

The Virgin Islands Consortium

Housing Finance Authority Pushes Back Against HUD On Concerns Of Territory's Capacity To Handle Billions Of Disaster Recovery Funds

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The head of the Virgin Islands Housing Finance Authority Darryl Griffith said he was “taken aback” [by a VI Consortium story](#) in which a senior federal housing official told the publication that the Virgin Islands still lacked sufficient capacity to handle a record \$1.8 billion in disaster relief funds. To the contrary, Mr. Griffith said his agency’s ability to manage massive amounts of federal grant money flowing in after the 2017 hurricanes is adequate — and growing stronger by the day.

For example, the finance authority, the lead agency taking in \$1.8 billion in H.U.D. disaster relief funds, has already submitted "action plans" for two batches or "tranches" of recovery grants over the past year (one plan for a \$243 million recovery grant and a second for a \$779 million recovery grant). And after a rigorous review process, H.U.D. has approved both plans. The territory has already begun drawing down on the first recovery grant as it awaits the final paperwork from H.U.D. to access the second. "Recovery" grants are designed specifically to help states and territories rebuild from the immediate aftermath of natural disasters, such as hurricanes Irma and Maria two years ago.

The V.I.H.F.A. accepted bids to replace outdated computer technology with new grant and financial management systems to absorb and track every dollar of the record influx of federal money. Final details are being worked out with vendors, Mr. Griffith said. Additionally, the agency is expecting two more finance division staff members to come onboard soon, meaning eight of the 16 new analysts, accountants and support staff H.U.D. called for will be in place, he said.

The executive director said internal compliance measures and safeguards already in place — some with the help of H.U.D. — are among the reasons that V.I.H.F.A. has a track record of efficiency. "We've handled (Community Development Block Grants) ESG (Emergency Shelter Grants), H.U.D. home funds and we don't have (material) audit findings for the last three years for any of the funds that we've managed," he said.

At issue, however, is the recent decision by H.U.D. to disburse \$1.8 billion to the territory under a different timetable than nine states hit by recent disasters. H.U.D. said a Federal Register Notice for nine states hit by recent disasters will be issued by September 4th, per a Congressional order. Notices for the Virgin Islands and Puerto Rico would be delayed indefinitely. Federal Register Notices provide specific guidelines for grant recipients, and are a prerequisite for receiving H.U.D. money. The move by H.U.D. vexed Gov. Albert Bryan and other local officials, who questioned why the territory was lumped in with the financially troubled Puerto Rican government for funding purposes.

"The Federal Register Notice is the rulebook that tells us how to spend the money," Mr. Griffith said. "Year to date, H.U.D. hasn't published the Federal Register Notice for any jurisdiction — not Florida, not Texas or any of the other states. And not the Virgin Islands. As soon as that Federal Register Notice is published by H.U.D. we will create an action plan and I think we will continue our track record of getting the action plan approved so that we can implement it."

However, H.U.D. Secretary Ben Carson made clear in a statement released August 2nd that the grant process for Virgin Islands and Puerto Rico differ from the other jurisdictions. "... a Federal Register notice will soon be published that releases disaster mitigation funds in two tranches to areas impacted by recent storms. One tranche will include funds for Texas, Louisiana, Florida, North Carolina, South Carolina, West Virginia, California, Missouri, and Georgia; and the second tranche will include funds for Puerto Rico and the U.S. Virgin Islands. Once the Federal Register Notice is published, the jurisdictions in the first tranche can start designing their plans for how they will use their mitigation funds."

Mr. Carson cited corruption issues as Puerto Rico's problem, and "capacity issues in the Virgin Islands ... This "is why HUD will award disaster mitigation funds in two separate tranches," he said. In an interview last week, a senior H.U.D. official told the Consortium that until the territory can demonstrate sufficient capacity, H.U.D. will keep a tight grip on Community Development Block Grants under the mitigation program. "The USVI has assured us they will have the capacity needed the manage these funds," the official said. "They are not there yet."

Mr. Griffith pushed back, suggesting there is really not much further to go.

