

BARBADOS AUDIT OFFICE



Special Audit on the Building Programs of the Home Ownership Providing Energy Inc. (HOPE Inc)

2nd April 2025

**Special Audit on the Building Programs
of the Home Ownership Providing Energy Inc.
(HOPE Inc)**

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EXECUTIVE SUMMARY

In an effort to increase the housing stock in the country and the usage of renewable energy, the Government of Barbados established a company, Home Ownership Providing Energy Inc (HOPE Inc) on 9th November 2020 to assist with meeting these objectives. The housing program was also expected to result in an increase in economic activity. HOPE Inc's initial mandate was to provide houses with photovoltaic panels installed and targeted to low-income and middle-income workers, earning salaries to a maximum of \$4,000 monthly, net of Income Tax and National Insurance (NIS) deductions. The qualifying income level for potential home owners was subsequently adjusted to a maximum of \$6,000 net of Income Tax and NIS deductions. The approximately seven hundred (700) houses (as per HOPE's 2022 Annual Report) to be constructed were earmarked for persons "who because of their economic condition, might not have otherwise found home ownership possible." The number of units to be constructed was subsequently increased by the Government to two thousand (2,000) per year for the period 2022 to 2026.

2. In order to reduce the level of mortgage payments for the demographic targeted, a number of measures were proposed including waivers of taxes and duties on housing inputs and reduced legal fees. In addition, income generated from photovoltaic systems installed on each roof, were to be used to defray the cost of land and infrastructural work. The mortgages for the homeowners would therefore only relate to the construction cost.

3. The achievement of its goals required HOPE Inc to ensure that there was adequate planning and execution of its activities in an efficient and cost-effective manner. HOPE Inc was therefore required to have:-

- i. ownership of a suitable amount of land with planning approval for construction;

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- ii. adequate funding to finance the infrastructural work and house construction;
- iii. an agreement to allow for homes to be connected to the power grid;
- iv. capable and experienced contractors that could perform construction in a timely manner at an acceptable level of quality; and
- v. a suitable project implementation team to provide management oversight and ensure activities were conducted according to plans.

4. A summary of the main findings is outlined below with full details in the body of the Report.

SUMMARY OF FINDINGS

5. The housing solutions were expected to service a specific demographic and, research should have been conducted to ensure that programs were set up in such a manner to benefit the target group. The potential applicants needed to be able to qualify for the mortgage amounts necessary to pay for the houses being constructed. There also needed to be arrangements with lending institutions willing to provide mortgages under the specific terms being requested by HOPE Inc.

6. HOPE Inc was provided with objectives for the program under its purview via Cabinet papers, alongside information on matters such as areas earmarked for building and source of funding. The Auditors inquired whether there was a comprehensive plan or documentation outlining how the projects' objectives would be met, inclusive of the relevant milestones, key performance indicators and the risk mitigation strategies proposed. This was not provided; therefore, the Auditors did not have any evidence that there was an overall plan to guide key areas of the projects in these areas.

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Financing for the Projects

7. Adequate financing was a key prerequisite in the successful implementation of the projects allocated to HOPE Inc. As at 31st December 2024, HOPE Inc was provided with a \$40 million loan from the Housing Credit Fund (HCF) which was used for infrastructural work and construction of the houses. It was originally envisaged that a portion of the loan would be used to purchase photovoltaic panels. It was expected that mortgages obtained by the prospective homeowners would have funded the house construction but a lack of ownership of the land on which the houses were constructed meant that the houses could not be sold until land ownership was achieved by HOPE Inc. The company therefore utilized a large part of the funds for house construction instead. HOPE Inc was therefore unable to readily access this source of funding to replenish amounts used and this factor contributed to cash flow challenges. In addition, HOPE Inc was subsequently received financing of \$21 million to purchase and assemble a number of prefabricated houses as part of the Government's plan to provide two thousand (2,000) houses per year. No financial plan was provided in respect of the financing of infrastructural work and construction of these houses. However, HOPE Inc indicated that they expected to be financially self-sufficient with no dependency on Government for permanent capital injection.

Agreement for Sale of Electricity

8. A critical component in making the houses affordable to applicants necessitated HOPE Inc obtaining revenue from the sale of electricity generated from the photovoltaic panels installed on the roofs of the houses. This was to be facilitated by a lease agreement between the homeowner and HOPE Inc. The income received was to compensate for the cost of the land and infrastructural work such as roadworks and utilities installation. This process would in effect result in a reduction of the mortgage payment required by the homeowner.

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9. However, HOPE Inc was not able to secure an agreement with the Ministry of Energy and Business Development for accessing the power grid in respect of the houses constructed. Currently, the electricity company is no longer accepting connections to the grid, without the addition of battery storage, due to concerns with its limited capacity to absorb more power from renewable sources. Under the current situation, there is no immediate benefit to HOPE Inc. from the lease agreement. The key aspect in making the houses affordable has therefore not been realized as at 31st December 2024 and there is uncertainty as to the use of this model for future projects.

Selection of Contractors

10. It was decided to use small contractors to build eighty-five (85) houses in the first phase at Vespera Gardens, Lancaster, St James, the site where HOPE Inc first started construction in July 2021. The arrangement for the recruitment of contractors for the first phase of the project was subject to risk as they were chosen without a robust vetting process. A more stringent vetting process would have allowed HOPE Inc to determine whether the contractors had the necessary resources, experience and skill to complete the houses on time, within budget and of an acceptable quality. HOPE Inc indicated that they visited houses completed by contractors chosen for the first phase. Viewing of the houses was a reasonable start but this should have been accompanied by references from home owners. HOPE Inc has indicated that there was no documentation available to demonstrate that there was a vetting process during the second phase.

Performance of Contractors

11. Twenty-six (26) small contractors were used by HOPE Inc to facilitate construction of houses at Vespera Gardens St. James, and fifteen (15) were not able to complete all their assignments primarily because of their poor performance and workmanship. HOPE Inc indicated that there were challenges with the quality of work provided by these contractors which required remediation

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at a number of houses, two (2) of which were completely demolished after being in a very advanced stage of construction. Other than the contractor responsible for the houses which were demolished, HOPE Inc has not indicated definitively what action, if any, will be taken against the contractors responsible for poor quality construction since there was an absence of safe guards such as performance bonds and fee retention features in the contracts. The poor quality of the work and subsequent correction not only resulted in financial loss but also indicates that the quality control feature of the construction process was not effective.

Availability of Land

12. The availability of land to facilitate house construction was a key prerequisite for success for HOPE Inc, which did not own any of the land earmarked for house construction. It was expected that HOPE Inc would be allocated land obtained from other state agencies or through “planning gains” whereby, agreements are made with the developer or beneficiary of a planning application to “offset” the social or environmental impact of developments. Initially, lots at a number of locations, including Pool and Todds in St John, Chancery Lane, Christ Church and Colleton, St Lucy, were earmarked. However, lands at the St. John locations were not owned by Government or any of its state-owned enterprises and the Chancery Lane location was transferred to a private sector developer while Colleton required infrastructural development. The lack of ownership of land impacted the progress of construction as HOPE Inc commenced and then halted construction at the Pool site, which is on pause until land ownership issues have been resolved. Land at Vespera Gardens, St. James was offered to HOPE Inc; however, this land was challenging to build on due to its undulating nature. Additional expense was therefore needed to make some lots suitable for house construction.

13. The need for land available for construction has been a major challenge and this has been acknowledged by HOPE Inc on a number of occasions. There is no plan in place seen by the Auditors which suggests that land

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in the quantities required for construction of a large number of houses, in line with Government's projections, are available or can be made available to HOPE Inc in the near future.

Contract for Precast Structures

14. In an effort to expedite house construction, HOPE Inc subsequently opted to use precast concrete structures for the main walls of some of its houses. A total of one thousand (1,000) of these structures were ordered at a cost of \$64 million to be delivered over a fifteen-month period. It should be noted that HOPE Inc did not have the land or financial resources to fulfil its contractual obligation. The contract commenced with an initial delivery of seventeen (17) structures at Pool, St. John in 2023. However, there was a subsequent pause in the contract due to ownership issues over the land at Pool. In a subsequent review by HOPE Inc, it was projected that this method would however significantly increase the cost of these units by \$37 million when compared to the traditional method of building with blocks. Discussions are currently ongoing with the supplier of the units regarding HOPE Inc's breach of the contract by halting deliveries. The contractor is seeking compensation for the contract breach.

Construction of Hardwood Houses

15. HOPE Inc was also asked to assume responsibility for assembling a number of prefabricated hardwood units for the National Housing Corporation (NHC) under the Hope Advance program. These houses were to be allocated to persons earning between \$1,000 to \$2,500 per month. As at December 2024, HOPE Inc completed construction of eleven (11) houses at Clifden, St. Philip, and was in the process of assembling twenty-four (24) at River Crescent in the same parish.

16. There were major challenges in receiving complete housing kits from the overseas supplier of these prefabricated units and this has slowed progress.

