VIHFA

VIRGIN ISLANDS
Housing Finance Authority

Written Testimony
Committee On Budget,
Appropriations, and Finance

<u>Presented by:</u>

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Greetings, Senator Novelle E. Francis Jr., Budget, Appropriations and Finance Committee Chair, members of the Committee, other Senators present, and the listening and viewing audience. I am Valdez Shelford, Chief Financial Officer and Interim Executive Director of the Virgin Islands Housing Finance Authority (VIHFA).

At your request, I am here to provide an overview of VIHFA's 2027 budget request to support our operations.

As you are likely aware, the VIHFA is currently engaged in discussions with the Department of Housing and Urban Development about certain programs for which we have received federal funds. VIHFA received a Suspension Notice from HUD on July 20, 2026, and we are fully engaged in conversations with HUD through legal counsel to gain greater clarity relative to impacts, remedies, and the overall process as we navigate forward. VIHFA takes these matters with the utmost seriousness and remains fully committed to implementing corrective actions, strengthening internal controls, and ensuring the responsible stewardship of public funds. VIHFA remains committed to its mission to create safe and sustainable communities across the Virgin Islands and acknowledges that in light of recent events, the Authority will have to proactively work to safeguard public trust. The VIHFA is cooperating fully with our federal partners at HUD and is committed to ensuring transparency and accountability. That said, given the ongoing nature of those discussions, I was advised by our attorneys not to comment any further about those matters here today.

Budget Overview

For Fiscal Year 2027, the Virgin Islands Housing Finance Authority is proposing an operating budget of $24,451,053. This budget is supported by several revenue sources. These include $2 million from the General Fund, $720,000 from Stamp Tax revenues, $2.8 million from Land and Home Sales, $130,123 from Commercial Leases, $350,000 from Mortgages, $300,000 from other receipts and services, and approximately $18 million in federal reimbursements. These federal reimbursements are generated through programs such as ARP, CDBG, CDBG-CV, CDBG-DR, Electrical Grid, ESG, ESG-CV, HOME, and MIT. For comparison, in Fiscal Year 2026, the Authority received $5 million in Stamp Tax revenues, of which 14.4% ($720,000) was used to cover administrative costs.

Personnel Services are projected at approximately $13.8 million for Fiscal Year 2027. This amount includes $9.7 million for Salaries and $4.1 million for Benefits. Compared to the Fiscal Year 2026 budget, Personnel Services increased by $671,512. This increase is primarily due to the filling of several vacant positions. The proposed budget also includes $112,000 for Supplies, $300,000 for System Upgrades, $6.2 million for Professional Services, $886,000 for Rent, $330,000 for Utilities, and $2.5 million for Other Services and Charges. The Professional Services category includes consultants, construction management, and website management across all programs.

For the past 15 years, VIHFA's annual General Fund appropriation has remained at $2 million. That funding has been used exclusively to support salaries and employee benefits. However, rising health insurance premiums and employer retirement contributions have reduced the impact of this appropriation. Today, the General Fund appropriation supports salaries and benefits for approximately 20 employees. As a result, the Authority must rely on other revenue sources to cover personnel costs for an additional 28 filled positions that are not federally reimbursed. When staff work on grant-funded activities, their time is allocated appropriately so that eligible costs can be charged to program administration or direct project expenses for reimbursement.

Of the Authority's 111 employees, 63 are federally funded and generate approximately $7.6 million in reimbursements. Overall, the proposed Fiscal Year 2027 budget reflects VIHFA's essential operating needs. It also demonstrates the Authority's continued effort to balance limited General Fund support with federal reimbursements and other available revenue sources.

Human Resources

The Authority has a total of 111 employees, 57 in the St. Thomas-St. John/Water Island District, 44 on St. Croix, and 10 Territorial. For fiscal year 2026, VIHFA has welcomed **10** new hires, executed **7** internal promotions, and processed **12** separations. An additional **1** new hire is pending in August. As the VIHFA is a non-unionized agency, all employees are classified as exempt or regular.

