutely concerned with the potential impacts of future storms and therefore will prioritize mitigation across all programs to build comprehensive resilience. Resilience is the state of a community in which the foundational systems are strong and capable of withstanding, or quickly bouncing back from, a disruption. Whether this is a natural or man-made hazard or an unanticipated economic downturn, the social cohesion, diverse economic opportunities, strong infrastructure, and emergency response capacities all contribute to such resilience.

All infrastructure under the FEMA PA is being designed to consider mitigation components and this will continue to be done under CDBG-DR. Proactive measures to promote risk-informed infrastructure development may include diversification of power generation, micro-grid development, relocation of critical facilities, and flood-mitigated roads. As part of the FEMA HMGP program, VITEMA is currently updating the 2014 Territory Hazard Mitigation Plan to account for post-storm needs. All projects undertaken through the CDBG-DR infrastructure programs will be coordinated with the results of this planning process. VIHFA may also adjust program policies to comply with the recommendations of future plans and planning processes. In addition, HMGP funding for important mapping and hydrologic studies are anticipated to be obligated soon, which will provide up-to-date data and land use recommendations that are critical for roads and power-related projects. VIHFA is working closely with VITEMA to stay up-to-date on related efforts being funded through HMGP, which are also coordinated through the Territory of the Virgin Islands Administrative Plan for HMGP.

Recipients of funds may be required to provide a narrative in the Initial Scope and Budget of how mitigation principles and practices will be incorporated before the signing of contract agreements to ensure mitigation is a key factor from the onset of project design. The specific mitigation measures and technologies included in the project or program will again be evaluated during a Detailed Scope and Budget phase. This may be done in collaboration with HMGP work to ensure coordination with the Territory's other approaches to mitigation. Potential infrastructure or resilience projects may also be evaluated based on guidance outlined in FEMA's Hazard Mitigation Assistance Guidance including:

- Technical Feasibility
- Cost and cost-reasonableness
- Effects on the environment and cultural resources
- Community support
- Promotion of community resilience
- To what extent the project design reduces vulnerability
- To what extent the project includes measures to avoid or minimize adverse impacts to floodplains, wetlands, or other environmental and cultural resources

- Accessibility accommodations for individuals with disabilities and/or access and functional needs

5.7.2 Green Infrastructure

In addition to hardening infrastructure and following elevation requirements, the Territory will seek to incorporate the "no adverse impacts" approach (NAI) set forth by the Association of State Floodplain Managers. This strategy relies on a calculated mix of mitigation approaches to ensure infrastructure development does not increase flooding risks. A key consideration in NAI is green infrastructure and the use of green spaces and natural systems to promote safer, more predictable conveyance of water through communities. All proposed projects under the Infrastructure Programs will be required to provide a narrative summary of the green infrastructure components applicable to the project during the Initial Scope and Budget Phase and are encouraged to use the ASFPM's NAI How-to-Guide for Infrastructure to assist in effective project design.[3]

Green infrastructure and sustainable design may be incorporated in multiple stages of VIHFA's process for the selection and design of projects. Implementing Partners must describe again in the Detailed Scope and Budget Phase, how after more in depth design, the project will incorporate green infrastructure components.

5.7.3 Costs and Benefits

Infrastructure projects typically carry a high cost of labor and materials, relative to the continental U.S., due to the isolated geography and limited workforce in the Territory. Each project will be informed by a consideration of cost and benefits, considering these unique circumstances, but whenever possible, should utilize local/regional talent and materials to reduce costs.

The Territory's approach to assessing costs and benefits may be based on two existing frameworks. The first, HMGP's Guidance on cost effectiveness, relies on a Benefit Cost Analysis, where projects for which benefits exceed costs are generally considered cost effective. The project cost estimate includes a line-item breakdown of all anticipated costs, including, as applicable:

- Costs for anticipated environmental resource impact treatment or historic property treatment measures
- Costs for engineering designs/specifications, including hydrologic and hydraulic studies/analyses required as an integral part of designing the project
- Construction/demolition/relocation costs, such as survey, permitting, site preparation, and material/debris disposal costs
- All other costs required to implement the mitigation project, including any applicable project-type specific costs

Benefits in this methodology are often calculated using standard loss of function estimates provided by relevant federal agencies, which may also be utilized by the Territory.