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In addition, HOPE Inc indicated that the price to sell to the NHC was for less than that for purchasing the houses and assembly cost, resulting in a loss of \$1.30 million on the activity at Clifden. To sell the houses at a price lower than the construction cost will have a negative financial impact on the company and its ability to fund future development. The request for HOPE Inc to be involved in this project, which had originally been assigned to the NHC, prompted the Board of HOPE Inc to request a “Shareholder’s Unanimous Resolution” from the Shareholder. HOPE Inc was concerned with the fact that they are a private legal entity incorporated under the Companies Act, Cap 308 and any directive from the Shareholder should be given in the form of a Unanimous Shareholders Agreement. Secondly, HOPE Inc was unable to undertake its own tendering process to select the supplier. Thirdly, HOPE Inc conducted due diligence which highlighted potential issues with this company.

Overall Conclusion

17. Overall, HOPE Inc has achieved modest returns on its programs. As at December 2024, a four-year span from the inception of HOPE Inc, the entity indicated that it has completed one hundred and ten (110) houses and a further sixty-one (61) are under construction. It would also have generated economic activity with expenditures of over \$60 million, thereby providing employment for over thirty (30) contractors and their staff, and providing business to a host of suppliers.

18. The minutes of the Board meeting held on 10th March 2023, indicated that HOPE Inc’s mandate had changed to approximately two thousand (2,000) houses per year. However, HOPE Inc has not demonstrated that there is a clear plan for this objective, especially as it relates to land availability and financing. Obtaining land, having it approved for subdivision, obtaining drawings and other designs, building of infrastructure and obtaining financing for the housing development and executing the sale of housing units is a lengthy process. HOPE Inc would therefore be challenged with having all these factors in place to

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facilitate the construction of such a large volume of houses in the time allocated. It would appear that the length of time allocated for this process has been significantly underestimated.

19. A critical success factor in this arrangement was the earnings generated from the photovoltaic systems which was expected to cover the price of land and infrastructural cost. This model has however not been successfully implemented as at 31st December 2024. Only two (2) houses were outfitted with photovoltaic panels and these have not generated any electricity as yet and are not connected to the power grid. This means that the land and infrastructural costs are being fully provided by HOPE Inc, whose activities have so far not made any impact on increasing the use of renewable energy in the country.

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CHAPTER 1 INTRODUCTION

In an effort to increase the housing stock for low income earners and increase the usage of renewable energy in the country, the Government of Barbados agreed to establish a Commercial State-Owned Enterprise named “Home Ownership Providing Energy Inc.” (HOPE Inc.). This company was incorporated on 9th November, 2020 under the Companies Act of Barbados. The affairs of this company are directed and governed by a Board of Directors, headed by a Chairman, while the day-to-day activities of the company are managed by a Chief Executive Officer along with support staff.

Provision of Land

1.2 It was agreed that parcels of land would be transferred to HOPE Inc., either from those owned by the Crown, statutory entities or acquired by the Government of Barbados, including those acquired by planning gains. Planning gains are “agreements made with the developer or beneficiary of a planning application to invest in the social, environmental or financial wellbeing of the country as an “offset” to the social or environmental impact that the development will have on the immediate natural or built environment”. It was also agreed that lands at four (4) locations would be made available to HOPE Inc. These were Chancery Lane, Christ Church; Colleton, St. Peter; and Pool and Todds in St. John where the total of these lots was six hundred and forty-eight (648).

Initiatives to Promote Affordability

1.3 In order to keep the properties affordable, a number of initiatives were proposed. These included transferring the land to the homeowners at no cost, and excluding the infrastructure costs from the sale price of the houses, in exchange for the leasing of the roofs of the houses from the owners for twenty (20)

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years. This would allow HOPE Inc to generate income to compensate for the land and infrastructure costs.

Financing

1.4 The initial financing was to be provided through a loan from the (HCF)¹, to carry out infrastructure works and pay for thirty percent (30%) of the costs of the photovoltaic systems. The remaining seventy percent (70%) costs for the purchase of the photovoltaic systems were to be financed via a loan from the private sector. In a document outlining their projections and business assumptions for the financial year ended 31st March, 2024, HOPE Inc indicated that they expected to execute their business model without any permanent capital injection from central Government, thereby operating as a self-sustaining entity. It should be noted that HOPE Inc's mandate was amended to construct two thousand (2,000) houses per annum and it estimated that mortgage financing of approximately \$320 million annually will be required to complete this program.

Eligibility for the Houses

1.5 To be eligible for Hope Direct Housing Program, individuals had to meet specific criteria, which included working for a maximum of \$4,000 per month initially. This amount has been subsequently increased to \$6,000 per month, both amounts being net of National Insurance and Income Tax deductions. HOPE Inc also has responsibility for the construction of low-income housing under the Hope Advance Program for persons earning between \$1,000 to \$2,500, net of National Insurance and Income Tax deductions. In this regard, HOPE Inc is assembling a number of imported prefabricated hardwood houses.

¹ *The Housing Credit Fund was established by the Government of Barbados in 1982 to provide funding to assist in the provision of housing for low- and middle-income households in Barbados in order to broaden the housing ownership base in Barbados. The Fund is managed by the Central Bank of Barbados.*

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Sales Price of Houses

1.6 The sales price of the houses constructed at Vespera Gardens, St. James was set, on average, at \$172,000 for a two-bedroom house and \$220,000 for a three-bedroom house. It was anticipated that the mortgage payments for these units would amount to \$774 and \$994 for the two-bedroom and three-bedroom houses respectively. The sales price of the houses was designed to make mortgages affordable for the persons within the targeted income bracket, given that they may not have been eligible for mortgages under normal circumstances. The benefit here is that the homeowner would only need to obtain a mortgage related to the construction cost.

Hope Programs

1.7 It should be noted that there are a number of programs labeled under the HOPE brand, namely Hope Direct, Hope Advance and Hope Premium. The focus of this report is on the programs being delivered by HOPE Inc, that is, Hope Direct and Hope Advance. These programs are geared to persons earning less than \$6,000 per month net of National Insurance and Income Tax deductions. The Hope Premium Program, which is also providing housing solutions to persons earning between \$5,500 to \$9,500 per month net of statutory deductions, is being implemented by NHC through joint partnership arrangements.

Reason for the Audit

1.8 Projects being undertaken by HOPE Inc are especially important given the significant expenditures being utilised and the expected benefit to the citizens of Barbados through the provision of affordable housing. The Barbados Audit Office therefore sought to assess whether value for money was being achieved for the funds expended by HOPE Inc. This report provides the results of the audit conducted.

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Audit Objective and Scope

1.9 The objective of the audit was to determine whether the housing programs and the energy generation aspect of HOPE Inc's operations were being executed in a cost effective, efficient and timely manner. The scope of the project was for the period November 2020 to December 2024. The Audit Office did not assess whether the income generated from photovoltaic systems could indeed cover the cost of infrastructure, the land and purchase installation as well as maintenance of the panels.

Methodology

1.10 Interviews were conducted with relevant personnel including senior officials and staff of HOPE Inc, and a contractor. In addition, relevant files were reviewed and site visits were made by the Auditors to some of the construction sites.

Audit Mandate

1.11 The mandate of the Barbados Audit Office is to set out under Section 113 of the Constitution of Barbados. Subsection 2A states that the Auditor General of Barbados may carry out examinations into the financial management of Ministries, Departments, Statutory Authorities and Government controlled entities including the manner in which those entities use their resource in discharging their functions in regards to the efficiency and effectiveness of the use of these resources.

Response from HOPE Inc

1.12 HOPE Inc's response to this report is provided at **Appendix 1**. It should be noted that the appendices to the response have not been included in this report.

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CHAPTER 2

Project Planning

In order for HOPE Inc to successfully meet its targets in an efficient and effective manner, the following areas needed to be suitably managed and provided for:-

- availability, and where applicable, ownership of land for house construction;
- financing for project elements such as infrastructure, photovoltaic systems and housing construction;
- an appropriate materials management system for labor only contracts;
- a suitable cadre of contractors;
- good project management and oversight; and
- institutions willing to provide mortgages to applicants.

2.2 This section of the report examines the activities which HOPE Inc undertook to ensure that its projects were executed as economically and efficiently as possible to achieve maximum value for money. It will assess how successful HOPE Inc was in addressing the relevant housing objectives it was created to address on behalf of the Government of Barbados.

Availability of Land

2.3 The availability of land was pivotal to the success of the programs under HOPE Inc. However, HOPE Inc did not have the land required to carry out substantial house construction. Initially, a number of areas were earmarked to be used by HOPE Inc but some of these lands HOPE Inc could not legally be utilised since there were not owned by Government or any State-owned Enterprise.

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The lands initially earmarked could have facilitated the construction of six hundred and forty-eight (648) houses at the following locations:-

i.	Chancery Lane, Christ Church	200 Lots
ii.	Colleton, St. Lucy	74 Lots
iii.	Todds, St. John	200 Lots
iv.	Pool, St. John	174 Lots

Subsequently the land at Chancery Lane was assigned to private sector developers for another programme and lands at Vespera Gardens, St. James, owned by NHC, were allocated to HOPE Inc. The Vespera Gardens, St. James location was expected to provide one hundred and sixty (160) houses. However, the undulating nature of the land prevented some areas from being used. The switch to Vespera Gardens reduced the number of lots available to HOPE Inc to carry out construction.