Federal Funding:

The Authority administers various federal grants as follows:

The Community Development Block Grant (CDBG) is a HUD formula-allocation grant, based largely on population, poverty levels, and housing market data. The primary objective of the CDBG grant is to help facilitate the development of viable urban communities by providing decent housing, suitable living environments, and expanded economic opportunities.

The territory's CDBG allocation for fiscal year 2026 is $1.8 million. We have received 30 applications for 2026 grant funds. The CDBG staff have vetted the applications, and the recommended projects will be submitted to the VIHFA Board for approval. The amount that will be awarded to projects will be $1,443,749.60, which will be divided equally among the two districts ($721,874.80 per district). For FY2026, $540,089.25 has been spent thus far (prior funds for ongoing projects).

The Home Investments Partnership Program (HOME) is an annual HUD formula-allocation grant which serves to expand the supply of decent, affordable housing for very-low- and low-income families. Jurisdictions use HOME funds to support housing programs that meet local needs and priorities. Funds may help renters, new homebuyers or existing homeowners.

VIHFA utilizes HOME to provide direct financial assistance (1% loans, grants, or both) to first-time homebuyers. This has been based on the determination of need because the cost of a modest home exceeds the affordability of working-class households. HOME funds help bridge the gap between the purchase price of the unit and what the household can afford. Since 1995, HOME has assisted 530+ families achieve homeownership in the USVI. Funds are used directly for homebuyer assistance; HOME funds are not sub-granted to organizations.

Use of HOME funds is governed by various key requirements prescribed by HUD to include household income limits, maximum property value limits, maximum HOME investment per property, and mandated resale guidelines/recapture provisions to ensure that the units assisted with HOME funds continue to provide housing for the assisted household (or another low-income household through resale) for at least twenty (20) years. Given the increasing cost of construction as well as property values in the Territory, it has been increasingly challenging to identify homes – whether new construction or acquisition - that meet the HOME parameters. The typical HOME subsidy per household is over $100,000.

The territory's HOME allocation for fiscal year 2026 is $796,475.00. To date, the Authority has spent $234,723 however; several drawdowns totaling over $498,000 are pending.

The Emergency Solutions Grant (ESG) is also a HUD formula-allocation grant, which is used primarily for the rehabilitation or conversion of buildings for use as homeless shelters, street outreach services for the unsheltered and transient communities, homelessness prevention and 234rapid re-housing services, and the administration of the Homeless Management Information System. The territory's ESG allocation for fiscal 2026 is $149,531. The program has two years to obligate the funds.

Community Development Block Grant – CARES (CDBG-CV)
Under the federal CARES Act, jurisdictions were awarded supplemental Community Development Block Grant (CDBG) funds specifically to prevent, prepare, and respond to the coronavirus pandemic. The Territory was awarded a total of $2.8 million.

As a result of two rounds of solicitations for proposals, 10 projects were approved for funding for a total $2.8 million, including Project Promise and Villa Morales on St. Croix, Family Resource Center and Community Action Now on St. Thomas, along with St. John Rescue. CDBG-CV drawdowns, as of July 2026, total $660,644.30. The deadline for the use of the CDBG-CV funds has been extended to February 2027 as per HUD's guidance.

Emergency Rental Assistance Program (ERAP)
The Virgin Islands Housing Finance Authority (VIHFA) successfully administered the Emergency Rental Assistance Program (ERAP), providing financial assistance to qualifying households that experienced financial hardship during or as a direct or indirect result of the COVID-19 pandemic. Eligible households receive up to 18 months of rental and utility assistance, in addition to other housing stability assistance.

Of the $23.3 million the territory received through ERA1 and ERA2, the Authority expended approximately $20.3 million to address rental arrears, utility assistance, and housing stability services. These efforts were instrumental in preventing evictions, reducing housing instability, and assisting more than 1,500 households throughout the Territory. Through a partnership with Legal Services of the Virgin Islands, residents at risk of homelessness also received free legal assistance under the Housing Stability Services component.

