

Grantee: Virgin Islands

Grant: P-17-VI-78-HIM1

January 1, 2019 thru March 31, 2019 Performance Report



Grant Number:

P-17-VI-78-HIM1

Obligation Date:**Award Date:****Grantee Name:**

Virgin Islands

Contract End Date:**Review by HUD:**

Original - In Progress

Grant Award Amount:

\$242,684,000.00

Grant Status:

Active

QPR Contact:

Antoinette Fleming

LOCCS Authorized Amount:

\$0.00

Estimated PI/RL Funds:

\$0.00

Total Budget:

\$242,684,000.00

Disasters:

Declaration Number

FEMA-4340-VI

FEMA-4335-VI

Narratives

Disaster Damage:

Hurricanes Irma and Maria had a devastating impact on the United States Virgin Islands (hereafter referred to as the U.S. Virgin Islands or the Territory). The two back-to-back Category 5 storms in September 2017 caused significant destruction to housing, infrastructure, and the economy; the total damage is estimated at \$10.76 billion. The entire population—over 100,000 residents—was impacted by the devastation brought on by the storms, with winds of over 185 miles per hour and up to 20 inches of rain in some areas. Irma crossed the islands as a windstorm tearing the roofs off buildings in her path; Maria came behind and caused water damage to all of the unprotected structures in the St. Thomas and St. John district, while inflicting severe damage on St. Croix. The devastation brought by the 2017 storms was staggering. Five Virgin Islanders lost their lives to the storms. Thousands of residents were displaced and over 85% of households reported damage to their homes, with many structures rendered uninhabitable. Most residents had no potable water or electricity for weeks. At its peak, 95% of the Territory was without power and 90% of customers lost internet access due to damage to telecommunications infrastructure. The main airports on St. Croix and St. Thomas were closed for two weeks due to extensive damage to facilities, and all seaports were shut down for three weeks due to the sinking of over 400 vessels in and around the islands during the hurricanes. Roadways experienced washouts, debris, mudslides, and downed power lines. In total, the storm created more than 825,316 cubic yards of debris—more than local landfills could handle. Many government offices were rendered unusable, impacting the delivery of vital government services for several weeks. All primary healthcare facilities were left in need of reconstruction, while hundreds of patients had to be evacuated off-island to receive critical medical attention. Almost all public schools were damaged and according to the U.S. Virgin Islands Department of Education, 17 schools—half of all public schools in the Territory—suffered more than 50% damage to their facilities. Today, several months after Irma and Maria, their effects continue to disrupt the lives of Virgin Islanders. None of the dialysis patients evacuated from the Territory have been able to return for lack of adequate medical care infrastructure and 9,000 public school students (nearly 60% of all K-12 students enrolled) attend school on a reduced schedule due to limited classroom space. In addition, the economy as a whole has been slow to recover. This is most evident in the tourism sector, the single most important stream of revenue for the Territory, with most of the large hotels significantly damaged and still closed for repairs. Based on the FEMA IA data as of March 30, 2018, the Territory estimates that approximately 22,527 households sustained some damage to their primary residences from one or both hurricanes, representing 52% of all housing stock on the islands. Of the 22,527 households that were impacted, 5,175 suffered Major or Severe damage; of these, approximately 2,362 are the owners' primary residences and 2,813 are renter-occupied homes. Current data also indicate an additional 11,827 owner-occupied residences and 5,525 rental units sustained minor damage.

Recovery Needs:

Housing

The total impact on housing, including rental and public housing, is estimated at \$2.29 billion with 86% of households that suffered "major" or "severe" damage occupied by LMI households. To date, \$1.25 billion has been disbursed from federal and other sources of funds. CDBG-DR is to be used as the funding of last resort to address the remaining unmet needs of \$1.04 billion.

The Territory has created programs in this Action Plan to affirmatively further fair housing. When gathering public input, planning, and implementing housing related activities, VIHFA and its subrecipients will include participation by neighborhood organizations, community development organizations, social service organizations, community housing development organizations, as applicable, as well as members of each distinct affected community or neighborhood which might fall into the



assistance category of low- and moderate-income communities. Addressing the housing needs of impacted residents is a priority to ensure housing stock is increased and housing quality is improved.