2.4 As at December 2024, HOPE Inc did not have ownership of the lands at Pool and Todds, St. John. These properties which had previously been owned by the now defunct Colonial Life Insurance Company (CLICO) was subject to an ongoing judicial review. Hence, this land was not legally available for construction by HOPE Inc.

2.5 The land at Colleton, St. Lucy was available to HOPE Inc from the commencement of the program due to it being owned by NHC. This land was officially conveyed to HOPE Inc on 24th July 2023.

2.6 Government has indicated that a substantial amount of land will be received through planning gains. Planning gains is a process where developers who apply for permission to develop land can be granted approval on condition that they meet certain requirements specified by the State. In this regard, forty (40) acres of land at Lower Burney was obtained by Government through this method. Twenty (20) acres of the land acquired at Lower Burney was allocated to HOPE

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Inc. However, planning for the utilization of land obtained through this method is uncertain given that it is reliant on negotiations between developers and Government where the outcome is not guaranteed.

2.7 An Environmental Impact Assessment (EIA) was required before planning permission can be considered for the Lower Burney site. Although the land was allocated, it was not readily available for construction.

2.8 It should also be noted that HOPE Inc was now mandated to construct two thousand (2,000) houses per year as highlighted in the minutes of the Board meeting held on 10th March 2023. However, availability of suitable land for building continues to be a main constraint for HOPE Inc as stated in its budget document for the financial year 2023 to 2024. HOPE Inc indicated that three thousand, one hundred and forty (3,140) lots have been earmarked for its use. However, some of these lots are not currently owned by Government or other state agencies and will now have to be acquired.

Ownership of Land by HOPE Inc

2.9 Although lands were identified as possible sites for HOPE Inc to construct houses, ownership of these properties by HOPE Inc. was necessary to affect legal transfer to the persons buying the properties. The lack of ownership of the land negatively impacted HOPE Inc's attempt to sell the properties, as the relevant conveyances could not be made. This was evident at the Vespera Gardens location. In addition, this resulted in a change to the financial model, which included using the mortgage funds for house construction. HOPE Inc then utilised additional funds from the HCF loan for this purpose.

Audit Comment

2.10 Unavailability of land is a factor which has slowed HOPE Inc's ability to achieve its objectives in a timely manner. It is essential, going forward, for land

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to be made available to the HOPE Inc if the requisite timelines specified for the construction of the houses are to be met. Both land availability and ownership issues need to be resolved for HOPE Inc to adequately plan for housing developments, and for it to make a greater impact on increasing the housing stock in the Island in a timely and cost-effective manner.

Financing Arrangements

2.11 The initial financing model for HOPE Inc was designed around the construction of six hundred (600) houses and proposed utilising \$36.4 million. Of this total, \$19.7 million was to be obtained from the (HCF) for infrastructural development and to pay for thirty (30%) of the cost of the photovoltaic systems. It was envisaged that the remaining \$16.7 million would be obtained in the form of a 15-year loan from commercial lenders or similar financial arrangement, to fund the remaining seventy (70%) costs of the photovoltaic systems. House construction was to be funded from mortgages obtained by the prospective homeowners.

2.12 It was also expected that the income stream from the photovoltaic systems would be utilised to fully recover all of the costs for the photovoltaic systems, infrastructure and land including repayment of the HCF loan. The HCF loan was to be repaid in twenty (20) equal installments of \$2 million commencing 31st March, 2024 at an interest rate of 1.15% per annum. In addition, the recurrent cost to operate HOPE Inc was projected at \$913,622 per annum. However, HOPE Inc projected that \$600,000 would be obtained from service fees from the homeowners, thus resulting in net recurrent expenditure of \$313,622.

2.13 The initial financing model did not operate as intended since HOPE Inc could not sell the houses to generate capital for house construction because it did not own the land at Vespera Gardens, St. James. The amount to be obtained from the HCF therefore increased to \$40 million. No funds were allocated to purchase the photovoltaic systems from the HCF loan and neither was a loan obtained from any commercial lender. Hence, the expected benefits envisaged

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from using the photovoltaic systems in the model could not be monetized. Based on the draft financial statements as at 31st March 2024, the recurrent costs to operate the company increased to \$4 million from the projected \$913,622 per annum. It was observed that this additional cost was due to an increase in the staff complement and administrative costs.

Audit Comment

2.14 The decisions taken regarding construction on land that was not owned by HOPE Inc negatively impacted HOPE Inc's progress. Funds were used for the house construction which could not be readably recovered resulting in minimal funds remaining from the HCF loan to contribute to the purchase of the photovoltaic systems and the carrying out of other infrastructural work on other sites. The absence of the photovoltaic systems meant that the costs of the infrastructure and the land could not be recouped from the photovoltaic income stream. The benefits of the financial model have therefore not been realized.

2.15 The recurrent cost to operate HOPE Inc has increased substantially and with the projected ramping up of production, additional funds have to be made available to meet the increased activity. If HOPE Inc is to sell houses at subsidized cost it will be challenging to operate without budget support from the Government as no profits would have been made to defray these costs. It is therefore important that HOPE Inc establishes a credible financial plan for financing its objectives. The Auditor General's Office has not been provided with this plan to-date.

Position of Lending Institutions Relating to Mortgages

2.16 A key component required for success of this housing program is the granting of mortgages by financial institutions to persons seeking to acquire houses. This is substantiated by the fact that HOPE Inc estimated that \$1.6 billion in mortgage financing for houses would be required from financial institutions for the success of the program. The criteria set by HOPE Inc is based on a number

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of factors which included income level, applicants not owning a home, and for them to be employed for at least two (2) years in the current employment. These applicants must first meet the criteria set by HOPE Inc and then that of the lending agency. In addition, the terms of the proposed agreements with the successful applicant included restriction covenants, whereby HOPE Inc would retain a lease on the roof for the placement of photovoltaic panels for twenty (20) years. HOPE Inc also wanted to have first option to purchase in cases where the owner wanted to dispose of the house.

2.17 These restrictions have led to negotiations with financial institutions on financing mortgages for the properties, and as at December 2024, only two (2) have provided mortgages for HOPE Inc's properties. Given the significant amount of mortgage financing that is required, there is a need for more institutions to be involved in the issuing of mortgages for prospective home owners for the HOPE Inc programs.

Proposed use of Photovoltaic Systems

2.18 Another critical component in the planning for the housing program was the acquisition and installation of photovoltaic panels on the roof of each house. These panels were to be owned by HOPE Inc, and the roof space would be rented for twenty (20) years from each householder in exchange for the cost of land and the infrastructural work carried out. This was a novel idea that was intended to reduce the cost of mortgages for applicants. Approximately, \$7.1 million was to be obtained from the HCF and the remaining \$16.7 million borrowed from commercial lenders to purchase the photovoltaic systems. There is no evidence that HOPE Inc has taken any initiative to borrow these funds.

2.19 Another company, HOPE PV Inc, was incorporated to improve the management of the process related to the procurement, use and maintenance of the photovoltaic systems to be erected on the rooftops of the houses. With the mandate to procure two thousand (2,000) houses per annum, it was estimated in

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March 2022 that approximately \$68 million annually would be required to install photovoltaic panels on one thousand (1,000) houses per year. As at December 2024, only panels for two (2) houses have been purchased. HOPE Inc had indicated that \$643 million, would be required to finance the renewable energy initiative which, would now have to be sourced.

Agreement to Allow for Connectivity to the Grid

2.20 In order for HOPE Inc's plans for generating revenue from the photovoltaic systems to be effective, these systems needed to be connected to the electricity grid. To this extent HOPE Inc, by written request dated 7th December 2023, sought a 'formal carve out' agreement from the Ministry of Energy and Business Development to allow the photovoltaic systems to be connected to the grid. However, as at December 2024 no such agreement had been obtained. There was no evidence that a risk mitigation strategy was established at the beginning of the program to ensure that it would still be financially viable if the agreement was not obtained.

Audit Comment

2.21 Given the importance of the photovoltaic systems to the operational model of HOPE Inc, it was critical in the initial stages of the project to obtain definitive assurance that the requisite third parties, such as the Ministry of Energy and Business Development and Barbados Light and Power, would agree to and facilitate the attachment of the photovoltaic systems to the grid. Thus, if it was not possible for such an assurance to be provided, alternative options for obtaining income to recoup the funds for the infrastructure and land would have been necessary as a risk mitigation strategy. The absence of the photovoltaic system component impacts the ability of HOPE Inc to achieve the original objective of providing affordable housing, if the homeowners have to bear the full cost of the property. It also negatively impacts HOPE Inc's goal in the provision of a source of renewable energy.