Staffing and Technical Expertise

According to H.U.D., the territory needs 16 new accountants, financial analysts and other support to shore-up capacity to manage the \$1.8 billion in mitigation grants. H.U.D. considers those positions to be critical players in the management of grant money.

Mr. Griffith said his agency submitted a staffing plan to H.U.D. and the hiring strategy was approved, Mr. Griffith said. "We are up to date with hiring. We are on-pace with the staffing strategy."

Under the staffing strategy, all 16 analysts and support staff will be in place "when we get full access to the full \$1.8 billion," Mr. Griffith said. "Right now, we are only at \$242 million to which the territory has access. For us to hire 16 people when we only have access to 13 percent of the money would have people sitting down there twiddling their thumbs. So that is why there is a staffing strategy in place. It would not make sense for us to hire 16 people when we only have access to 13-14 percent of the funds."

New Grant and Financial Management Systems

H.U.D. officials also pointed last week to the fact that upgrades are still needed to grants management and financial management computer systems. But the territory is not the only one facing the same predicament, said Mr. Griffith.

"To put this into context, all of the jurisdictions — Texas, Florida — have to upgrade their systems to handle the funds," Mr. Griffith told the Consortium. "The territory is no different. The territory has done an RFP for both systems, and has selected a contractor that will be awarded the contract this month. ... We are 100 percent on target for all of those things" cited by H.U.D. as areas that need to be addressed before loosening the purse-strings, stressed the executive director.

In the Pipeline

In September 2018, [H.U.D. gave the green light](#) to release \$243 million in recovery funds, intended for housing, infrastructure and economic development recovery projects. A year later, the territory has used a fraction of the money — a total of \$83,000.

The action plan submitted to — and approved by — H.U.D. lays out an ambitious, "positive" plan for recovery and rebuilding for the future, Mr. Griffith said. Records available through H.U.D. show the action plan includes:

- **Homeowner Rehabilitation and Reconstruction Program (\$10 million)** - This program is available to eligible homeowners for properties that were damaged by Hurricanes Irma or Maria.
- **New Construction for Homeownership Opportunity and First Time Homebuyer Assistance (\$10 million)** - This program is designed to address post-disaster housing affordability challenges and enable renters to become homeowners.
- **Rental Rehabilitation and Reconstruction (\$5 million)** - This program provides funds for the repair or replacement of damage to rental housing owned by the Virgin Islands Housing Authority, Virgin Islands Housing Finance Agency, and private landlords.
- **Public & Affordable Housing Development (\$32 million)** - These funds are targeted for the redevelopment and creation of new affordable housing, including subsidized and mixed-income rental units.
- **Supportive Housing & Sheltering Programs (\$15 million)** - The territory's plan includes an effort for the rehabilitation, reconstruction, and development of housing for vulnerable populations, particularly among low-income seniors and those persons and families experiencing homelessness. This program also includes the development of emergency shelters for individuals and families who cannot shelter in place during disasters. The emergency shelter housing would also serve persons who require short-term housing because they are temporarily displaced.
- **Infrastructure (\$125,549,800)** - This money is targeted for three infrastructure activities: 1) Local Match for Federal Disaster Relief Programs (\$50,549,800) to help finance educational facilities, energy, hospitals, telecommunications, transportation, waste management, and water/wastewater management; 2) Infrastructure Repair and Resilience (\$30,000,000) and 3) Electrical Power Systems Enhancement and Improvement (\$45,000,000).
- **Economic Revitalization (\$33 million)** - This program is intended to revitalize the post-disaster economy, including (\$23 million) for Ports and Airports Enhancements, including harbor dredging to allow for larger cruise ships; 2) a Workforce Development Program to train low- and moderate-income residents to fill the construction and other jobs coming from recovery investments (\$5,000,000); and 3) the Tourism Industry Support Program (\$5,000,000), which will require a waiver by HUD, for marketing to communicate that the USVI is open for business.

Some of these programs are slated to start or have started, Mr. Griffith said.