Infrastructure

Both storms also had a widespread and lasting impact on the Territory's infrastructure. Total needs for infrastructure are quantified at \$6.93 billion, which includes estimated costs of emergency recovery measures; permanent repair and reconstruction work; and resilience and mitigation efforts. The Territory has identified multiple disaster-related infrastructure priorities that must be addressed, and 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. The impact on many of these systems affect the speed in which heavy equipment can get up roads to rebuild homes and restore essential services like power. FEMA Public Assistance (PA) and other federal disaster relief funds will help to address many of these needs. To date, \$1.05 billion has been obligated for infrastructure recovery, leaving unmet infrastructure needs of \$5.87 billion. As mentioned above, some federal disaster recovery funds, including FEMA PA, require a "local match" contribution, which is currently anticipated to reach over \$500 million. The current known match requirement is \$81 million. From the first tranche, the Territory plans to leverage \$50.6 million to cover the local match for a variety of programs, including public housing.

Economic Development

Hurricanes Irma and Maria not only damaged thousands of housing units and large portions of the U.S. Virgin Islands' infrastructure network; the two storms also brought the economy to a halt and caused major fiscal, business, and wage losses. These losses further set back the ability of small business owners and workers to rebuild businesses and homes. One of the most severe economic effects of the storms has been the loss of government revenue, driven primarily by sharp declines in gross receipts and property tax receipts. The cumulative loss of public revenue is expected to reach \$576 million by 2020. Businesses in the U.S. Virgin Islands also suffered significant losses as a result of the 2017 storms that go well beyond damages to commercial property or lost inventories. The interruption of business and the challenges of recovery have led to large losses in revenue for small businesses as well as lost wages, especially for low- and moderate-income workers. This is particularly true for tourism, which is estimated to make up to 30% of the economy with indirect impacts on 80% of the economy. The storms brought tourism to a sudden halt, with all airports and seaports closing for several weeks due to the storms. Even when the ports reopened, tourism remained low because of a lack of accommodations (a result of disaster-caused damage to hotels) and the perception that the islands were completely decimated. Including lost government tax revenue, the total impact of the storms on the Territory's economy is estimated at \$1.54 billion.

| Overall | This Report Period | To Date |
|--|--------------------|------------------|
| Total Projected Budget from All Sources | N/A | \$242,684,000.00 |
| Total Budget | \$242,684,000.00 | \$242,684,000.00 |
| Total Obligated | \$0.00 | \$0.00 |
| Total Funds Drawdown | \$0.00 | \$0.00 |
| Program Funds Drawdown | \$0.00 | \$0.00 |
| Program Income Drawdown | \$0.00 | \$0.00 |
| Program Income Received | \$0.00 | \$0.00 |
| Total Funds Expended | \$0.00 | \$0.00 |
| Most Impacted and Distressed Expended | \$0.00 | \$0.00 |
| Match Contributed | \$0.00 | \$0.00 |

Progress Toward Required Numeric Targets

| Requirement | Target | Actual |
|---|------------------|------------------|
| Overall Benefit Percentage (Projected) | | 75.61% |
| Overall Benefit Percentage (Actual) | | 0.00% |
| Minimum Non-Federal Match | \$0.00 | \$0.00 |
| Limit on Public Services | \$36,402,600.00 | \$0.00 |
| Limit on Admin/Planning | \$12,134,200.00 | \$0.00 |
| Limit on Admin | \$48,536,800.00 | \$0.00 |
| Most Impacted and Distressed Threshold (Projected) | \$194,147,200.00 | \$238,084,000.00 |



Overall Progress Narrative:

U.S. VIRGIN ISLANDS' QUARTERLY PROGRESS REPORT

1st QUARTER 2019 (January 1, 2019 – March 31, 2019): 1st Allocation

Since the 4th Quarter 2018 QPR, the CDBG-DR Program has made significant progress in developing policies and procedures that will chart the direction and objectives of the housing, infrastructure and economic development programs. The CDBG-DR program has also made major strides in setting up its grant administration, financial and monitoring divisions. It is our intention to launch programs within the second quarter of 2019.