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Suitable Cadre of Contractors

2.22 In order for its construction project to be successful, HOPE Inc required a suitable cadre of contractors who would carry out their work in an efficient and cost-effective manner. It was determined that HOPE Inc would provide the materials and the builders would be given a contract to supply labour only. It was noted that the Bill of Quantities provided for a profit margin between \$5,000 and \$6,500 for the construction of a house. This had implications for the level of interest in the program, the quality of contractor who could be procured, and the stringency of budget management that would have been required on the part of the contractor to control cost in order to make any profit.

2.23 HOPE Inc requested that the interested contractors provide some evidence of prior construction activity. Evidence of the reviews carried out by HOPE Inc was not provided for all of the contractors. These reviews pertained to a limited amount of properties, and there was no information which indicated the exact role the proposed contractor played in the building of the houses reviewed.

Audit Comment

2.24 A more robust approach would have entailed a review of a portfolio of projects and obtaining references from the owners of the houses reviewed, in order to mitigate the risk of poor construction or the hiring of contractors that lack the necessary capabilities.

Absence of Suitable Indemnity Clauses in Contracts

2.25 HOPE Inc also did not have suitable indemnity measures in place for its written agreements with small contractors. For example, performance bonds were not required by the contractors, which would have allowed HOPE Inc the ability to recover amounts due from faulty work or other non-performance. In addition, there were no arrangements for retention fees, which would have allowed

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for some recourse to recover monies in situations where the quality of work was not acceptable or for other contract infringements. Thus, these measures were not available as a recourse for poor quality of work on the Vespera Gardens project.

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CHAPTER 3

Activity Under Hope Direct Program

There are several housing programs under the Hope logo, namely Hope Premium, Hope Direct, and Hope Advance. HOPE Inc is responsible for executing projects under the Hope Direct and Hope Advance programs. This section of the Report focuses on the Hope Direct program which caters to persons earning between \$2,000 to \$6,000 per month net of statutory deductions.

3.2 HOPE Inc commenced house construction at Vespera Gardens in Lancaster, St James where they are constructing one hundred and forty-eight (148) units. It also undertook construction and infrastructural work at Pool North in St John, where over fifty-four (54) houses were already started as indicated in the minutes of the Board meeting held on 13th August 2024. In addition, infrastructural work has been ongoing at Colleton in St Lucy. This section of the Report details progress and issues arising from the infrastructural works pertaining to site development and construction work at these locations.

Vespera Gardens

3.3 Vespera Gardens was the first location where HOPE Inc commenced the construction of houses. This land was owned by the National Housing Corporation, who had already commenced infrastructure work at this location when the land was allocated to HOPE Inc. A number of issues which impacted HOPE Inc's ability to achieve its objectives at the Vespera Gardens location in an efficient and economical manner are outlined below:-

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i. Suitability of Land

3.4 The land at Vespera Gardens was not the most suitable for low income housing. Extractions from the minutes of a HOPE Inc's Board of Directors meeting stated that "the significant undulations in parts of Vespera Phase 1 were causing additional expenditure in land preparation". The minutes further stated, "Because of the relatively high number of lots affected, the Board decided to authorize an additional \$169,980 to regrade lots 101-108; and \$188,666 to regrade lots 131-135 in phase 1". Additional unplanned expenditure was also incurred because of the need to construct higher foundation columns, additional steps and the installation of hand rails. Personnel from HOPE Inc indicated that the preferred option would have been to construct houses on flatter sites, such as Chancery Lane, where it would be less costly.



Exhibit 1: Houses and unsuitable land at Vespera Gardens

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ii. Quality of Work by Contractors

3.5 House construction commenced at the Vespera Gardens site in July 2021 and it was expected that assigned houses would be completed between three (3) to five (5) months. HOPE Inc provided all the materials for construction and the contractor was responsible for providing the labor. Overall, the houses were assigned to twenty-six (26) small contractors. A review of the performance of the contractors indicates that fifteen (15) of the contractors did not complete all of the houses they were assigned. The unfinished houses were subsequently reassigned to other contractors.

3.6 Based on the information provided by HOPE Inc, there were a number of challenges with the quality of the contractors' work which resulted in cost and time overruns. HOPE Inc indicated that the majority of the quality issues were with the plumbing and electrical components resulting in substantial remedial work. Corrective actions also included raising floors, replacing numerous doors and connecting pipes. Documentation provided by HOPE Inc indicate that snagging costs for the one hundred and forty-eight (148) houses at Vespera Gardens as at 31st December, 2024 totaled \$1,064,475. In addition, as at 31st January, 2025, remedial work was still being conducting on twenty-two (22) houses.

3.7 The impact of poor workmanship on costs was particularly evident in the case where HOPE Inc decided to demolish and rebuild two (2) houses built by a specific contractor, which were in an advanced stage of construction. In one case, third-party engineers indicated that "the defects are too significant and numerous for such a small and relatively straightforward building and reflect poor workmanship" and therefore supported demolition. In the other case, HOPE Inc indicated that "the walls (external & internal walls) being out of alignment, in addition the floor slab was uneven" and decided to demolish this house. These houses are currently being rebuilt and are still set to be sold at the original price of

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approximately \$172,000. The initial build, demolition and reconstruction have resulted in significant costs for HOPE Inc.

iii. Delays in Completing Houses

3.8 In a paper to the Cabinet prepared by the Ministry of Housing, Lands and Maintenance, it was stated that delays in construction was a significant risk which would be mitigated through an effective monitoring system with daily penalties for not completing houses on time. Penalties of varying amounts per day were included in the contracts. However, based on the Auditor's review of some progress reports, delays in completing houses was a prominent feature in construction activity at Vespera Gardens with construction ranging from five (5) months to in excess of three (3) years for some houses. Reasons for delays in the construction varied from lack of adequate resources deployed by contractors to inconsistent pace in carrying out work and the need to take corrective work as a result of poor performance. A few of the contractors selected did complete house in four (4) to six (6) months. However, the vast majority of the houses were in excess of a year. The poor performance by so many contractors suggests that the selection policy and the enforcement of contract terms were inadequate.

Audit Comment

3.9 The delays in the completion of these units have been excessive and demonstrate HOPE Inc's inability to produce houses in a timely manner over the past four (4) years. The observations above indicate that there were deficiencies with the quality control element of the project. Major issues should have been identified in a timelier manner so that they could have been remediated at a lower cost. Contractors were initially given between three (3) to ten (10) houses often with the same start date. This would have required the contractor to manage construction of numerous houses at the same time while acquiring enough workmen to complete the construction. No information was observed in the vetting

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process that could have been used to assess the contractor's ability to manage these processes.

iv. Materials Management

3.10 The arrangement made by HOPE Inc is that it would supply all the materials needed for the construction of the houses and the contractors would supply only the labour. In order for HOPE Inc to be successful in providing good quality materials on a timely basis to the contractors, an appropriate inventory management system would be required, supported by suitably qualified and experienced staff.

3.11 There were inadequacies in inventory record keeping. On commencement of the project a manual system was being used to manage material which became inefficient with the increase in contractors. It did not allow for proper monitoring of both intake and disbursement of items. HOPE Inc recognized the deficiency in the manual system and purchased a SAGE inventory management system. However, HOPE Inc personnel indicated that the prior information was not incorporated in this computerised system to allow for thorough reporting on the amount of materials used for each house.

3.12 The former Chairman noted that HOPE Inc wanted to purchase items in bulk from overseas suppliers as a way of reducing cost. However, it was agreed that due to low activity in the domestic market, orders would instead be made to local suppliers.

3.13 A second part of the materials management framework was the acquisition of good quality products, however there were some concerns. In this regard, items such as doors were not of a high standard as evidenced by the large number that needed to be replaced.

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v. Materials not used

3.14 HOPE Inc purchased four hundred (400) water heaters valued at \$290,000 and flexcel sheets valued at \$70,190 which are no longer being used on the project. The electric heaters were not used because they were not “befitting to the houses” according to Board minutes seen. A decision was taken to sell the water heaters and the flexcel sheets which HOPE Inc has been trying to do. However, HOPE Inc has not been successful in selling the items.

vi. Land Ownership

3.15 Construction commenced at Vespera Gardens in July 2021 however the conveyance for this property was not finalized until 31st December 2022 and this was over seventeen (17) months later. This negatively impacted on HOPE Inc’s finances as the transfer of titles could not be made to allow for mortgages to be obtained. HOPE Inc could therefore not utilize funds from the mortgages to fund house construction as originally planned.

vii. Installation of Photovoltaic Panels

3.16 The revenue generated from the sale of the electricity produced by the photovoltaic panels was to compensate for the cost of the land and site development. This process would in effect reduce the mortgage amount required by the homeowner. However, there has been no agreement with the Ministry of Energy and Business Development for such an arrangement and currently the electricity company is no longer accepting connections to the grid, without the addition of battery storage. Under the current situation, a lease agreement will not have any effect on providing funding to HOPE Inc to recover the costs of land, site development and the photovoltaic panels.