[3] https://www.floods.org/ace-images/ASFPM-InfrastructureFinalJuly28.pdf

Given the Territory's approach to mitigation and resilience as giving full consideration systemic, inter-related processes that promote resilience, the method produced through the National Disaster Resilience Competition (NDRC) may help to supplement some of these factors.

Under this method, to the greatest extent possible, a narrative description may be produced to identify evidence-based practices as the basis for the project proposal. This method includes the following steps:

- A full proposed cost, including Federal, Territorial, and private funding, as well as expected operations and maintenance costs and functionally related to geographically related work;
- A description of the current situation and the problem to be solved (including anticipated changes over the analysis period);
- A description of the proposed project or program including functionally or geographically related elements and estimated useful life;
- A description of the risks to the community if the proposal and any land use, zoning or building code changes are not implemented, including costs that might be avoided if a disaster similar to the qualifying disaster struck again, including costs avoided if as a result of the project remaining effective in a future disaster;
- A list of the benefits and costs of the proposal and the rationale for including each effect using the table provided according to the following categories:
- Lifecycle costs;
- Resiliency value;
- Environmental Value;
- Social Value; and,
- Economic Revitalization.
- A description of risks to ongoing benefits from the proposed project or program; and
- An assessment of challenges faced with implementing the proposal.[4]

VIHFA will determine applicability of these cost and benefit analyses at the time of the Detailed Scope and Budget development.

5.7.4 Opportunities and Impacts

A key target population for this program will be low-income residents and businesses that qualify under Section 3. The Section 3 program requires that recipients of certain HUD financial assistance, to the greatest extent possible, provide training, employment, contracting and other economic opportunities to low- and very low-income persons, especially recipients of government assistance for housing, and to businesses that provide economic opportunities to low- and very low-income persons. Each agency receiving funds under the Infrastructure Programs will receive

[4] https://www.hudexchange.info/resources/documents/NDRC-Phase-2-NOFA-Appendix-H-Benefit-Cost-Analysis-Instructions.docx

technical assistance from VIHFA and direct hiring and training assistance from VIDOL to ensure their projects are compliant with Section 3 to the greatest extent feasible.

It is a guiding principle of this allocation to combat the effects of disproportionate impacts for vulnerable populations. Each project will be assessed during design and implementation to determine who benefits from the resulting infrastructure repairs and improvements. For all three Infrastructure Programs, geographic and demographic analysis will be used to determine how oft-neglected communities will be impacted by a project. In the U.S. Virgin Islands, low- and moderate-income residents will be the priority beneficiaries for all infrastructure work.

The Territory will also employ the Social Vulnerability Index from the Center for Disease Control to better serve at-risk populations.[5] Social vulnerability refers to the demographic and socioeconomic factors that can affect the resilience of communities. The Index uses 14 different factors collected in Census Bureau statistical data on housing, poverty, accessibility to resources, and others to rank census tracts by vulnerability in four different categories. As part of the initial scope and budget process, projects will go through a social vulnerability analysis, to determine the type and severity of social vulnerability in the census tracts of the relevant area. Potentially negative impacts found through this analysis will be addressed during the detailed scope and budget phase of the project. Projects that have demonstrated negative impacts in vulnerable census tracts will not receive a Notice To Proceed (NTP) to construction until program staff have determined project re-design or mitigation of the impacts to be sufficient. The Territory will rely on existing Social Vulnerability Index data sets and mapping tools, but in areas where data is missing or insufficient, may determine a comparable method to assess vulnerability with the best available data.[6]

Additional impacts being considered in the design and implementation of infrastructure projects are for those disproportionately impacted by the threat of climate change in the Territory. The U.S. Virgin Islands' Climate Change Executive Order (No. 474-2015) provides a mechanism for all social sectors and groups to work together in building resilience to climate change, and the U.S. Virgin Islands Climate Change Council (the Council) is charged with facilitating this process. Under this order, a 2016 assessment was presented to the Council with guiding principles on better incorporating the needs of vulnerable populations into climate and resilience activities.

