



TESTIMONY

Committee of the Whole

Presented by:

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Good afternoon, Senate President Milton E. Potter, members of the Committee of the Whole and the listening and viewing audience. I am Rick Grant, and I serve as the Strategic Advisor at the Virgin Islands Housing Finance Authority (VIHFA).

Today, on behalf of Eugene E. Jones Jr, Executive Director, I appear before you accompanied by - Rupert Pelle, Director of Planning and Construction, Freida Webster, Director of Homeownership and Mone't Francis-Gardner, American Rescue Plan (ARP) Grant Administrator.

As a team, we are grateful for the opportunity to provide evidence-based testimony and engage in meaningful discussion on the topic "Addressing Economic Pressures: Understanding the Cost of Living in the Virgin Islands." The VIHFA team will speak about the factors affecting the availability and affordability of housing in the territory from the following perspectives - Planning and Construction, Homeownership, Facilities and Property Management and Financial Assistance.

Understanding the cost of living in the Virgin Islands is crucial to improving the overall quality of life for all residents. Consequently, addressing the factors affecting the availability and affordability of housing in the Virgin Islands is everyone's business as it affects each of us. The housing availability and affordability crisis in the territory has been shaped by several interrelated factors, including - limited land availability, the lack of regulations on construction costs - allowing contractors to dictate the market which results in high construction costs, supply chain disruptions, insurance premiums, and the broader economic landscape of the territory. With regard to the factors affecting the cost of housing, the challenges are complex; but strategic investment, policy reform, and collaboration can create pathways toward sustainable and affordable housing solutions.

The VIHFA is committed to working with this body and other stakeholders to ensure that housing remains accessible to all residents.

Planning and Construction

Over the past decade, the U.S. Virgin Islands (USVI) have experienced a significant rise in construction costs, which has had a profound impact on the overall cost of living for residents.

Table 1 below illustrates the trends in square foot cost based on homes constructed by the Authority.

TABLE 1

St. Thomas			
2017	2019	2021	2025 Quoted Cost
\$194.00 per square foot	\$200.00 per square foot	\$226.00 per square foot	\$375.00 – \$400.00 per square foot
Approx. 1,300 Sqrt. 3 Bedroom Home	Approx. 1,300 Sqrt. 3 Bedroom Home	Approx. 1,300 Sqrt. 3 Bedroom Home	Approx. 1300 Sqrt. 3 Bedroom Home
St. Croix			
2017	2019	2021	2025 Quoted Cost
\$142.00 per square foot	\$144.00 per square foot	\$196.00 per square foot	\$350.00 per square foot
Approx. 1,300 Sqrt. 3 Bedroom Home	Approx. 1,300 Sqrt. 3 Bedroom Home	Approx. 1,300 Sqrt. 3 Bedroom Home	Approx. 1300 Sqrt. 3 Bedroom Home
St. John			
2017	2019	2021	2025 Quoted Cost
No available data	**No available data**	**No available data**	\$500.00 per square foot
			1300 Sqrt. 3 Bedroom Home

This escalation in expenses has made it increasingly challenging to build homes that are affordable for the low to moderate-income clients we serve. Currently, to ensure homeownership remains within reach for our clients, the average maximum construction costs must align with specific thresholds: approximately \$350 to \$375 per square foot for St. Thomas, \$325 per square foot for St. Croix, and \$425 to \$450 per square foot for St. John. These costs apply to an average three-bedroom, two-bath single-family home of about 1,300 square feet.

In addition to rising construction costs, other factors are influencing the availability of affordable housing. The cost of purchasing property is on the rise, with the average price for a quarter-acre lot ranging from \$65,000 to \$85,000, compared to \$20,000 to \$30,000 previously. This fundamental increase in property prices further complicates the ability to construct homes within budgetary constraints. Another factor that affects construction is labor costs which typically range from 15% to 25% of the total material cost.

Another critical aspect affecting housing affordability is the duration required to complete the construction. Ideally, construction projects should be finalized within a timeframe of 5 to 7 months. However, if the construction extends beyond this period, homeowners face additional financial burdens, including Builders Risk Insurance costs that can increase by \$4,000 to \$5,000 for every year of delay, particularly if they have a supplemental loan from a banking institution.

Based on the shortage of contractors and the increase in projects, on average, we are now experiencing longer timeframes – a minimum of 1 year to complete homes. To

illustrate the cumulative costs, using St. Thomas as an example, the total potential cost for an owner—including land purchase—can reach around \$509,500. This figure does not factor in other expenses, such as homeowner insurance and project tax, which could further increase the financial strain.