3.17 In a meeting between HOPE Inc and the Barbados Audit Office on 4th February 2025, personnel from HOPE Inc indicated that they are not currently

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planning further developments that include the use of the photovoltaic systems, and therefore the selling price of the houses would have to be increased to include the cost of the infrastructure. Personnel from HOPE Inc stated that the photovoltaic systems could be incorporated in future plans once it was commercially viable to do so, since there is now the need for battery storage. The key aspect in making the houses affordable has therefore not been realized and threatens the use of this model for future projects.

Conclusion on Vespera Gardens

3.18 Overall, the construction at Vespera Gardens has been ongoing for a number of years and it has been challenging for HOPE Inc, which has not been able to meet its major objectives for that site. These objectives included constructing one hundred and forty-eight (148) units outfitted with photovoltaic panels. This should have been done in a timely and cost-effective manner. However, there were significant delays; poor quality of work; project management deficiencies; cost overruns; failure to complete the expected number of houses and no renewable energy being generated from any of the houses. HOPE Inc indicated that the total cost of construction at Vespera Gardens as at January 2024 was \$47 million. The projected revenue for the sale of houses will be approximately \$30 million, resulting in a subsidy of \$17 million to the collective beneficiaries of the Vespera Gardens project. This can be reduced if revenue can be gained once panels are acquired and connected to the grid.

Construction Activity at Pool North

3.19 HOPE Inc had also commenced construction of a number of houses at Pool, St. John. The land at Pool, St. John was not owned by the government or any of its agencies and this was acknowledged in a paper to the Cabinet as far back as 2020. It was however Government's plan that part of the land, which had been owned by the former, now defunct CLICO, would be used by Government

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for housing construction. However, the process of liquidation of CLICO's assets was the subject of a judicial review which was ongoing.

3.20 The lands at Pool required infrastructural work and did not have any planning approval prior to the start of any construction. However, site development commenced in March 2022 and house construction started in March 2023. A number of issues were observed with the execution of this project at Pool and these are outlined below:-

i. Construction on Lands not Owned by Any Government Entity

3.21 Personnel at HOPE Inc indicated that it was "instructed" to build houses at Pool, St. John in order to expedite its construction of houses, although no Government agency had any title to the land. HOPE Inc nevertheless started constructing houses at this site, and subsequently halted construction in September 2023 with lack of ownership of the property by Government being signal as a main reason. At that stage, approximately \$6 million had been disbursed. At that time, work on over fifty-four (54) units had commenced. HOPE Inc has therefore utilized a substantial amount of the funds borrowed without knowing when it would be recouped through the sale of properties, since it did not have title to the land on which it was building. The relatively long delay in construction also poses a risk to degradation of the structures exposed to the elements.



Exhibit 2: Unfinished Houses at Pool, St. John

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ii. Contract for Supplier of Internal and External Walls

3.22 In the construction method originally used by HOPE Inc, firms were paid for labour only contracts, that is HOPE Inc would provide all the materials and the firm will be paid for providing the labour for constructing the houses. This arrangement was however changed for the construction of some houses at Pool, St. John. HOPE Inc obtained quotations from a Company for the supply and installation of various quantities of precast concrete walls. These structures related to the main walls of the houses and did not include foundations, floor slabs, roofs or other fittings. These quotations were dated 25th August 2022. The quotation for the one thousand (1,000) houses, based on the unit costs of the various walls, worked out at \$64.5 million. In December 2022, a contract with the Company was signed by the then Chairman for the supply of the one thousand (1,000) precast walls as per the amounts quoted.

3.23 The observations from the review of the contract with the Company are outlined below:-

a. Lack of Resources to Fulfill Contract

HOPE Inc entered into the contract with a Company while not having the resources necessary to meet its obligations under the contract. According to the contract these, one thousand (1,000) units were to be sited at the four (4) locations shown in the table below.

Number of Units	Location
50	Colleton, St. Lucy
250	Pool/Todds, St. John
500	Fairfield, St. Philip
200	Searles, Christ Church

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The signed contract required the supply of one thousand (1,000) walls over a fifteen (15) month period. However, at this time, HOPE Inc did not have in its possession the number of lots required to locate one thousand (1,000) units. It should be noted that HOPE Inc or another Government entity did not own the lands at Pool. Furthermore, the Government did not own the lands at Todds or Fairfield to facilitate this construction. The Auditors are uncertain if Government owned the land at Searles earmarked for the housing program.

In addition, HOPE Inc would have needed to obtain additional funding to meet the \$64.5 million required under the contract as it did not possess this capital. Furthermore, financing would also be required to construct foundations and roofs for each house as these were not included in the contract with the Company. No information was seen to indicate that a source of financing was identified prior to the signing of the contract. At the rate of development HOPE Inc had achieved to date, it is unclear why such a contract would have been entered into.

b. Contract Initially not in Sync with Original Board Decision

The contract signed by the then Chairman with the Company was not in agreement with the original Board decision. At the time of the signature of the contract for one thousand (1,000) units, the Board had only approved the purchase of fifty (50) units at a meeting held on 9th September, 2022. It should however be noted that, in January 2023, the Board subsequently ratified the contract signed for supply of one thousand (1,000) units from the Company. It was noted in the

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minutes that given that “the cost for supplying 50 units alone was astronomical” a greater discount could be achieved with a larger quote of one thousand (1,000) units. However, despite the discount, an increase to one thousand units would incur additional expenditure of approximately \$60 million, to which HOPE Inc did not have access.

c. *Cost Benefit Analysis*

In a subsequent review prepared by HOPE Inc’s personnel, it was stated that the cost of the precast walls was substantially more expensive than using “traditional” block construction. In addition, the same report, states that it was not known if a “full Cost/Benefit Analysis” was undertaken prior to entering into the contract or if professional opinion was obtained on the full advantages and disadvantages of precast concrete units as applied to the HOPE model. Information from HOPE Inc suggests that if the contract is completed for one thousand (1,000) units, that it will result in HOPE Inc paying an additional \$37.8 million for this method of construction compared to traditional masonry construction. The report also indicated that since HOPE Inc was selling completed houses at an affordable price, it was highly unlikely that the additional cost could be passed onto the purchaser.

d. *Impact of Pausing Project on the Company’s Contract*

The pausing of the Pool project has resulted in a situation where the contractor supplying the precast concrete walls is claiming loss and expenses due to the suspending of works and loss due to the reduced order of units. Negotiations are underway to reach a settlement to this issue.

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e. *Lack of Competitive Bidding*

No evidence was provided that a competitive bidding process was utilised for the Company's contract. The report obtained from HOPE Inc indicated that "it was unknown if alternative quotations were obtained" in addition to the quotation submitted by the Company.

f. *Lack of Shareholder Agreement*

No evidence was seen that this contract was referred to the Ministry of Housing, Lands and Maintenance and the Cabinet for their approval. It would have been expected that HOPE Inc would have sought the approval of its Shareholder for a contract of such magnitude and which was in deviation from its original plan of using small contractors.

Audit Comment

3.24 The Board should not have approved construction at Pool at the time it did, since the land was not owned by HOPE Inc or any other Government agency. In addition, HOPE Inc entered into a contract in excess of \$60 million without having the financial or other resources that were required. This resulted in HOPE Inc halting deliveries under the contract which has led to the contractor seeking compensation for the contract breach. There is a risk of HOPE Inc having to repair or replace materials due to exposure to the elements if and when construction resumes. In addition, the area is subject to an environmental impact study prior to any planning approval and there is no certainty that this area would be approved for housing construction as envisaged by HOPE Inc.

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Colleton, St. Lucy

3.25 Colleton, St. Lucy was one of the original sites earmarked in November 2020 for construction of houses by HOPE Inc. The minutes of the HOPE Inc board meeting held on 21st December, 2020 indicated that clearing of land at Colleton, St. Lucy had commenced and that construction was expected to start in February 2021. However, there were significant delays regarding completion of infrastructural work at this site due to two (2) major issues. There were lengthy delays in awarding a contract for the infrastructural works which finally started in March 2023. Additionally, this work was halted in August 2023 due to cash flow issues. Work resumed around July 2024 and, as at December 2024, the work was still ongoing, three (3) years after the intended commencement date.

Conclusion on Hope Direct Program

3.26 HOPE Inc was established in November 2020 and was of the view that construction could start in January 2021 and a house could be completed in three (3) months. Overall, there has been an underestimation of the time frame in which houses could be constructed. Some three and a half (3½) years later, some of these houses are still being worked on. The cost of houses was set to accommodate persons with low to middle income and the key to keeping the cost down was the generation of an income stream from photovoltaic systems to defray the cost of land and infrastructure. There is uncertainty as to when and if this aspect of the program will be implemented. HOPE Inc has to consider its policy on the selection of contractors and review its management capabilities in order to improve on the quality of the houses constructed and reduce cases of cost overruns and poor-quality workmanship.

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CHAPTER 4

Activity Under Hope Advance Program

In August 2021, Cabinet agreed to a proposal to build houses for persons earning between \$1,000 to \$2,000 per month under a program titled “Hope Advance”. Initially, the program was to be implemented by the National Housing Corporation (NHC) through joint venture arrangements. It was originally proposed that two thousand, five hundred (2,500) houses would be constructed on lands belonging to the NHC, owned by the Crown, Statutory Entities or acquired by the Government of Barbados. A decision was subsequently taken by Cabinet in October 2022 that HOPE Inc through the Hope Advance program, would undertake responsibility for the importation and construction of low-income housing for the Government, including but not limited, to hardwood houses from Guyana. It should be noted that NHC was already in negotiations with the Company from Guyana when the project was transferred to HOPE Inc.