Program Operation

HUD signed a Grant Agreement on September 27, 2018, allocating \$242,684,000; which represents the first tranche of disaster recovery funds for the Territory. On March 1, 2019, HUD approved the Action Plan Amendment 1 which outlines the proposed method of distribution for USVI's second tranche of disaster recovery funds. The total available funding is now \$1,021,901. A grant agreement between HUD and VIHFA had not yet been signed for these additional funds as of the end of Q1 2019.

In order to effectuate the Territory's recovery efforts in the most effective manner, the CDBG-DR Program partnered with other units of the U.S. Virgin Islands Government to carry-out many of the planned recovery programs. In follow up to the October 31, 2018 Implementing Partners Orientation, the CDBG-DR Program staff has conducted Capacity Assessments and has been working to develop Sub-recipient agreements (SRA) with Sub-recipients. The CDBG-DR Program, has also been working with agencies to complete and evaluate Scope and Budget Form, which collects essential eligibility documentation to support a Project Addendum to the Implementing Partner's Sub-recipient Agreement.

USVI CDBG-DR Accounting staff inputted the approved Action Plan into the Disaster Recovery Grant Reporting (DRGR) system and it was approved in DRGR on February 26, 2019. The Amendment 1 for Tranche 1 which was approved on March 1, 2019 was inputted in DRGR on April 4, 2019 (second quarter) and is currently awaiting approval in the system.

The USVI CDBG-DR staff is working on developing an overall CDBG-DR Grant Management Manual that will provide the public with an overview of the regulatory guidance that the CDBG-DR Program will implement throughout its programs.

The Monitoring and Compliance team worked to finalize the Monitoring and Compliance manual as well as a Subrecipient Management Plan. This team also began to prepare the entire CDBG-DR staff for its first HUD Monitoring Visit in April 2019.

The program continues an aggressive hiring campaign to staff the program so that the projects can proceed without delay. Since the end of December 2018, the CDBG-DR program has hired 17 staff in key positions such as its Senior Housing Manager, accounting, monitoring and compliance staff. Additional staff were under evaluation for hiring in early April 2019. As staff is hired, onboarding is conducted.

VIHFA released procurements for critical services that will support all program implementation conducted by VIHFA and Sub-recipients including Housing Case Management, Environmental Review, Assessments and Testing Services, Language Translation Services, and Language Interpretation, Website, Construction Management Services. Horne, LLP was hired to assist VIHFA in the implementation of the Homeowner Reconstruction and Rehabilitation and the Rental Rehabilitation and Reconstruction programs as the Housing Case Management firm.

Housing

The Territory has been coordinating with FEMA's Sheltering and Temporary Essential Power (STEP) Program to repair as many homes as possible prior to the April 15, 2019, deadline. Given that no programs have addressed homeowners whose homes were substantially destroyed, the CDBG-DR Program has made reconstruction the highest priority for funding, especially for homeowners who are low and moderate-income and either displaced, have limited or no resources or whose home requires substantial reconstruction activities. It is estimated that approximately 500 homeowners were unable to receive repairs from the FEMA-funded STEP program because their damages were too significant to

qualify for temporary repairs or roof replacement. The Homeowner Rehabilitation and Reconstruction Program will also identify additional homeowners that did not apply to STEP that may be in need of reconstruction.

A draft copy of the Homeowner Reconstruction and Rehabilitation Program policy and procedure was posted on the agency's website (www.vihfa.gov) on January 24, 2019. Other policies and procedures were submitted to HUD for review on February 15, 2019, and further revised for an early April 2019 posting. These include: Rental Rehabilitation & Reconstruction, New Construction for First Time Homebuyers, Public and Affordable Housing and the Supportive Housing & Sheltering Program.

The USVI CDBG-DR staff has started working on the Environmental Tier 1 reviews for the Homeowner Reconstruction and Rehabilitation Program. Staff is also working with the Virgin Islands Housing Authority and several other Implementing Partners to complete their respective project's Environmental Reviews.

