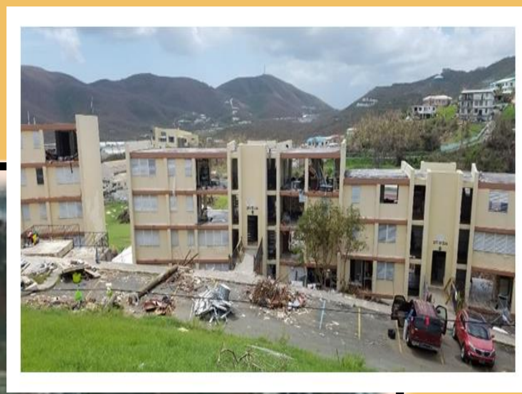
VIRGIN ISLANDS HOUSING AUTHORITY
Housing the People of Paradise

10-year ACTION PLAN

Hurricane Recovery Redevelopment & Mitigation Projects



REQUEST FOR CDBG-DR FUNDING

Robert Graham, CPM
Executive Director
Virgin Islands Housing Authority

Revised – July 21, 2020

CDBG-DR Tranche III – Funding Request

The Virgin Islands Housing Finance Authority's (VIHA) 2020 Policy and Procedures provides regulatory guidance for the Low-Income Housing Tax Credit (LIHTC) and the Community Development Block Grant-Disaster Recovery (CDBG-DR) programs. The policy and procedures guidance states "…the goal of the program is to optimize the use of CBG-DR funds by providing gap funding and if needed, interim and permanent loans, to leverage available LIHTCs to create and/or rehabilitate affordable rental housing." Further, the CDBG-DR funding program is designed to address and support communities of low-moderate-income populations. Moreover, the overview states "The affordable housing program will address both direct and indirect impacts of natural disasters, particularly hurricanes Irma and Maria, which affected the Territory of the U.S. Virgin Islands affordable housing rental inventory."

The 2015 Housing Demand Study commissioned by VIHFA determined that there was a 5,000-unit shortage of affordable housing in the Territory before the dual hurricane disasters in 2017. This shortage of affordable housing units can be addressed with the development of new multifamily rental housing, the acquisition and/or rehabilitation of public housing and strategic land acquisition for multifamily development and address the critical unmet housing needs of the Territory. The Virgin Islands Housing Authority's (VIHA) comprehensive redevelopment plan will address this unmet housing needs in the Territory and meet all three components of the National Objective, which will: a) Benefit low and moderate-income persons; b) Aid in the prevention or elimination of slums or blight (obsolete public housing); and c) Meet a need having a particular urgency, that is the prevention of further damage to hurricane-impacted public housing.

VIHA's redevelopment plan aligns with the Governor's vision for resiliency and commitment to invest in the long-term sustainability of the Territory's affordable housing sector. To realize this progressive vision, VIHA has formulated a ten-year affordable housing revitalization plan that will transform the entire 3,000-unit, functionally obsolete public housing inventory into an affordable housing inventory that will mitigate the risk of further deterioration of 50-year old multi-family homes against future devastating hurricanes and other natural disasters.

The Territory's unmet housing need is exacerbated with the urgency to mitigate against future disaster with hardening of the housing inventory. With this goal in mind, it is stated in the amended Action Plan that the GVI plans to invest a portion of its third allocation to further meet the housing and sheltering needs of its residents and to mitigate homes against future disasters. The Territory stated it will use subsequent allocations of CDBG-DR funds to modernize its housing and increase overall community resilience. VIHA has been working with VIHFA to ensure the Action Plan addresses the unmet housing needs of the Territory. Further, VIHA has also spearheaded collaboration between agencies to obtain community stakeholders vision to meet unmet housing needs and more inclusive and resilient communities. The results of this collaborations is VIHA's redevelopment housing plan.

The second allocation of CDBG-DR funds is $621,058,000 with a remaining tranche of funds of $841,188,000 that will be used to support mitigation activities that protect communities against unpredictable damage from future natural disasters. VIHA proposes an allocation of the Tranche III funds to mitigate risk and sustain long-term recovery of the housing sector.