4.2 The Hope Advance project involved the importation of three hundred and fifty (350) hardwood houses. Three hundred and fifteen (315) were to be to be sold and thirty-five (35) were to be ‘rent to own’ units for the NHC. These houses were to be outfitted with solar photovoltaic panels on the roofs to generate electricity. The land and infrastructural costs were to be \$7.00 per square foot with the cost of the land purchased and infrastructural cost being offset by the income streams generated from the supply of electricity to the local power company from the solar photovoltaic panels installed on the roofs of the houses. The lease of the roofs was to be for thirty (30) years. The financing of the purchase and house assembly was through a loan from the HCF. Land would be provided by the NHC who is also facilitating some of the foundations and property sales.

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Exhibit 3: Hardwood Houses

4.3 The results of the review of the project are outlined below:-

i. Concerns Over Advanced Payment

4.4 An advanced payment of \$3.5 million was made to the Company from Guyana. However, there was a concern regarding the approval of this payment. There was also concern about the fact that no contract, performance bond or advanced payment bond was in place to safeguard HOPE Inc's financial interest.

4.5 Furthermore, concerns were expressed about the arrangement with the Company from Guyana which was not subject to HOPE Inc's tendering process. In addition, it was stated that HOPE Inc was a private company and thus any directive from the Shareholder must be given in the form of a Unanimous Shareholder Agreement. As a result, the Board of Directors requested the Unanimous Shareholder Agreement for the arrangement with the Company from Guyana to purchase the housing units. Subsequently, HOPE Inc signed an agreement with the Company from Guyana on the 25th May, 2023.

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ii. Due Diligence Highlighted Potential Issues

4.6 Investigations conducted by HOPE Inc of the Company from Guyana revealed a number of factors which it found concerning. One such factor was that the Company from Guyana had no past or existing customers with contracts valued in excess of US \$100,000. Another factor observed was that the Company from Guyana's current liabilities significantly exceeded the current assets, which suggested a potential cash flow issue.

iii. Expiration of Performance Bond

4.7 HOPE Inc subsequently obtained the necessary performance bond from the Company from Guyana which would have allowed it some form of financial redress if the Company from Guyana had not supplied what it was being paid for. However, this bond expired on the 30th June, 2023. A Director on the Board of HOPE Inc argued that the performance bond was not registered and was therefore not enforceable. The Board minutes of HOPE Inc indicate that the Company from Guyana subsequently sought to obtain a performance bond from a local financial institution but was not successful. The absence of a performance bond meant that HOPE Inc could have been challenged to receive any amount from the Company from Guyana if the houses were not delivered.

iv. Supply of Houses

4.8 The Company from Guyana has supplied sixty (60) prefabricated housing units. However, some of the housing units supplied did not contain all of the required materials in order to assemble the houses. Those received were either incomplete or contained items deemed to be unsuitable. Both the Ministry of Housing, Lands and Maintenance and HOPE Inc expressed their dissatisfaction with the progress of this project, especially as it related to the unavailability of materials. Of major concern was the Company from Guyana's inability to supply all of the materials for the construction of the houses in a timely manner.

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v. Visit to the Company from Guyana

4.9 In November 2023, a team which included personnel from HOPE Inc visited The Company from Guyana 's facilities. As a result of this visit, personnel from HOPE Inc questioned the company's production capacity to deliver the houses required. Prior to this visit, the Board of HOPE Inc had agreed to terminate the contract of the Company from Guyana due to its inability to satisfy the conditions of the contract. This decision was forwarded to the Ministry of Housing, Lands and Maintenance. There is no indication that this recommendation was approved.

vi. Loss on Sale of Houses

4.10 HOPE Inc indicated that it would incur substantial losses on those houses that it is constructing for the NHC. This is due to the purchase and construction costs of the houses being more than the selling price determined. HOPE Inc indicated that the eleven (11) houses at Clifden were completed at a cost of \$269,763 each (excluding land and infrastructural works), whereas the selling price was \$145,000, a loss of \$124,763 on each house. Despite the fact that these hardwood houses were earmarked for low income individuals, the construction costs were on par with or above that for houses constructed for persons targeted by the Hope Direct program who have a higher salary range.

4.11 As at 7th January, 2025, no house had been completed at the River Crescent, St. Philip location and thus the actual construction cost of these houses was not known. The houses at this location are to be sold at \$155,000 and based on the actual construction costs incurred at Clifden, HOPE Inc will also suffer a loss on these houses. No decision has been seen on how HOPE Inc will recoup the losses from the sale of the houses. Unless additional funding is provided to HOPE Inc, its cash flow would be negatively impacted.

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vii. Repayment of Loans

4.12 HOPE Inc has signed a loan for \$27.27 million with the Housing Credit Fund “to assist in the provision of pre-fabricated hardwood houses” from the Company from Guyana and “the procurement of infrastructural services”. The intention was to procure three hundred and fifty (350) hardwood houses. HOPE Inc has received \$21.05 million of the loan amount. However, only sixty (60) houses costing \$3.5 million were purchased from the monies received. The remaining funds received were allocated to other HOPE Inc programs and operational costs. Based on information obtained from HOPE Inc and ascribing the proposed selling price of the houses at River Crescent, St. Philip to the remaining unallocated housing kits, the Auditors estimated that proceeds of approximately \$8 million could be received from the sale of the sixty (60) housing units, an amount that is well short of the \$21.05 million received for the construction of the houses. Therefore, HOPE Inc will not be able to fully repay the loan from the sale of houses and will need to obtain a source of funding in order to assist with the repayment of the loan to the Housing Credit Fund.

Other Hope Advance Projects

4.13 In addition to the construction of the eleven (11) prefabricated hardwood houses at Clifden, St Philip, HOPE Inc had indicated at a meeting held with the Audit Office on 4th February, 2025 that twenty-four (24) houses were to be built at River Crescent, St. Philip. Construction of these houses has already commenced and the foundations for these houses were undertaken by the NHC. HOPE Inc has set the completion date as the 25th April, 2025.

4.14 The NHC is currently conducting infrastructural works at Concordia, St. Philip. HOPE Inc is to provide the hardwood houses at this site but the NHC will be responsible for the sale of these houses. HOPE Inc is also earmarked to provide a number of units at Branchbury, St Joseph.

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Conclusion on Hope Advance Program

4.15 It was expected that three hundred and fifty (350) prefabricated hardwood houses would have been supplied by the Company from Guyana. However, the Company experienced challenges in supplying the houses and only sixty (60) were supplied. Thus, the concerns highlighted by the due diligence conducted by HOPE Inc were realized. It should also be noted that, at the construction costs observed for the Clifden project, these houses would not be affordable to persons in the low-income bracket unless there is significant subsidisation.

Overall Summary and Conclusion

4.16 As at December 2024, a four-year span from the inception of HOPE Inc, the entity has 'completed' one hundred and ten (110) houses and a further sixty-one (61) are under construction. It would also have generated economic activity with expenditures of over \$60 million thereby providing employment for over thirty (30) contractors and their staff and providing business to a host of suppliers.

4.17 HOPE Inc thus far has not demonstrated that it is able to build houses in a cost-effective, efficient and timely manner. A key feature in HOPE Inc's model was that it would allow subsidised housing for low- and middle-income persons, through the use of revenue streams generated by photovoltaic systems. This however has not been achieved to date. In addition, HOPE Inc has been selling houses at less than the cost to build and this has eroded its capital base. Hence, HOPE Inc finds itself in a precarious financial position, without the means to continue its work while simultaneously paying its debt obligations, unless there is further capital injection or delaying of debt payments. The model established has therefore not been successfully implemented.

4.18 HOPE Inc has been given a substantial mandate of building two thousand (2,000) annually. However, factors, both internal and external to HOPE

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Inc, will dictate how many houses can actually be constructed. Factors such as land availability, financing, availability of suitable contractors, willingness of lending agencies to participate in the programs, and adequate project management will all impact the capacity of HOPE Inc. A comprehensive plan needs to be developed, taking all of the key factors under consideration, so as to determine how many houses can feasibly be built by HOPE Inc. The plan will also need to incorporate a robust financial component to specify the capital injection required and what level of subsidisation is necessitated to meet the target population.



HOPE'S RESPONSE

TO THE DRAFT SPECIAL PROJECT REPORT ON THE BUILDING
PROGRAMS OF THE HOME OWNERSHIP PROVIDING ENERGY INC.