Addressing these multifaceted challenges will require a comprehensive strategy. Investing in local workforce development initiatives can help reduce reliance on imported labor, potentially lowering labor costs for developers. Additionally, exploring alternative building materials and construction methods tailored to the unique environment of the islands may yield cost savings. Furthermore, implementing policies that incentivize affordable housing development while streamlining permitting processes could help alleviate some of the financial burdens associated with construction. By adopting these strategies, the USVI can work towards mitigating the impact of rising construction costs and enhancing housing affordability for its residents.

Homeownership

For 40 years, since 1984, the VIHFA has significantly and positively impacted the housing landscape of the US Virgin Islands by addressing housing needs, promoting homeownership opportunities and supporting community development. Since being founded, we have developed some 90 housing communities across the territory which equals upwards of 3,000 homeowners.

With regards to the factors affecting the cost of housing, while the challenges are complex; strategic investment, policy reform, and collaboration can create pathways toward sustainable and affordable housing solutions. VIHFA is committed to working with

this body and other stakeholders to ensure that housing remains accessible to all Virgin Islanders.

Factors affecting the high cost of housing and the inability of the low to moderate income clients that VIHFA serves to obtain homeownership are: (1) the low inventory of single-family homes and plots of land that fall below the sales price limits of VIHFA and the HUD HOME program. The current sales price limits for HOME eligible clients are \$356,000 in St. Croix; \$369,000 in St. Thomas; and \$539,000 in St. John. The current acquisition cost limits for Moderate income clients are \$524,225 for St. Croix; \$672,750 for St. Thomas and \$1,114,350 for St. John. (2) the high cost of homeowners insurance policies. There are many cases whereby the monthly escrow for insurance coverage is almost, if not, exceeds the monthly principal and interest payment. (3) the high cost of construction materials and labor exceeds what the clients on VIHFA mortgage ready lists can afford. The approximate average cost per square foot in St. Croix is \$325.00; in St. Thomas \$375.00 per sq. foot and in St. John \$500.00 per sq. foot. With these costs, a modest home of 1,300 sq. feet will cost \$422,500 in St. Croix; \$487,500 in St. Thomas and \$650,000 in St. John.

Factors affecting the eligibility of clients becoming mortgage ready are: (1) salaries not increasing at the same pace of the cost of living; (2) excessive financial obligations such as student loans, credit cards, unsecured loans, auto loans, unpaid medical bills and; (3) little to no savings for down payment and closing costs.

In addition to the above, it must also be noted that high costs of food, utilities, gas, and rent also impacts the ability of clients to save towards homeownership. What we have also found is once the clients learn the amount of the proposed mortgage payments, the

maintenance cost of homes and how these costs will impact the client's lifestyle going forward, there is a decreased interest in homeownership.

The current household income range for VIHFA financing of low to moderate income households is \$26,150 to \$213,500 in St. Croix; \$29,750 to \$222,950 in St. Thomas and \$40,400 to \$261,450 in St. John.

For the First Time Homebuyers Moderate Income Program (ACT 8465), the current moderate household's income range is \$59,700 to \$213,500 in St. Croix; \$68,000 to \$222,950 in St. Thomas and \$92,250 to \$261,450 in St. John. Despite the increasing complexities affecting the current housing market, the team at VIHFA remains committed to our mission – **Homes For All**. To this end, as of January 2025, the Homeownership Division of the Authority has certified 507 mortgage ready clients. This represents 318 in the St. Thomas/St. John district and 189 in the St. Croix district. As is evident by the data, initial interest in affordable housing is prevalent; however, the current inventory of low to moderate income homes is insufficient.

In addition, hundreds of clients have been deemed not mortgage-ready for various reasons and are not reflected on these lists. VIHFA continues to work weekly with these clients, providing credit counseling services to those who choose to participate.

Property Management

The rising cost of living in the Virgin Islands, particularly within the housing sector, has placed significant pressure on both residents and property management professionals. The private and public rental markets, along with the facilities and property management industries, are at the forefront of this crisis, facing ongoing challenges that stem from economic and environmental factors.

One of the primary drivers of high housing costs in the territory is the persistent gap between supply and demand. The devastation caused by Hurricanes Irma and Maria in 2017 drastically reduced the available housing stock, forcing prices upward as demand surged. The cost of construction, which ranges between \$300 to \$500 per square foot, has further limited new developments, constrained supply and exacerbating the affordability crisis.

The property management sector has also been significantly impacted by these economic pressures. The rising costs of materials and labor, compounded by global supply chain disruptions, have made it increasingly difficult to maintain and manage rental properties efficiently. As a result, higher operational expenses are often passed down to tenants, further driving up rental costs. The financial strain on residents has led to higher turnover rates and tenant retention challenges, adding another layer of complexity for property managers and landlords. For emergency and affordable housing, these economic barriers have severely limited the Authority's ability to develop new units, leaving low-income residents with fewer options. The scarcity of affordable housing has increased housing insecurity and widened socioeconomic disparities within the territory. Addressing these issues requires a multifaceted approach, including investment in cost-effective construction methods, incentives for affordable housing development, and policies aimed at stabilizing rental prices to ensure accessibility for all residents.

