



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

OFFICE OF COMMUNITY PLANNING
AND DEVELOPMENT

Eugene Jones, Jr.
Executive Director
Virgin Islands Housing Finance Authority
3202 Demarara Plaza, Suite 200
St. Thomas, VI 00802-6447

Dear Mr. Jones:

The U.S. Department of Housing and Urban Development (HUD) has completed its review of the U.S. Virgin Islands' (USVI) Third 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. This allocation of CDBG-MIT funds is administered under grant number B-18-DP-78-0002. The Third Substantial APA was originally submitted for HUD review on September 18, 2024, and resubmitted with corrections for final review on October 28, 2024. The Department has determined that the proposed APA is partially in compliance with the applicable CDBG-MIT requirements, and accordingly, is only approving some of its proposed programs and activities, as explained below.

The Virgin Islands Housing Finance Authority (VIHFA) has amended the CDBG-MIT Action Plan to reallocate funds from the Infrastructure and Public Facilities category to the Housing category, to address the unmet housing needs. Additionally, it has redistributed program funds within the Housing category to further fund the Resilient Multifamily Housing (RMH) program, and has added two new housing programs, the Real Property Acquisition and Homeownership Conversion Program (AHC) and the Multifamily Housing Construction and Rehabilitation (MHCR) Program. This amendment also proposes two new initiatives within the Innovative Resilient Housing (IRH) Program, the Water Filtration Initiative (WFI), and the Homeowner Energy Stabilization Initiative (ESI). Finally, the grantee is proposing changes to the Public Services category by adding three priorities to the Community Resilience Program focused on Wrap-around Needs, Enhanced Safety and Security and Technology-Based Resiliency.

In the Homeownership Program, the previously established construction cap of \$350,000 was removed "to address the ongoing rise in construction costs and to offer builders greater flexibility." The grantee proposes that this change allows for the use of higher quality materials and innovative techniques that enhance the resilience of new homes. The grantee also states that to maintain fiscal responsibility, all projects will undergo a rigorous cost reasonableness assessment to ensure expenditures align with industry standards. However, per 84 *Federal Register* (FR) 45838 of August 30, 2019, grantees must establish award caps and define these in the Action Plan. Grantees are also required to describe any award cap exceptions provided on a case-by-case basis. Therefore, the previous award cap remains in effect until VIHFA established a new one consistent with the requirements in 84 FR 45838.

APA Reallocation of Funds Table

Activity Category	Substantial Amendment II Allocation	Change	Substantial Amendment III Allocation	Total Percentage (%)	LMI Projection Percentage (%)
Infrastructure and Public Facilities	\$468,000,000	-\$45,781,126	\$422,218,874	55%	65%
Housing	\$202,580,000	\$45,781,126	\$248,361,126	32%	80%
Economic Resilience and Revitalization	\$38,870,739	-	\$38,870,739	5%	70%
Public Services	\$15,400,000	-	\$15,400,000	2%	100%
Planning	\$10,627,861	-	\$10,627,861	1%	70%
Administration	\$38,709,400	-	\$38,709,400	5%	
Total	\$774,188,000	\$0	\$774,188,000	100%	≥ 70%

APA Program Cost Reallocation for Housing Activity Category

Program	Substantial Amendment II Allocation	Change	Substantial Amendment III Allocation
Resilient Multifamily Housing (RMH)	\$100,000,000	\$51,901,033	\$151,901,033
Single Family Resilient New Home Construction (Homeownership)	\$60,000,000	-\$6,400,000	\$53,600,000
Homeless Housing Initiative	\$23,000,000	-\$3,500,000	\$19,500,000
Innovative Resilient Housing (IRH)	\$5,000,000	-	\$5,000,000
Total	\$188,000,000	\$42,001,033	\$230,001,033

Within the Housing category, the Real Property AHC Program proposes to transform rental units into affordable homes for low- and moderate-income (LMI) households, supporting activities like property rehabilitation and financial assistance for homebuyers. This process aims to increase homeownership rates among LMI households, ensuring affordability for future buyers. Priorities include projects that use mitigation solutions and other construction technology designed to mitigate disaster risks, including but not limited to, elevation, retention basins, fire-safe landscaping, firewalls, and landscaped floodwalls.

The Department has previously expressed concern and offered technical assistance over the potential risk for displacement with the implementation of this activity. HUD acknowledges that the grantee has included in its RMH Program Policies and Procedures v.1, April 26, 2024, tenant protection provisions under the Uniform Relocation Assistance and Real Property Acquisition Act, including advisory services. For this reason, the Department encourages the grantee to enforce affirmative and proactive measures to minimize possible resident displacements. HUD reminds the grantee that it certified in its Action Plan that it would have a Residential Anti-Displacement and Relocation Assistance Plan in connection with any activity assisted with CDBG-MIT funding.