MARCH 25, 2025

HOME OWNERSHIP PROVIDING ENERGY
15 Maxwell Main Road, Maxwell, Christ Church



1. Home Ownership Providing Energy Inc. (“HOPE”) was incorporated on 9th November 2020 to assist in increasing the housing stock in the country and the usage of renewable energy. The mandate to HOPE was to provide affordable housing for low to middle-income workers. Initially the earning salary for homeowners was set to a maximum of \$4,000.00 monthly net of Income Tax and National Insurance (NIS) deductions, which was later increased to \$6,000 monthly net of Income Tax and NIS deductions. This increase was the direct result of representations made by the Barbados Nurses Association and the Barbados Secondary Teachers’ Union.
2. To achieve Government’s goal of providing housing for persons who, because of their economic condition, might not have otherwise found home ownership possible, the sale model adopted by HOPE was a very simple structure: cash for the construction of the house plus the income from the twenty-year lease agreement of the rooftop between HOPE and the homeowner/Purchaser (the “PV Lease Component”). The PV Lease Component ensured that the Purchaser paid for the land on which the house stood along with the cost of the developmental infrastructure and the actual cost of the PV panels and their installation, while leaving a modest return for HOPE (collectively referred to as the “HOPE’s Financial Model”).
3. The HOPE Financial Model was subsequently modified by the Government, in that Cabinet decided in January 2024, to create a special services vehicle, Hope PV Inc. (“Hope PV”) to whom HOPE would assign the rooftop leases and who would then be responsible for the cost of the PV infrastructure, the cost of purchasing the PV and installing the PV). Hope PV would then be responsible for paying HOPE over a 20-year period the cost of the land and the developmental infrastructure and in the instance of the Vespera Development the cost of the PV electrical installation.
4. In addition to the HOPE Financial Model, the Government introduced various methods to make housing more affordable including:



- 4.1. Tax and duty exemptions
- 4.2. Waiver of Stamp Duty (limited to first time purchaser)
- 4.3. Capping the price of land;
- 4.4. Capping the cost of infrastructural services relating to the land being passed on to the purchaser;
- 4.5. Capping interest rates of mortgages;
- 4.6. Capping the legal fees of the vendor associated with the real estate transactions.
- 4.7. Waiver of stamp duty on mortgages (first time mortgagor)

(collectively referred to as “Government’s Commitment”)

5. The combination of the HOPE Financial Model along with the Government’s Commitment was to allow persons to access mortgages to cover the cost of the construction of the houses, while the PV Lease Component, was to cover the cost of the land, installation of the infrastructure and the cost of the PV panels and their installation, while allowing a profit for HOPE. In other words, the true purchase price of the house was a combination of the cash component paid by the purchaser through specially negotiated mortgages and the value of the earnings from the rooftop for 20 years which was being leased to HOPE for the installation of PV panels for the sale of renewable energy to Barbados Light and Power Ltd.
6. Further, the Minister of Finance in the Country’s Budget Speech 2025/2026 indicated that the Government is proceeding with extending the existing statutory framework for mortgage indemnity insurance to all banks and credit unions to further derisk mortgages for low-income applicants. This would allow all financial

institutions to participate in the quest for “housing every last person” in Barbados.

7. It is essential to point out that the Auditor General in his Report has suggested that HOPE, as opposed to Government, should be giving subsidies to those who are in the very low-income bracket. The responsibility for these subsidies lies with the Government. This is in line with the Government's ongoing strategy, to ensure that HOPE is positioned to go public in the medium term.
8. The Government has openly acknowledged and accepted responsibility for the shortcomings that occurred with the initial roll out of HOPE's Financial Model. Indeed, it accepts that the previous Board and Management, though accustomed to managing smaller-scale projects, lacked the experience required to oversee the complexities of transitioning to the construction of much larger numbers. This needed an industrial process buttressed by HOPE's Financial Model and Government Concessions.
9. The actions taken by the new Board and Management in the last year have been designed to put this type of industrial approach in place by addressing every component of the planning, construction, sales and financing process. This is without prejudice to having to await the completion of the regulatory processes regarding the PV panels and the batteries necessary for their installation.
10. These challenges were exacerbated by factors beyond the control of the Board and Management given the time at which the Company was established in 2020. Factors which the Auditor General failed to acknowledge and/or contextualize are:
 - 10.1. the COVID-19 pandemic and the attendant, shutdowns and restrictions;
 - 10.2. the volcanic ashfall from the eruption in St. Vincent and the Grenadines;

- 10.3. the disruptions in international shipping resulting from the Russia-Ukraine conflict;
- 10.4. the subsequent significant delays to shipping through both the Panama Canal and the Suez Canal
- 10.5. the 2021 Freak Storm;
- 10.6. Hurricane Elsa in 2021, and
- 10.7. Hurricane Beryl in 2024.

These events, and in particular the multiple national shutdowns during the COVID Pandemic, informed a number of decisions made both by HOPE and the Government.

Leadership and Management

11. The Government, having accepted that the previous Board Chairman and CEO were ill equipped to execute the HOPE Financial Model, appointed a new chairman in November of 2023. The new Chairman, [...], was appointed to the Board, and in mid - February 2024, [...] was appointed as the new CEO (collectively referred to as the “New Leadership”). The New Leadership are from a construction and development background and have over seventy years of experience between them.
12. The New Leadership, after a review of the status of HOPE and the fact that there was no formal handover nor were there comprehensive or indeed in some critical instances, any files at all to give an idea of all that had transpired in the past, recognized in early 2024 that HOPE’s operating costs were too high, and during the second half of 2024, after careful consultation with the New Board, HOPE’s new Management seriously reduced operating costs by approximately \$720,000 per annum. This cost reduction was mainly achieved by:
 - 12.1. Reducing Staff Numbers (loss of 9 persons) 30%;
 - 12.2. Relocating Offices (lower Rent & Utilities) 64%
13. It should also be noted that whilst there has been a reduction in operating costs, the new management of HOPE has introduced



construction/development software which has aided in planning and managing future development projects. HOPE has also employed an Assistant Development Director to assist with the planning and execution of future projects. HOPE has been able to achieve greater efficiencies in terms of its Operational Expenditure.

14. The business is managed on a “day to day” basis by the new CEO, who communicates daily, seven days a week with the Chairman. Both the Chairman and CEO are “hands-on” in managing and operating the business.
15. In addition, the new leadership (CEO, Chairman & Deputy Chairman) hold a weekly call every Thursday morning at 8am to discuss the business. It should be noted that the Deputy Chairman also has expertise in construction as well as in project management.
16. A weekly report is prepared on HOPE’s activities every Monday by the New Leadership for review and onward forwarding to the Shareholder through the Minister of Housing, Lands and Maintenance (“the Ministry”).
17. New Management Team – In addition to the CEO, HOPE has four new Managers:
 - 17.1. Finance Manager
 - 17.2. Chief Operations Officer
 - 17.3. Chief Sales Officer
 - 17.4. Attorney – At – Law

Each of the above has their own area of responsibility inclusive of their team members.

18. In February 2024, weekly Management Team meetings were introduced. These are held every Monday morning at 9.30 a.m. A set agenda is followed. These meetings foster communication and result in problem solving by way of teamwork. All team members are actively encouraged to contribute towards the management of the business.
19. Cashflow – HOPE now maintains a “working cashflow” model which forecasts income and expenditure for both operational costs



and project specific costs. The Cashflow is reviewed regularly by both the CEO and the Finance Manager.

20. The Financial Management – HOPE has, during 2024:
 - 20.1. “moved away” from cheque and cash payments to “online” payments;
 - 20.2. Two (2) Approvers for all “online” banking payments;
 - 20.3. Revised set-up of Sage 300. The accounting software package was modified prospectively to allow for the expenses incurred at the lot level to be data-entered at the lot level, and then automatically flow into a construction in progress expense report for materials and labour, to allow for timely and accurate construction cost reporting at the lot level.

21. Software – HOPE has introduced software bespoke for construction and development projects:
 - 21.1. Job Planner has been introduced as a repository and daily driver of operational management. This includes the production of regular project reporting. The software is being “trialled” on the River Project. If successful, all future development projects will be managed both operationally and financially via this software.
 - 21.2. Planswift has been introduced to assist with preparing project budgets and planning of projects.
 - 21.3. HOPE has also introduced HR and Payroll software.

22. With the expansion of the use of Sage, management is now able to be aware of critical information which prior to the expansion of Sage it did not have. Information such as –
 - 22.1. cost of construction at the level of each lot;
 - 22.2. cost of construction at the site level
 - 22.3. inventory usage, reporting and controls.

23. Further, the New Leadership have commenced a process that sees each new project being subject to its own development appraisal which highlights the objectives, risks and risks mitigation thereof. Each appraisal is subject to Board Approval.
24. With the onboarding of the New Leadership, there exists a research department manned by three people who are daily tasked with interacting with potential purchasers. They answer queries on the process and encourage those without mortgage certificates to apply for and submit said certificates and show those with mortgage certificates, the options with respect to the different planned homes. HOPE has interviewed over 4000 people, and has already obtained 1,209 mortgage certificates, which includes 152 applicants that had also applied through NHC. [...].
25. The scope of work of these individuals provides valuable information such as preferred parishes and preferred house type, which allows for informed development planning.