VIHA co-sponsored two Urban Land Institute Advisory Services Panels with the Government of the Virgin Islands and the Virgin Islands Housing Finance Authority to provide comprehensive recommendations on affordable housing and economic development in the Territory. The panel of experts recommended the strategic use of CDBG-DR funding as a catalyst for revitalization of public housing and creation of greater cohesion with the surrounding community. Further, the recommendations were congruent with VIHA's comprehensive goal of totally revitalizing public housing**.** The goal is to seize the opportunity to design improved mixed-income and mixed-use communities by supporting increased construction of multifamily residences that are appropriately scaled and incorporate retail and community space within walking distance to amenities. VIHA's Redevelopment Plan, fully funded, will achieve risk mitigation in housing.

VIHA Redevelopment and Risk Mitigation Plan will cost approximately $1.023 billion to build at least 1,500 new units while substantially hardening and modernizing the other 1,500 units. The 1,500 new units will be constructed on both districts in twenty-two (22) projects. VIHA is building a world-class diversified portfolio of desirable housing complexes. Our goal is to mitigate the risk of damages to housing by creating hurricane resistant, sustainable housing with energy efficient systems to maintain energy independence from the grid. In this process, VIHA will enhance its new construction with energy producing microgrids, water conservation systems, hardened solar arrays through smaller developments integrated with the surrounding communities.

Over the course of the next ten years, VIHA's role is to facilitate the design, development and management of state-of-the-art affordable housing and mixed-use facilities throughout the entire territory that exceed expectations and traditional benchmarks. To accomplish this ambitious redevelopment program, VIHA has identified several key funding sources to drive this change. In order of importance, the sources are: CDBG-DR, LIHTC and FEMA funds. The transformation will occur in five phases.

The five-phase redevelopment plan is predicated on the priority of funding sources. To build approximately 1,500 new units and 1,500 hardened units, it is projected to cost $1.026 billion: LIHTC, $392M; FEMA, $205M; CDBG-DR, $292M; and VIHA and Other, $137M, funds. With the $70 million allocated from CDBG-DR funds from Tranche I & II, the redevelopment plan will leverage $249 million of federal and other funds to attract $166 million of private equity for a total investment in the affordable housing sector of $415 million. These combined funds will build 517-units of new affordable housing and comprehensively modernize 518-units of public housing. With current funds, the redevelopment plan will provide 1,035-units of housing.

Below is a description of each of the five phases, the total cost, sources of funds and the number of units that will be built or comprehensively rehabilitated.

Phase I: The Redevelopment Plan leverages $70 million of CDBG-DR, Tranche I & II funds will leverage $249 million of federal and other funds to attract $166 million of private equity for a total investment in the affordable housing sector of $415 million. with $346 million of private equity and other federal funds to produce 1,035-units; 518 new affordable housing units and 517 comprehensively rehabilitated units. Total development cost for this phase is $415 million. The projects include: Tutu High-Rise Replacement Phase I, 84 new units; Walter I.M.

Hodge, 250 units; Williams Delight, 100 units; D. Hamilton Jackson and Alphonso Gerard, 136 units and Ralph deChabert, 134 new units.

Phase II: The Plan leverages $43 million of CDBG-DR, Tranche III funds with $123 million of private equity and other federal funds to produce 585-units: 125 new units and 460 comprehensively rehabilitated affordable housing units. Total development cost for this phase is $166 million. The projects include: Estate Bovoni Apts, 366 rehabbed units; Aureo Diaz Heights, 125 new units; and Marley Homes, 94 comprehensively rehabbed.

Phase III: The Plan leverages $21 million of CDBG-DR, Tranche III funds with $93 million of private equity and other federal funds to produce 256-units: 225 new units and 282 comprehensively rehabilitated affordable housing units. Total development cost for this phase is $114 million. The projects include: Knolls at Contant, 96 rehabbed units; Tutu Family, Phase 3, 60 new units; Ralph deChabert, 100 units.

Phase IV: The Plan leverages $66 million of CDBG-DR, Tranche III funds with $72 million of private equity and other federal funds to produce 507-units: 225 new units and 282 comprehensively rehabilitated affordable housing units. Total development cost for this phase is $138 million. The projects include: Paul M Pearson, 80 new units; Lucinda Millin, 85 new units; Oswald Harris, 282 rehabbed units; and Nicasio Nico, 60 new units.

