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HUD Suspension Clouds VIHFA as Hiring Freeze Continues, 63 Employees Rely on Federal Funds and HOME Program Hits Housing-Cost Wall

VIHFA says 63 of its 111 employees are federally funded as HUD's suspension creates uncertainty over reimbursements and projects. The agency is under a hiring freeze, while rising housing costs are making HOME-funded properties harder to find in the USVI.

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The V.I. Housing Finance Authority's proposed $24.45 million fiscal year 2027 budget depends on approximately $18 million in federal reimbursements, while 63 of its 111 employees are federally funded, leaving lawmakers focused Tuesday on how the Department of Housing and Urban Development's suspension could affect staffing, projects and the agency's broader operations.

Housing Finance Authority officials, however, declined to discuss the suspension in detail during their appearance before the Committee on Budget, Appropriations and Finance, citing legal advice.

Interim Executive Director Valdez Shelford opened the discussion by saying the authority had been advised not to comment on the matter during the hearing.

Instead, Shelford said HFA "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."

That limitation did not prevent senators from questioning officials about the safeguards being put in place and the financial exposure created by the suspension.

Fonseca Presses HFA on Controls

Sen. Ray Fonseca questioned HFA officials about financial controls, procurement procedures and "conflict of interest safeguards" implemented to "prevent the issues surrounding this dark cloud."

Acting Chief Disaster Recovery Officer Alana Lavinier said she "cannot get into the specifics based on advice of counsel," but said HFA has "done the comprehensive work on improving our internal controls, restructuring our procurement processes, standing up a risk unit."

Fonseca described the answer as "incomplete." He told Lavinier that the response would factor into whether he would recommend "giving one cent of VI government [funds]."

About $18 Million of Budget Relies on Federal Reimbursements

Shelford's testimony focused primarily on HFA's proposed $24,451,053 FY 2027 budget.

The spending plan includes:

- $2 million from the General Fund
- $720,000 in stamp tax revenue
- $2.8 million from home and land sales
- $130,123 from commercial leases
- $350,000 from mortgages
- $300,000 from "other receipts and services"
- Approximately $18 million in federal reimbursements

The $2 million General Fund appropriation supports salaries and benefits for approximately 20 employees.

Shelford said "rising health insurance premiums and employer retirement contributions have reduced the impact of this appropriation."

As a result, HFA must "rely on other revenue sources" to cover another 28 positions that are not federally reimbursed.

Shelford told Sen. Dwayne DeGraff that an "additional million dollars" would help address the authority's personnel costs.

63 of 111 Employees Are Federally Funded

The larger staffing concern involves HFA's reliance on federal funding. Of the authority's 111 employees, 63 are federally funded. Fonseca asked what would happen if HUD "suspends, delays, or restricts those reimbursements." Shelford said all federally funded positions are "based on availability funds."

"The staff is aware of that," Shelford confirmed.

Sen. Carla Joseph expressed hope that HFA would resolve the current situation "to HUD's satisfaction, because then those persons may be unemployed, and that spikes up our unemployment."

HFA is currently operating under a hiring freeze.

The authority nevertheless needs a new chief operating officer. Shelford said incoming Executive Director Derek Gabriel should have a role in selecting the person for that position.

HFA Says It Is Owed About $28 Million in Stamp Taxes

Joseph also focused on approximately $28 million in stamp tax revenue owed to HFA. The authority should receive roughly $9 million annually from that source.

A $5 million stamp tax payment was processed in early 2026, and $720,000 of that amount has been incorporated into the FY 2027 budget. HFA uses stamp tax revenue to construct homes and develop supporting infrastructure, including roads.

Rupert Pelle, director of planning and construction, told lawmakers that many housing developers are particularly interested in land where infrastructure such as roads and electricity is already available.

When developers must build that infrastructure themselves, he said, "it brings the cost of the homes to a limit that exceeds some of the program limits."

HFA is also awaiting outstanding allotments from the Office of Management and Budget.

HOME Program Struggles With Territory's Housing Prices

Much of HFA's testimony addressed the federal programs it administers.

Under the HOME program, Shelford said rising construction costs and property values have made it increasingly difficult to find eligible properties.

"it has been increasingly challenging to identify homes…that meet the HOME parameters."

Despite those difficulties, HFA has spent $234,723 of its $796,475 FY 2026 allocation, with another $498,000 in drawdowns pending.

Federal Programs Director Janine Hector said the program's "value limits are somewhat out of line with what homes cost in the Territory."

HFA previously sought an adjustment to those limits without success and intends to try again.

$124 Million Committed to Veterans Drive; $2 Million For St. Thomas Abattoir

Shelford also updated lawmakers on the Infrastructure Program funded through CDBG Mitigation resources.

Approximately $124 million has been committed to the Veterans Drive Resilience Project.

Another $2 million has been allocated to the St. Thomas Abattoir Project.

During the Department of Agriculture's budget hearing, Agriculture Commissioner Louis Petersen said he remained uncertain about the status of that funding, which is considered critical to rehabilitating the deteriorated St. Thomas facility.

More Than $186.6 Million Spent on Affordable Housing

HFA has already spent "more than $186.6 million" and committed an additional $55.5 million toward affordable housing developments.

Those projects are expected to generate approximately $19 million in program income, which the authority can reinvest in "eligible housing activities."

Joseph learned that the last home sold by HFA was in 2023.

No program income was generated from that transaction because HUD funding had not been used to develop the property.

Lawmakers Want List of Suspended and Active Projects

While HFA officials said programs already activated are largely protected, lawmakers continued seeking clarity on which projects could be affected by HUD's suspension.

Committee Chairman Sen. Novelle Francis requested a list identifying projects that have been suspended as well as those continuing to move forward.

Lavinier said HFA is still waiting for confirmation regarding "those that may have limitations."

The uncertainty leaves the authority entering FY 2027 with the majority of its proposed $24.45 million budget dependent on federal reimbursements, 63 employees funded federally, outstanding stamp tax and government allotments, and lawmakers seeking clearer answers about which programs and projects could ultimately be constrained by HUD's action.