



TESTIMONY

The Committee on Government Operations, Veterans Affairs, and Consumer Protection

Presented by:

Eugene E. Jones Jr, Executive Director
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Good morning, Senator Avery L. Lewis, Chairman of the Committee on Government Operations, Veterans Affairs and Consumer Protection and the listening and viewing audience. I am Kate Davis, Director of Procurement, and I appear before you on behalf of Eugene E. Jones Jr, Executive Director of the Virgin Islands Housing Finance Authority. I am accompanied by Rupert Pelle, Director of Planning and Construction and Freida Webster, Director of Homeownership.

As a team, we are grateful for the invitation to testify on **Bill No. 36-0102: *An act amending title 31 Virgin Islands Code, chapter 23 by re-enacting section 236b requiring the use of construction materials manufactured in the Virgin Islands, to the greatest extent practicable, for locally or federally funded contracts with the Government of the Virgin Islands.***

As we are all aware, the Territory continues to rebuild from the passage of Hurricanes Irma and Maria. Throughout the rebuilding process, we have encountered various challenges related to contractor availability, increased raw material costs and supply and demand, just to name a few. Addressing these and other challenges requires innovation and creativity. To ensure this bill is considered comprehensively, our testimony will identify and outline the bill's potential and challenges, examine its broader implications for the local construction industry and the Territory as a whole, and provide practical recommendations for consideration. By offering this testimony through these interconnected lenses, we seek to ensure that the bill fully supports long-term planning, advance resilient construction practices, and expands opportunities for sustainable homeownership.

Overview of Proposed Bill

The proposed bill represents an important step toward strengthening local economic growth, supply chain resilience, and long-term self-sufficiency. If implemented thoughtfully, it could position the Virgin Islands as a hub for construction materials manufacturing in the Caribbean, stimulate private investment, and create opportunities for public-private partnerships.

Bill Potential

Requiring or incentivizing the use of locally manufactured construction materials to include cement, blocks, and pre-mixed concrete, has the potential to significantly strengthen the Territory's economy. It would bolster local manufacturers and suppliers, stimulate job creation, expand production capacity, and reduce long-term costs as businesses scale.

Local sourcing also enhances supply chain resilience by reducing reliance on imports, limiting exposure to shipping delays, market disruptions, and fluctuating prices, while ensuring greater reliability during emergencies or recovery periods. A robust local supply chain could further accelerate procurement, leading to faster delivery and turnaround times for critical housing initiatives and other public projects.

Additionally, local vendors could serve as authorized resellers for larger manufacturers, aligning with the spirit of the law while ensuring sufficient capacity to meet demand. By prioritizing locally manufactured construction materials, the bill supports the sustainability of local contractors and suppliers, stimulates small business growth, and advances strategies that emphasize capacity-building, economic diversification, and community resilience.

Bill Challenges

While prioritizing locally manufactured materials presents a valuable opportunity to strengthen the economy, the legislation also raises concerns regarding its overall practicality, particularly in areas of availability, scalability, and consistency of supply.

A primary challenge lies in the limited capacity of local manufacturers to consistently produce materials at the scale required for government contracts. Questions remain as to whether sufficient raw materials are available locally to meet both government and consumer demand, and whether manufacturers possess the cash flow, infrastructure, and skilled labor to keep pace, especially given the scale of current disaster recovery projects. Without thorough market research, the true costs and feasibility of the bill remain uncertain.

Cost considerations further complicate implementation. Although the bill allows exemptions when local materials exceed off-island options by more than 15 percent, comparing costs fairly is difficult when shipping, customs, taxes, and labor are factored in. Moreover, reliance on exemptions risks undermining the intent of the bill, while inadequate oversight could lead to inconsistent or inequitable application.

Quality standards also present risks. While the bill permits exceptions for unsatisfactory quality, it does not specify how reviews will be conducted, who will serve on review bodies, or what criteria will apply. Smaller projects, which depend on quick and flexible access to materials, are not explicitly addressed, potentially disadvantaging small contractors.

Another concern is the concentration of authority. The bill grants broad discretion to the Commissioner of Property and Procurement in granting exemptions. Without clear guidelines, this opens the door to inconsistent application. Provisions for force majeure events, such as equipment failures or raw material shortages, allow temporary reliance on imports, but the absence of firm limits may result in prolonged or indefinite exemptions.

Administrative burdens will also increase. Procurement specifications must be updated, compliance closely monitored, and exemptions carefully documented. This will demand greater resources for proper implementation. Noncompliance carries steep penalties, including denial of compensation, reimbursement of funds, demolition of non-conforming work, and reputational harm that could severely affect contractors and the Authority alike.

Finally, federal compliance remains a significant concern. Many VIHFA projects are federally funded, and federal procurement standards discourage restrictions that reduce competition. Local preference requirements could therefore conflict with federal regulations, creating compliance challenges or legal disputes that may jeopardize funding.

In sum, the bill's practicality depends on establishing realistic implementation mechanisms, transparent exemption processes, and targeted support for local manufacturers to expand production, improve quality, and remain competitive. Without these safeguards, the legislation risks increasing costs, slowing projects, and creating compliance conflicts that outweigh its intended benefits.

Recommendations

To strengthen the bills' practicality and impact, several recommendations are appropriate:

- The definition of “construction materials manufactured in the Virgin Islands” should be refined, particularly since cement is not produced locally; a distinction between raw materials and finished goods would provide clarity.
- A detailed market assessment is needed to evaluate the true capacity of local manufacturers to supply the industry.
- Robust quality control standards must be established to safeguard construction outcomes.
- A streamlined, transparent exemption process should be created to balance accountability with flexibility.
- Targeted incentives should be explored to expand local manufacturing into diverse areas such as wood products and sustainable building materials.
- Sustainable sourcing should be prioritized to reduce environmental impacts and enhance resilience.
- Consistent monitoring and evaluation of the bill's impact will allow for adjustments over time.
- A dedicated small business component should be integrated, ensuring that smaller contractors and suppliers are not marginalized but are instead empowered to thrive under this framework.

Conclusion

In conclusion, the Authority recognizes the intent of this bill as an important step toward fostering economic growth, strengthening resilience, and supporting local industry. However, it is equally critical to balance these objectives with the practical realities of affordability, quality, and federal compliance. As the Territory continues its recovery and growth, policies must empower local businesses without compromising the efficiency, cost-effectiveness, and sustainability of housing initiatives. By refining definitions, creating transparent processes, and building in protections for small businesses and quality assurance, this legislation can become a powerful tool that aligns with VIHFA's mission to expand affordable housing opportunities, strengthen community resilience, and ensure that every Virgin Islander has access to safe, durable, and sustainable homes.

Senators, this concludes my prepared testimony. The team and I remain available to answer any questions. Thank you for your time and attention.