Phase V: The Plan leverages $92 million of CDBG-DR, Tranche III funds with $100 million of private equity and other federal funds to produce 360 new construction units. Total development cost for this phase is $192 million. The projects include: Candido R. Guadalupe, 90 new units; Michael J. Kirwan, 126 new units; H. Bergs Homes & Addition, 74 new units; and Ludvig E. Harrigan, 70 new units.

Since 2012, 477 new construction units in the Territory have been produced to date; VIHA has produced 232 units, which is almost have of those units. It has been well documented that increased labor and material cost have significantly increased since 2017. All these new units have been built to withstand Category 4 hurricanes. However, the building code requirements have evolved to address building standards that mitigates damages from Category 5 hurricanes and above. Associated with hardening new units and renovated units is the necessity to increase the investment in alternative energy to mitigate loss of power, reduce the cost of energy, and the reduction of our energy footprint. All the above facts have impacted the cost of building affordable housing in the Territory.

Construction Cost Trend

Consequently, total construction cost has increased 77% from 2012 to 2020. The construction cost for Amalie Terrace apartments in 2012 was $276k per unit. Comparatively, the construction cost for the Donoe housing community in 2020 is projected at $488k per unit.

In contrast when you consider size of units, construction type, size of the land and site complexity, the cost per square foot demonstrates a consistent but slightly lower cost trend. The cost per square foot for Amalie Terrace apartments in 2012 was $257. Comparatively, the cost per square foot the Donoe housing community in 2020 is projected at $312. The difference is only a 21% increase between the lowest cost per square foot and the highest.

CONSTRUCTION COST COMPARISON CHART

CONSTRUCTION BUDGET		CONSTRUCTION BUDGET		CONSTRUCTION BUDGET		CONSTRUCTION BUDGET		CONSTRUCTION BUDGET		CONSTRUCTION BUDGET	
DONOE HOUSING COMMUNITY		MAGENS JUNCTION 2		SUGAR ESTATE		MAGENS JUNCTION 1		ANNA'S HOPE APARTMENTS		AMALIE TERRACE APARTMENTS	
Project Address: St. Thomas, USVI		Project Address: St. Thomas, USVI		Project Address: St. Thomas, USVI		Project Address: St. Thomas, USVI		Project Address: St. Croix, USVI		Project Address: St. Thomas, USVI	
Units	84	Units	60	Units	79	Units	48	Units	38	Units	54
Total Gross SF	120,083	Total Gross SF	85,050	Total Gross SF	79,746	Total Gross SF	56,700	Total Gross SF	52,290	Total Gross SF	57,855
Adjusted cost	$ 41,018,620.00	Adjusted cost	$ 22,120,000.00	Adjusted cost	$ 25,990,249.00	Adjusted cost	$17,480,000.00	Adjusted cost	$14,931,020.00	Adjusted cost	$14,909,877.00
Cost Per Unit	$ 488,316.00	Cost Per Unit	$ 368,666.67	Cost Per Unit	$ 328,990.49	Cost Per Unit	$ 364,166.67	Cost Per Unit	$ 392,921.58	Cost Per Unit	$ 276,108.83
Cost per Sq. Ft	$ 312.28	Cost per Sq. Ft	$ 260.08	Cost per Sq. Ft	$ 325.91	Cost per Sq. Ft	$ 308.29	Cost per Sq. Ft	$ 285.54	Cost per Sq. Ft	$ 257.71
Per Unit-Less Alt. Energy	$ 449,031.19	Per Unit-Less Alt. Energy	$ 334,539.50	Per Unit-Less Alt. Energy	$ 320,129.73	Per Unit-Less Alt. Energy	$ 341,250.00	Per Unit-Less Alt. Energy	$ 347,385.79	Per Unit-Less Alt. Energy	$ 263,978.43
Per Sq. Ft-Less Alt. Enegy	$ 295.53	Per Sq. Ft-Less Alt. Enegy	$ 244.48	Per Sq. Ft-Less Alt. Enegy	$ 325.91	Per Sq. Ft-Less Alt. Enegy	$ 289.79	Per Sq. Ft-Less Alt. Enegy	$ 269.27	Per Sq.Ft-Less Alt. Energy	$ 242.25
Demo & Clean-up	(931,380.00)										

The construction cost comparisons reflect a smaller increase in the cost per square foot; 1) Amalie 2012, $257/sq.ft.; 2) Anna's Hope 2015, $285/sq.ft; 3) Magens Junction I 2015, $308/sq.ft.; 4) Sugar Estate 2016, $325/sq.ft; 5) Magen's Junction II, $260/sq.ft.; 6) Sugar Estate, $325sq.ft./ and Donoe 2020, $312sq.ft.