The project period ended on September 30, 2025, and the program was successfully closed out on January 29, 2026, with the submission of the ERA2 Final Report. The territory awaits Treasury's final review and any remaining closeout requirements.

Homeowner Assistance Fund Program (HAFP)
The U.S. Virgin Islands received $8.5 million through the American Rescue Plan Act (ARPA) for the Homeowner Assistance Fund (HAF) Program, funded by the U.S. Department of the Treasury, to provide financial relief to homeowners who experienced a COVID-19-related financial hardship after January 21, 2020.

HAFP provides assistance for mortgage reinstatement, mortgage principal reduction, foreclosure prevention, mortgage payment assistance, homeowners association (HOA) fees, property insurance, utility assistance, and other eligible housing-related expenses. Eligible homeowners may receive up to $90,000 in financial assistance, depending on program component eligibility. In addition to financial assistance, VIHFA's Homeownership Division provides housing counselling and foreclosure prevention services to homeowners experiencing financial distress.

As of June 30, 2026:

- Total Obligated: $7,036,187.02
- Total Expended: $7,036,187.02 (approximately 83% of the total award)
    - Financial Assistance: $6,062,319.98
    - Administrative Costs: $973,867.04
- Remaining Grant Balance: $ $1,485,771.98

To date, the program has aided the Territory's most vulnerable homeowners, with more than 80% of all financial assistance benefiting households at or below 100% of Area Median Income (AMI), consistent with U.S. Treasury program requirements.

The HAF Program application period remained open through July 31, 2026, and eligible assistance will continue to be provided through the program end date of September 30, 2026. Applications may be submitted online through the Virgin Islands Housing Finance Authority's website at www.vihfa.gov.

Housing Update
Despite ongoing challenges, the Virgin Islands Housing Finance Authority has made significant progress in advancing housing initiatives throughout the Territory. Barring any unforeseen circumstances, we anticipate commencing construction on the following developments within the

next four months:

- 3 single-family homes in Estate Concordia and **33** single-family homes in Estate Bonne Esperance, St. Croix;
- 7 single-family homes at Mount Pleasant 7, St. Croix;
- 22 single-family homes at *The Residences @ 340 North*, St. Thomas;
- 20 single-family homes in Estate Fortuna, St. Thomas; and
- 9 rental units as part of the Main Street Homes development, St. Thomas.

In addition, construction is currently underway on the rehabilitation of 16 emergency housing apartments at Anna's Hope Emergency Housing on St. Croix. This project is anticipated to be substantially completed by the fourth quarter of 2027, providing safe and improved emergency housing accommodation for residents in need.

The estimated total budgeted cost for these projects is a little over $48.4 million that will be supported by Mitigation and Disaster Recovery funding.

CDBG-DR, Mitigation and Electrical Grid

VIHFA remains the grantee of the CDBG-DR, Mitigation, and Electrical Grid Funds. As you are aware, the Office of Disaster Recovery (ODR) has been providing programmatic management of DR-related projects since November 20, 2023.

As of June 22, 2026, the balance of CDBG-DR grant funds was $691.2 million, with $15.2 million budgeted for planning and administration. To date, we have expended $128.7 million in Housing, spent $1.2 million on Public Services and Public Facilities, $158.4 million on Infrastructure, $11.6 million on Economic Resilience and Revitalization, and $8,344,226.62 on Planning. This Grant expires on September 30, 2029, and currently, no funds are susceptible to recapture.

Mitigation Funding (MIT)

The CDBG-MIT allocation provides approximately $774 million over a 12-year period through 2035 to strengthen the Territory's long-term resilience. Funding is allocated across Housing ($262 million), Infrastructure and Public Facilities ($422 million), Economic Resilience and Revitalization ($40 million), and Planning and Administration ($49 million).