To support the launch of the Homeowner Reconstruction and Rehabilitation Program and the Rental Reconstruction and Rehabilitation Program, the CDBG DR Program posted several Request for Proposals (RFP), including but not limited to Case Management Services, Environmental Review Assessment Services RFP and Construction Management Services RFP. Additional RFPs to support the housing programs are being developed and will be posted on the website.

Proposals for the Case Management Services were received on February 25, 2019, and a firm was selected on March 11, 2019. The USVI will start accepting applications from eligible homeowners for the Homeowner Reconstruction and Rehabilitation Program in April 2019.

As mentioned as part of the implementation process above, the CDBG-DR Program conducted Capacity Assessments and has been working to develop an SRA with the Virgin Islands Housing Authority who will implement projects under the Public and Affordable Housing Program. The CDBG-DR Program has also evaluated these agencies' first slate of projects under this program using the Scope and Budget Form which outlines their projects to be funded with CDBG-DR. Meetings included site visits, technical assistance meetings, and support in development of necessary documentation.

Infrastructure

Policies and procedures for the Infrastructure Program were submitted to HUD for review in December 2018 and are being updated for completion and posting on the website within the 2nd quarter of Fiscal Year 2019.

The USVI CDBG-DR staff met with three infrastructure-related Subrecipients (Water and Power Authority, Waste Management Authority, Department of Public Works) to review and assess their capacity to receive and manage CDBG-DR funds successfully. These meetings facilitate the development and execution of the SRA for all DR projects.

The Infrastructure Senior Manager, also met with these Subrecipients on multiple occasions to assist in the development of the Scope and Budget Form outlining their projects to be funded with CDBG-DR. Meetings included site visits, technical assistance meetings, and support in development of necessary documentation.

The CDBG-DR staff is continually analyzing summary data of FEMA Project Worksheet (PW) drawdowns to assess the match required for FEMA-funded projects. This includes an initial review of target PW scopes and budgets for HUD eligible activities. The Infrastructure Senior Manager met with Virgin Islands Territorial Emergency Management Authority (VITEMA) to begin coordinating payment processes for eligible projects requiring match. The Infrastructure Senior Manager and the MIS Senior Manger also met with the GIS Division of the Office of the Lt. Governor's to facilitate Territory-wide coordination and information sharing on spatial information about recovery projects.

The CDBG-DR Environmental staff is reviewing the scope of work of the projects to determine the level of

review. The staff is also collaborating with HUD Environmental staff for compliance.

Economic Revitalization

There was a significant change in leadership for the three Economic Revitalization Subrecipients (VIPA, VIDOL, VIDOT) due to the change in administration in January 2019 following the gubernatorial election in the fall, as a result, the Economic Revitalization Senior Manager worked over the course of the first quarter to orient new commissioners to the parameters of their programs and facilitate any desired changes.

Like both the Housing and Infrastructure programs above, the USVI CDBG-DR staff met with the newly appointed leadership to review and assess their capacity to receive and manage CDBG-DR funds successfully. These meetings facilitate the development and execution of the SRA for all DR projects implemented by Sub-recipients.

The Economic Revitalization Manager, also met with these Subrecipients to assist development of the Scope and Budget Form outlining their projects to be funded with CDBG-DR. Meetings included site visits, technical assistance meetings, and support in development of necessary documentation. Policies and procedures were developed for the Economic Revitalization Program and were posted on the agency website (www.vihfa.gov) in the second quarter of 2019.

Project Summary

| Project #, Project Title | This Report Period | To Date | |
|--|------------------------|------------------------|------------------------|
| | Program Funds Drawdown | Project Funds Budgeted | Program Funds Drawdown |
| 9999, Restricted Balance | \$0.00 | \$194,147,200.00 | \$0.00 |
| Administration, Administration | \$0.00 | \$12,134,200.00 | \$0.00 |
| Economic Revitalization, Economic Revitalization | \$0.00 | \$33,000,000.00 | \$0.00 |
| Housing, Housing | \$0.00 | \$72,000,000.00 | \$0.00 |
| Infrastructure, Infrastructure | \$0.00 | \$120,549,800.00 | \$0.00 |
| Planning, Planning | \$0.00 | \$5,000,000.00 | \$0.00 |