Besides the increased cost of construction, other material differences in the cost is related to the amount of site work to be done and and/or subsurface foundations or rock to be removed. Also, the acreage and slope of the designated site affects the ultimate cost of site work. In general, the cost trend to build new units have been affected by increased labor and material cost as well as increased alternate energy and in some cases increased site cost due to site conditions.

Going forward, VIHA expects that the total development cost for the next phase of Tutu High-Rise replacement will also reflect the topographical challenges and site conditions. However, we expect the replacement cost to be lower because the demolition and site preparation cost will not be in the development budget.

In keeping with the Governor's directive to minimize resident displacement, VIHA is building on current vacant land owned by the Housing Authority. Our goal is to build replacement housing and then relocate residents to the new lower density affordable housing units. However, VIHA will also aggressively seek to purchase vacant land to accomplish the same objective. This strategy will facilitate lower site cost and in turn lower total development cost for future projects.

To assist in the financing for the new construction, VIHA is partnering with Government of the Virgin Islands to implement a 4% Low Income Housing Tax Credit coupled with Tax Exempt Bonds. This will allow the further leveraging of our CDBG-DR funds to complete the transformation of public housing.

In summary, the redevelopment and mitigation strategy is a five-phase plan. In the first and second phases, VIHA will use $70M of CDBG-DR funding from Tranche I and II that will be leveraged to build new or rehab 1,035 affordable housing units.
By fully leveraging $222 million of CDBG-DR mitigation funding, VIHA can implement Phase III through Phase V.

With CDBG-DR mitigation funding, VIHA would build new or rehab 1,887 affordable housing units. The redevelopment plan has the full support of HUD's Public and Indian Housing office in Puerto Rico. HUD's Local Field Office has been instrumental in working

with VIHA to produce a viable solution to the distressed public housing and support the use of mitigation funds to address unmet housing needs in our Territory. Thus, the challenge is to fully fund the strategy with additional $222 million from CDBG-DR Tranche III.

VIHA, respectfully request VIHFA to include in CDBG-DR Tranche III $222 million to fully fund the redevelopment and risk mitigation strategy.

VIHA VIRGIN ISLANDS HOUSING AUTHORITY *Housing the People of Paradise*

PORTFOLIO REPOSITIONING & FINANCING PLANS (Millions)