To date, VIHFA has expended more than $186.6 million and has committed over $55.5 million to affordable housing development. Major awards include $47.9 million to Jackson Development Company for the acquisition, rehabilitation, and preservation of affordable housing at Lovenlund Phase I, Bellevue Village, and Calabash Boom, and $7.5 million to AC Development, LLC for The Residences at 340 North on St. Thomas. An additional $3.7 million is anticipated for Main Street Homes.

These developments are expected to generate approximately $19 million in program income through the sale of completed homes. Program income refers to the revenue generated from activities funded with federal grant dollars. Under HUD regulations, these funds do not revert to the federal government; instead, they remain available to the Territory and must be reinvested in eligible housing activities. As homes are sold, the proceeds will create a revolving source of capital for VIHFA that can be used to finance additional affordable housing projects, allowing the program to continue expanding homeownership opportunities and maximizing the long-term impact of the original federal investment.

VIHFA is also actively evaluating approximately $24 million in new housing development applications, reflecting continued demand for resilient and affordable homeownership opportunities throughout the Virgin Islands.

The Economic Resilience and Revitalization Program continues to make strategic investments in the Territory through its Commercial Hardening and Financing and Small Business Mitigation initiatives. These projects help businesses, nonprofits, microenterprises, and agricultural operations strengthen resilience through facility hardening, backup power, renewable energy systems, drainage improvements, weatherization, and other mitigation measures.

To date, approximately $28 million has been obligated to 26 businesses and nonprofit organizations through the program. Of these, two projects are currently under construction—Royale Systems, LLC and VI Aqua Farms—and one project, the St. Croix Women's Coalition Crisis Center, has been successfully completed.

Additionally, 14 projects are expected to advance before the end of the year, contingent upon completion of the required environmental review process.

Under the Infrastructure Program - $124 million has been committed for the Veterans Drive Resilience Project, with construction expected to begin in October 2026. $2 million has been allocated to the St. Thomas Abattoir Project, led by the Department of Agriculture, which is currently undergoing environmental review.

Several projects funded under the Community Resilience and Public Facilities Program are also advancing through the development pipeline. To date, approximately $13 million has been obligated to support critical resilience initiatives, including the Alexander Theater Shelter and Safe Room through the St. Croix Foundation and Roots and Wings: Enhancing Resilience of Children through the Children's Museum.

Additional projects are nearing implementation, including the REACH USVI Expansion Project led by the St. Thomas East End Medical Center Corporation (STEEMCC) and the From Crisis to Opportunity Project through Juan F. Luis Hospital. Barring any unforeseen circumstances, construction on these projects is expected to begin in August 2026.

Together, these projects will expand emergency shelter capacity, strengthen community facilities, support vulnerable populations, and enhance resilience throughout the Territory.

Electrical Grid

In partnership with the Virgin Islands Energy Office, the Community Electrical Innovation Program is making measurable progress through approximately $19 million in available funding. To date, 29 beneficiaries have been approved, and installation activities are underway, beginning with participating daycare facilities. The first installation was successfully completed at Happy Faces Day Care Center on St. Croix, marking an important milestone in delivering clean energy and resilience improvements to small businesses while strengthening energy security for vulnerable households throughout the Territory.

VIHFA is also partnering with the Virgin Islands Water and Power Authority (VIWAPA) to implement four major electrical grid resilience projects supported by more than $35.7 million in funding. Three projects—the Feeders 11 and 12 Project, Distribution Automated Devices Project, and Transformer Replacement Project—have received Authorization to Use Grant Funds (AUGF) and are advancing toward implementation. The fourth initiative, the St. Thomas Substation Battery Energy Storage System (BESS) Project, is completing its final review requirements, with Authorization to Use Grant Funds (AUGF) anticipated in August 2026.

I want to express my sincere gratitude to this esteemed committee for the opportunity to present the VIHFA budget. I also want to thank the entire VIHFA staff for their immense hard work and dedication that make our vital mission possible for the communities that we serve.

With that, I am happy to answer any questions you may have.