The MHCR Program seeks to address the need for multifamily housing stock in the territory, particularly for LMI households. The program provides funding for property rehabilitation activities such as repairs, upgrades, and improvements to address structural deficiencies, safety hazards, and outdated systems. VIHFA is encouraged to adhere to the construction standards set forth in 84 FR 45838, which urges grantees to focus on the quality, durability, energy efficiency, sustainability and mold resistance of the structures assisted. Furthermore, the grantee is encouraged to adhere to the Green Building Standards for replacement and new construction of residential housing units as set forth in section V.B.1.a. of 84 FR 45838.

The grantee is also encouraged to apply the standards for rehabilitation of non-substantially damaged residential buildings. As stated in 84 FR 45838, section V.B.1.c.: *“For rehabilitation activities undertaken to address risks identified in the grantee’s Mitigation Needs Assessment (other than that described in V.B.1.a above) grantees are encouraged to consider guidelines specified in the HUD CPD Green Building Retrofit Checklist.”* The Department acknowledges that the grantee has included the HUD Green Building Retrofit Checklist for the USVI in its RMH Program Policies and Procedures v.1 and advises the grantee to verify the additional guidance on this matter, available at <https://www.hudexchange.info/resource/3684/guidance-on-the-cpd-green-building-checklist/>.

This amendment proposes two new initiatives within the IRH Program; the Water Filtration Initiative and the Homeowner ESI. Specifically, the WFI seeks to ensure access to clean drinking water by providing comprehensive water filtration systems to eligible homeowners in the territory. The Homeowner ESI offers eligible households assistance for the installation of advanced energy stabilization systems that promote energy resilience and efficiency. The grantee is advised that to be eligible under CDBG-MIT these improvements must be permanently attached to the housing structures.

The grantee proposed both initiatives under Section 105(a)(2) of the Housing and Community Development Act (HCDA) of 1974, Public Facilities and Improvements and Privately-Owned Utilities. However, this section of the HCDA does not contemplate improvements to private properties or households. If the Grantee decides to implement this Program, the grantee must change it in the Action Plan to Section 105(a)(4) of the HCDA (clearance, demolition, removal, reconstruction, and rehabilitation), which contemplates improvements to privately-owned buildings.

Finally, the grantee is proposing to improve the Public Services category by adding three priorities to the Community Resilience Program: Wrap-around Needs, Enhanced Safety and Security and Technology-Based Resiliency. As proposed, these are not CDBG-MIT eligible activities because these are not in compliance with the definition of Mitigation Activity as established in 84 FR 45838: “ *For the purposes of this notice, mitigation activities are defined as those activities that increase resilience to disasters and reduce or eliminate the long-term risk of loss of life, injury, damage to and loss of property, and suffering and hardship, by lessening the impact of future disasters.*”

HUD staff provided technical assistance on CDBG-MIT eligible activities, specifically public services, at various instances during the year, including July 2024. Mitigation activities focus on proactive measures to enhance community resilience and reduce the impact of future disasters but cannot constitute a reserve of funds to address future recovery efforts or disaster recovery. These activities are not approved.

The grantee is responsible for ensuring that the CDBG-MIT eligible activity and LMI National Objective compliance documentation for these projects are retained as required in 84 FR 45858, inclusive of all pre-award costs. VIHFA submitted the CDBG-MIT Substantial APA to the Department on September 18, 2024, consistent with August 30, 2019, and September 10, 2019 *Federal Register* notices, after completing public comment requirements. VIHFA is reminded to regularly coordinate with the required Citizen Advisory Committee to ensure mitigation projects are aligned and focused on implementation that ensures funds are expended within the required timeline.

With this APA partial approval, the grantee staff must make the required changes in the Disaster Recovery Grant Reporting System to reflect the amendments. Additionally, the grantee must ensure that the budget changes are accurately reflected in the Action Plan allocation tables. As with any other HUD projects, the grantee must complete the appropriate levels of environmental review before disbursing funds. VIHFA must provide adequate subrecipient oversight to ensure these projects are operationalized and provide the intended benefits to the citizens.

The Department remains committed to assisting VIHFA in its efforts to address the recovery needs of its region 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 Ms. Ada Ortiz, Community Planning and Development Specialist by email at Ada.V.OrtizNavarro@hud.gov.

Sincerely,

William L. Bedford
Director, Grants Management Division
Office of Disaster Recovery