FIVE-PHASE IMPLEMENTATION

Development Name	Developer	UNITS	4% or 9%	Total Dev Costs	EQUITY	FEMA	CDBG-DR	OTHER	Per Unit Cost	Development Period	Construction Approach
Donoe Family (Tutu Phase 1)	**Pennrose**	**84**	**9%**	**$56.5**	**$26.4**	**$18.5**	**$10.0**	**$1.6**	**$672,619**	**2019-2021**	**New Construction**
Walter I.M. Hodge Pavilion	MDG	**248**	9%	$73.0	$27.4	$29.1	$5.0	$11.5	$294,355	2021-2023	Comprehensive Rehab
William's Delight Villas	**MDG**	**100**	**NA**	**$5.0**	**$0.0**	**$0.0**	**$5.0**	**$0.0**	**$50,000**	**2021-2022**	**Comp Rehab (5h Homeownership)**
Ralph deChabert/W.Pedro (Phase 1 - Stony Ground)	TRG	**134**	9%	$69.4	$26.1	$19.7	$10.0	$13.6	$517,910	2022-2024	New Construction
Tranche I Total (Phase I)		***566***		***$203.9***	***$79.9***	***$67.3***	***$30.0***	***$26.7***			
D. Hamilton Jackson I and Alphonso "Piggy" Gerard (Basin Triangle)	MDG	136	4%	$37.1	$10.4	$16.5	$6.0	$4.2	$272,794	2020-2021	Comprehensive Rehab
New Tutu (Tutu Phase 2)	**Pennrose**	**120**	**4%**	**$64.4**	**$22.0**	**$20.4**	**$9.5**	**$12.5**	**$536,667**	**2022-2024**	**New Construction**
Mount Pleasant	TRG	79	9%	$42.6	$26.1	$1.1	$10.0	$5.4	$539,241	2023-2024	New Construction
Joseph James	TRG	34	NA	$4.5	$0.0	$0.0	$4.5	$0.0	$132,353	2023-2024	Operational Conversion
JFK (Phase 1)	MDG	100	4%	$63.1	$27.0	$23.0	$10.0	$3.1	$631,000	2021-2023	New Construction
Tranche II Total (Phase II)		***469***		***$211.7***	***$85.5***	***$61.0***	***$40.0***	***$25.2***			
***Tranche I & II TOTALS* (Phase I - $70MM -CDBG)**		**1,035**		**$415.6**	**$165.4**	**$128.3**	**$70.0**	**$51.9**			
Estate Bovoni Apts.	Pennrose	366	4%	$39.2	$12.3	$0.0	$22.7	$4.2		2021 - 2023	Comprehensive Rehab
Aureo Diaz Heights	TRG	125	4%	$65.1	$26.1	$14.9	$10.0	$14.1		2021 - 2023	New Construction
Marley Homes / Addition	TRG	94	9%	$61.5	$26.1	$17.2	$10.0	$8.2		2019-2020	Comp Rehab
Tranche III Subtotal		***585***		***$165.8***	***$64.5***	***$32.1***	***$42.7***	***$26.5***			
Central Office	Pennrose	0	NA	$17.0	$0.0	$17.0	$0.0	$0.0		2019-2021	New Construction
The Knolls at Contant	Pennrose	96	NA	$5.9	$0.0	$0.0	$5.9	$0.0		2019-2020	Operational Conversion
New Tutu Family (Phase 3)	Pennrose	60	4%	$54.0	$18.3	$17.0	$8.3	$10.4		2020 - 2022	New Construction
Ralph deChabert /Pedro (Phase 2 - Stony Ground)	TRG	100	4%	$37.1	$15.7	$10.2	$6.5	$4.7		2020 - 2022	New Construction
Tranche III (Phase III) TOTAL		***256***		***$114.0***	***$34.0***	***$44.2***	***$20.7***	***$15.1***			
Paul M. Pearson	Pennrose	80	9%	$42.6	$13.9	$0.0	$23.6	$5.1		2021 - 2023	New Construction
Lucinda Millin	Pennrose	85	4%	$24.0	$6.95	$0.0	$15.4	$1.6			New Construction
Oswald Harris	Pennrose	282	4%	$39.7	$13.0	$0.0	$19.0	$7.7		2021 - 2023	Comprehensive Rehab
Nicasio Nico	Pennrose	60	9%	$32.0	$18.8	$0.0	$8.1	$5.1		2021 - 2023	New Construction
Tranche III (Phase IV) TOTAL		***507***		***$138.3***	***$52.6***	***$0.0***	***$66.1***	***$19.6***			
Candido R. Guadalupe	Pennrose	**90**	4%	$48.0	$15.7	$0.0	$27.0	$5.3		2022 - 2024	New Construction
Michael J. Kirwan	Pennrose	**126**	4%	$67.2	$21.9	$0.0	$37.3	$7.9		2022 - 2024	New Construction
H. H. Bergs/Addition	Pennrose	**74**	9%	$39.4	$18.8	$0.0	$13.8	$6.8		2022 - 2024	New Construction
Ludvig E. Harrigan	Pennrose	**70**	9%	$37.3	$18.8	$0.0	$14.2	$4.3		2023 - 2025	New Construction
Tranche III (Phase IV) TOTAL		***360***		***$191.9***	***$75.2***	***$0.0***	***$92.3***	***$24.4***			
LEB I/II		**87**	NA								
LEBIII		**90**	NA								
Mon Bijou		**2**	NA								
Non-CDBG/FEMA Phases		***179***									
Tranche III and Non-CDBG/FEMA Phases		***1,887***		***$610.0***	***$226.3***	***$76.3***	***$221.8***	***$85.6***			
	TOTALS	**2,922**		**$1,025.6**	**$391.7**	**$204.6**	**$291.8**	**$137.5**			

Red = RAD RVSD: July 21, 2020