Emergency Assistance Programs

The Authority continues to administer two Emergency Assistance Programs – the Homeowner Assistance Fund Program (HAFP) and the Emergency Rental Assistance Program (ERAP). Both programs are federally funded by the US Department of Treasury

and seek to provide financial assistance to qualifying residents who experienced financial hardship during and due directly/indirectly to the COVID-19 pandemic. The Authority has conducted robust outreach initiatives to spread awareness and inform the public of assistance available through radio interviews, radio advertisement, newspapers ads, social media ads, and by participating in community engagement events such as the STX Agricultural Fair, VIHFA Housing Expos, and VIHFA Pop-Up Centers. The Authority have also placed program banners in high traffic areas to improve visibility. Additionally, the authority has distributed informational flyers for both programs to residents, servicers, community stakeholders and faith-based organizations, which outline the program eligibility criteria, provide guidance on how to apply and VIHFA contact information.

Based on our outreach efforts and data collected from clients served to date, it is evident that there is a great need for Emergency Assistance for residents of the territory as a result of the continued increase in cost of housing expenses (cost of living). Since the inception of the ERAP in 2021, VIHFA processed over 2.4K applications and have provided over \$10.9M in financial assistance. Similarly, since the inception of the HAFP in March of 2023, VIHFA has processed over 200 applications and provided over \$3.3M in financial assistance.

Although we are unable to serve all the residents due to program requirements, there are some common factors amongst denied and approved applicants in both programs. These applicants continue to experience increased rent expenses, insurance premiums, mortgage rates, utility expenses, and food expenses while living on a fixed and/or reduced income.

Senators, sadly, the availability and affordability of housing is not unique to the territory. Nationally, the availability and affordability of housing has been deemed a crisis. According to a 2024 report by the National Low Income Housing Coalition, there is a national shortfall of 7.3 million affordable and available rental homes for extremely low-income renters. This shortage has resulted in nearly three-quarters of these renters spending more than half of their income on housing costs.

This crisis is further underscored by public sentiment; a survey conducted by the National Housing Conference found that 74% of Americans view the lack of affordable homes as a significant problem. This concern spans across various demographics and political affiliations, highlighting the widespread impact of housing unaffordability.

Conclusion and Recommendations for Addressing Housing Affordability

Given rising real estate costs, VIHFA is tackling the housing affordability crisis from all angles and have increased our efforts to expand affordable housing opportunities across the territory.

We recently requested \$5 million in funding from Governor Albert Bryan Jr., to provide necessary financing for eligible veterans who (1) own land or (2) seek to purchase land but lack access to construction financing tailored specifically for veterans. This funding will assist us in re-establishing the Veterans Home Loan Program.

Additionally, we also wrote to this body through Senator Marvin Blyden, seeking support in amending Title 21 V.I. Code Subsection 16 to: 1. Increase the maximum loan amount to align with VIHFA's acquisition cost limits for non-HOME eligible transactions,

which include both home purchases and construction, 2. Raise the land purchase loan limit to \$75,000 and 3. Increase the home improvement loan limit to \$50,000.

We have strengthened our Public-Private partnerships for Housing Development and are currently actively reviewing and assessing four developer proposals for housing subdivision developments (2 - STT, 1 - STX and 1 - STJ), each presenting innovative solutions to address the urgent need for quality and affordable homes. These proposals represent a significant step forward in our mission to provide sustainable housing options for Virgin Islanders. By the end of Summer 2025 we anticipate significant progress that will result in homeownership opportunities for residents of the territory. We are excited about the possibility of transforming these plans into reality. We welcome other developers who are interested in presenting proposals and working collaboratively to formulate strategic plans for tangible housing projects. We can be reached via email at rpelle@vihfa.gov or rgrant@vihfa.gov.

We are also exploring alternative building methods – utilizing modular and sustainable building technologies to lower construction costs while maintaining resilience against natural disasters.

In addition, we recently completed a first draft of the VIHFA Three-Year Affordable Housing Plan that will be presented to this body, after review and approval by the VIHFA Board of Directors. This plan includes various developments for the Low-Income Housing Tax Credit (LIHTC) program to incentivize affordable housing developments.

Senators, this concludes my prepared testimony. As I close, on behalf of Executive Director, Eugene E. Jones Jr, I want to sincerely thank the staff of VIHFA for their hard work and dedication.

Finally, I wish to assure the Virgin Islands' community that the team at the VIHFA remains dedicated to fostering partnerships, leveraging resources, and accelerating development to ensure that individuals and families have access to safe and affordable places to call home.

The team and I remain available to answer any questions. Thank you for your time and attention.