These guiding principles should be incorporated into the projects under the Infrastructure Programs and include:

- Design of processes and materials to facilitate access and full participation by at-risk groups.
- Facilitating access to financial resources, technical assistance, and logistics support to ensure adequate preparation and full participation.

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[5] Social Vulnerability Toolkit – Center for Disease Control - https://toolkit.climate.gov/tool/social-vulnerability-index

[6] https://www.arcgis.com/home/webmap/viewer.html?webmap=22f7aef0c950486c89ef30b3e0649d97

- Ensuring that at-risk groups can articulate and represent their interests.
- Ensuring that assessment protocols for policies, programs, strategies, and projects include measures for assessing the impact on at-risk groups.[7]

5.7.5 Adaptable and Reliable Technologies

The Territory understands the critical need to strike a balance between advanced technology and reliable results. That is why the projects under the Infrastructure Programs may incorporate sustainability standards that have already been set and tested around the world, such as Leadership in Energy and Environmental Design (LEED) and International Green Construction Code (IGCC). Projects that incorporate such sustainability and technological standards may receive additional priority considerations. All projects are encouraged to follow the predevelopment principles described in the Federal Resource Guide for Infrastructure Planning and Design.[8] Under each Infrastructure Program, prioritization criteria will also consider the technical feasibility of a project as a factor in how it will receive funding to encourage realistic project design from the onset. However, it is also understood that traditional energy systems and infrastructure pathways might not be the most geographically relevant or effective solution for long-term recovery, so resiliency will be heavily weighted as a prioritization criterion as well.

VIHFA expects Implementing Partners to enhance current technological capacities. It will be a key priority of the Infrastructure Programs to ensure Implementing Partners build the appropriate capacities to process information and funds effectively, some of which is assessed during the Capacity Assessment phase.

5.7.6 Covered Projects

Requirements under 83 FR 40314 state that projects surpassing a total investment of $200 million threshold or that are complex enough in the opinion of the Federal Permitting Improvement Steering Council will require enhanced oversight including additional environmental reviews. While the Territory has not identified any infrastructure projects that currently reach this threshold, should any projects meet this criteria, the Territory may choose to complete these additional requirements under Fixing America's Surface Transportation, Title 41 (FAST-41), which established federally accepted procedure to improve early consultation and coordination among government agencies; increase transparency through the publication of project-specific timetables with completion dates for all federal authorizations and environmental reviews; and increase accountability through consultation and reporting on projects.[9] Per the Federal Register Notice, CDBG–DR grantees may choose to participate in reporting on their environmental review and permitting of covered projects under FAST–41.

VIHFA may be administering projects which meet this threshold through the any of the three Infrastructure Programs. VIHFA will be actively reporting environmental reviews and permitting

[7] http://www.fdpi.org/wp-content/uploads/2016/08/Briefing-Paper-on-At-Risk-Groups-in-the-USVI-Climate-Change-Initiative.pdf
[8] http://portal.hud.gov/hudportal/documents/huddoc?id=BAInfraResGuideMay2015.pdf
[9] https://www.energy.gov/oe/mission/transmission-permitting-and-technical-assistance-division/fast-41

for projects of all sizes to HUD and relevant Territorial agencies but does not currently plan to participate in FAST-41.

APPENDIX

1. **Appendix A: Crosscutting Requirements and Process Overview**
2. **Appendix B: Capacity Assessment and Initial Scope and Budget Form**
3. **Appendix C: HUD Rider**