



OFFICE OF COMMUNITY PLANNING
AND DEVELOPMENT

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-7000

Ms. Dayna Clendinen
Interim Executive Director
Virgin Islands Housing Finance Authority
3202 Demarara Plaza, Suite 200
St. Thomas, VI 00802-6447

Dear Ms. Clendinen:

The Department has completed its review of the U.S. Virgin Islands' first Substantial Action Plan Amendment (APA) for Community Development Block Grant mitigation (CDBG-MIT) funds appropriated by the Supplemental Appropriations for Disaster Relief Act, Public Law 115-123. The Department has determined that the amendment complies with applicable CDBG-MIT requirements, and accordingly, finds no basis to disapprove the proposed amendment, as revised following its submission to the Department on September 8, 2023.

The Department remains concerned about the historic pace at which the USVI and WAPA have made repairs and upgrades necessary to the energy system to ensure continuous power availability. The Department will follow up to secure the commitment of the appropriate agencies and will require the Territory, working with WAPA, to ensure that the energy needs of residents are met and a robust effort is made to prevent blackouts. The Department will meet with Territory officials, WAPA and other appropriate parties regularly to ensure that progress on this issue is on track.

This allocation of CDBG-MIT funds is administered under grant number B-18-DP-78-0002. The Virgin Islands Housing Finance Authority (VIHFA) has amended the Action Plan to allocate funds to a covered project. To allow HUD and other Federal partners to do a more detailed review of larger projects, the August 30, 2019, *Federal Register* notice (84 FR 45850) requires grantees to include covered projects in Substantial Action Plan Amendments. To address unmitigated risk in the Virgin Islands, the September 10, 2019, notice (84 FR 47530) defines a covered project as an infrastructure project having a total project cost of \$50 million or more, with at least \$25 million of Community Development Block Grant (CDBG) funds (regardless of source (e.g., CDBG-disaster (DR), CDBG-MIT, or CDBG))¹.

The project being added through this APA will use \$145 million in CDBG-MIT funds for the Territory's Resilient Critical and Natural Infrastructure Program. The Propane Infrastructure Acquisition Project will be implemented by the Virgin Islands Water and Power Authority (WAPA) as a subrecipient of VIHFA. The subrecipient intends to acquire the propane supply infrastructure (i.e., St. Croix and St. Thomas propane storage and fuel gas vaporization facilities currently owned by Vitol). The stated project benefits include maintaining lower fuel prices and increasing fuel security indicating that it will meet the Urgent Need Mitigation (UNM) national objective.

¹ The revised conditions from the grant agreement signed on April 25, 2023, aligned the covered project definition to the one in 84 FR 45850.

The APA highlights the critical importance of having redundancy in power sources and increased reliability with modern propane generators. The APA also emphasizes that diesel is 2.4 times more expensive than propane. It specifically addresses the vulnerability of existing diesel storage to harm from disasters while asserting that propane is almost impervious to hurricane damage. The purchase by WAPA, deemed to be the only utility-scale propane supply infrastructure on St. Thomas and on St. Croix, will ensure fuel redundancy that will enable generation of energy and thus potable water for USVI residents. Additionally, since propane is a cleaner fuel than diesel, this purchase will support the USVI's environmental goals as more solar energy generation is phased in across the Territory.

The grantee is responsible for ensuring the acquisition eligible activity and UNM compliance documentation for this project are retained as required in 84 FR 45858, inclusive of all pre-award costs. Consistent with the August 30, 2019, and September 10, 2019, *Federal Register* notices, VIHFA submitted the CDBG-MIT substantial amendment to the Department on August 17, 2023, after meeting the *Federal Register* notice public comment requirements by posting the APA to the grantee's website. The following table summarizes modifications to the current HUD-approved Action Plan, previously approved on July 12, 2021.

Table 1: CDBG-MIT Allocation

Program	Previous Budget Allocation	Change	Revised Budget Allocation
1. Administration	\$38,709,400	-	\$38,709,400
2. Planning	\$32,428,600	-	\$32,428,600
3. Infrastructure	\$418,200,000	(\$145,000,000)	\$273,200,000
3a. Propane Infrastructure Acquisition Project	\$0	\$145,000,000	\$145,000,000
4. Housing	\$192,700,000	-	\$192,700,000
5. Economic Development	\$76,750,000	-	\$76,750,000
6. Public Services	\$15,400,000	-	\$15,400,000
Total	\$774,188,00		\$ 774,188,000

The August 20, 2019, notice requires the grantee to publish the APA prominently on its website. While this APA was posted for public comment, the period coincided with VIHFA's website redesign, which resulted in the plan being moved to different locations on the website and may have precluded certain citizens from easily finding the amendment. VIHFA is encouraged to ensure that website updates do not affect document access.

The Territory is encouraged to continue to regularly coordinate with key stakeholders to ensure mitigation projects implemented by various agencies are aligned and to focus on developing a strong implementation plan that ensures funds are expended within the required timeline.

With this APA approval, grantee staff must make the required changes in the Disaster Recovery Grant Reporting System to reflect the amendments. As with any other HUD project, the grantee must complete the appropriate level of environmental review before disbursing funds. This project is one of various WAPA projects financed with CDBG-DR or MIT funding.

VIHFA must provide adequate subrecipient oversight to ensure these projects are operationalized and provide the intended benefits to the citizens.

The Department notes that this APA will not reallocate any CDBG-MIT funding away from the grantee's planned housing activities, which are essential to the USVI's overall community development. The Department expects the USVI to use both its MIT and CDBG-DR funding to vigorously implement the commitment expressed by the Governor in his letter of October 12, 2023, to Deputy Secretary Todman, that "housing is still our top priority" and that the VIHFA "remain(s) committed to providing affordable housing to people across our Territory, particularly those of low to moderate income."

The Department remains committed to assisting the VIHFA in its efforts to address the Territory's recovery needs and looks forward to working with you and your staff to achieve this goal. If you have any questions regarding the information in this letter, please contact Mr. William Bedford, Director, Grants Management Division, Office of Disaster Recovery, at (202) 579-8085, or by email at Disaster_Recovery@hud.gov.

Sincerely,

Tennille Smith Parker
Director
Office of Disaster Recovery