Use of Small Contractors

26. While at the time of being interviewed the New Leadership did not have in its possession the original business model and business plan, they were able as a result of this exercise, to finally obtain a copy [...] via email dated the 19 March 2025. [...].
27. The process of selecting small Contractors had its own teething problems. Most importantly, the Auditor General's Report fails to consider the challenges being experienced by the Country; namely, the national shutdowns, the Ashfall and other climate events, which led to the decision to use small contractors as a means of providing opportunities for people to earn a living during that period.

28. It should be noted that during that period, there was limited activity outside of that undertaken by the Government that were offering opportunities for employment. The decision to use multiple small contractors, most of whom would have been without work for three years, was in a bid to stimulate an economy that required invigorating support.

29. Small contractors were selected and evaluated using the following:
 - 29.1. Tenders were advertised by both Ministry of Finance and HOPE -14 June, 2020 by the Ministry of Finance and 27, 29 April and 1 May, 2021 by HOPE. [...]
 - 29.2. Application letters were submitted to HOPE via email or hand delivered by 7 May 2021. [...]
 - 29.3. In addition to the applications obtained as the result of the advertisements, a list of contractors approved by Cabinet at a meeting held 26 November 2020 was submitted by the NHC to HOPE. [...].
 - 29.4. Vetting process – the contractors were assessed by the Quality Control Officer (“QCO”) and Quantity Surveyor (“QS”) who took into account the following:
 - 29.4.1. previous work undertaken and any current works being done
 - 29.4.2. references provided by Contractors.
 - 29.4.3. visits to housing constructed by or in the process of being constructed by all applicants. [...]



- 29.5 Additional adjustments had to be made to the list of approved contractors as a number of contractors indicated that they were unable to work with the fixed price labour only contract which HOPE was offering to contractors.
30. As previously admitted, the management and governance of the project prior to the onboarding of the New Chairman and CEO was less than desirable, especially in circumstances where, there was a decision to use small contractors who would need closer supervision and coordination. The current management and Board of HOPE accept that the level of project management at that time was simply insufficient.
31. Nineteen of the twenty-six contractors hired at Vespera exhibited poor workmanship resulting in substantial remedial work and time delays. The total cost of the remedial works as of 31 December 2024 was \$1,064,475.00 at an average of approximately \$7,192.00 per house. Opportunities to correct deficiencies and missed deadlines were provided, however the aforementioned contractors as well as project supervisory personnel were ultimately terminated.
32. The fact that two houses had to be demolished at a very advanced stage is regrettable and evidences the poor supervision of the project prior to the onboarding of the new Management and Board and their recent changes.
33. HOPE reached out to two of its external counsel on 22 August 2024 with a view to retaining counsel to pursue a claim against the contractor and is pressing forward with the matter.
34. The statement that HOPE has not definitively indicated what action was to be taken against those contractors is not true. The Auditor General was provided with a copy of the Minutes no. 42 of the Board of Directors held on 14 October 2024 where at paragraph 17.1 it states that “The Board was informed that legal action was being taken against the builder of the two houses that had to be demolished.”

35. Further, there was a conscious decision by the previous Management and Board not to include the traditional Performance Bond and withholding of retention clauses. These clauses were excluded by the previous management and Board given the fact that HOPE was working with small building contractors who had limited or no cash flow. They also decided that a more complex form of contract such as the JCT Form of Contract was too complex for small building contractors. Hence a simpler word form was utilized.
36. The Auditor General should note that a Performance Bond would have resulted in an added expense/cost to the small contractors who would have had to approach a financial institution to obtain a Performance Bond and bear the cost thereof. It was felt by them that this would have undermined the very purpose of retaining small contractors. In all reality it is true that the small contractors simply would not have been working at the scale to absorb the costs of these Performance Bonds.
37. The former board and management decided that the retention requirement was to be excluded as it would require small building contractors to wait 180 days (i.e. the defects liability period) to receive their final payment; again, undermining the planned benefits to small contractors.
38. Notwithstanding the foregoing, it should be noted that the contract with the small contractors contained obligations to produce quality work. The following are provisions which concern the quality of work expected from building contractors:
 - 38.1. Clause 6 – The Contractor shall perform the Work in a workmanlike manner and in compliance with applicable laws, regulations and ordinances, trade standards, ethical guidelines, codes of conduct and any safety requirements of the Company (the “Applicable Laws”).
 - 38.2. Clause 7 – The Contractor shall provide competent and suitable personnel to perform the Works and shall at all times maintain good discipline and order at the Property.



- 38.3. Clause 10 Warranty – The Contractor warrants that the work shall be in accordance with the Contract Documents, applicable law, and trade standards and free from material structural defects, improper workmanship or defective materials. The Contractor shall replace, correct or repair any Work not in accordance with the Contract Documents, applicable law and trade standards or any defects caused by faulty workmanship for a period of one hundred and eighty (180) days from the date of completion of the Work. Nothing in this section 10 shall be construed to place a time limit with respect to any other obligation that the Contractor may have under this Agreement.
- 38.4. Clause 12. Inspection – The Company shall have a right to inspect the Work at any time and request the Contractor to promptly correct any Work that is defective or does not conform to the Contract Documents. The Work shall be inspected and certified by the appropriate representative of the Company.
- 38.5. Clause 13 -Right to Stop Work If the Contractor fails to submit timely Daily and Weekly Reports and/or correct any defective Work and/or repeatedly fails to perform the Work in accordance with the Contract Documents, the Company shall have the right to order the Contractor to stop performing the Work, or any person thereof.

Research of Market and Demographics

39. The Auditor General has asserted that the housing solutions offered by HOPE were not supported by research to ensure that programs were set up in such a manner to benefit the target group.
40. That may well be true as the New Leadership was unable to find in the few files left by the previous Chairman and see any such information beyond the fact that the very purpose of HOPE (which was clearly outlined in File no. 90/2-7 Volume 1 opened on the 21 September 2020 and which was provided to the Auditor General) was as a result of the need to provide housing solutions for lower and lower middle-income applicants. There were at least 4000

applicants to NHC for housing, the vast majority of whom have mortgage certificates.

41. Further, as stated at paragraph 24 above, the new Board and Management has created a research department whose work has provided invaluable market research.
42. The scope of work of these individuals provides valuable information such as preferred parishes and preferred house type, which allows for informed development planning.

Land Availability

43. The original amount of houses contemplated to be constructed by HOPE from its inception in 2020 was 798 in various spots over the island, in particular:
 - 43.1. Lancaster, St. James (est. 150 houses);
 - 43.2. Colleton St. Lucy (est. 74),
 - 43.3. Pool St. John (est. 174 houses);
 - 43.4. Todds, St. John (est. 200 houses);
 - 43.5. Bright Hall, St. Lucy (est.200 houses).

This information has been provided on 19th day of March 2025 [...].

44. The increase in the number of houses to the sum of 2000 houses contemplated a mixed delivery via HOPE, NHC and joint venture private sector projects.
45. While initially it was contemplated that the joint venture with the private sector would be with the National Housing Corporation, with the effluxion of time and the acquiring of a better sense of what is needed to make that project of 2000 houses a year a reality, the Government is undergoing a review that seeks to arrive at a tripartite arrangement, with the NHC retaining land ownership and facilitating the planning and design for the developments and the conveyancing

45. of lots to the end purchaser with HOPE providing the development oversight and the private sector party delivering the houses and the infrastructure through their own financing mechanism.
46. While there is no denying that at the outset there was slowness on the part of the Ministry of Housing Lands & Maintenance (MHLM) to ensure that sufficient lands were identified for the availability for both housing by HOPE and joint ventures by HOPE, there is now a comprehensive list of at least 5,478 lots. Further a decision has been made by the Current Management and Board along with Government to explore using at least a quarter of these lots for denser housing the construction of duplexes, quads and sextuplex. Thereby exponentially increase the number of housing units. Of note the process of identifying lands is an ongoing process.
47. The lands come from Government's own lands, lands received by Government through planning gains, and where necessary lands acquired by Government. Accepting that there are issues with the turnaround time in getting planning permission, the Planning Department is currently undergoing change management, and a working group has been set up to address this issue in the short term relative to HOPE and HOPE Joint Ventures.
48. With regard to the comments pertaining to Pool, (being part of the Clico Lands), while at the time the actual conveyance may not have been in place the reality remains that at the time of Government was in fact the beneficial owner of the land in that: -
 - 48.1. On the day of the Government of Barbados asked the Eastern Caribbean people to relinquish any claim of the Clico lands in exchange for Government Bonds.
 - 48.2. After much negotiation the Eastern Caribbean Governments accept these terms on the day of .
 - 48.3. As a result of the absence of the title deed to the Clico Lands, the Judicial Manager did by High Court Application number of 20 applied to Courts for a Registrar's title.



- 48.4 Lamentably the Court took an inordinate amount of time to render its decision, which was finally obtained on the day of
- 48.5. As at the time of responding to this Report the agreement for sale has been finalized between Reslife and Hope and the parties are in the process of completing the sale.
49. EIA for Lower Burney was approved in late 2024 according to NHC who managed that process and who are responsible for construction of the primary infrastructure.

PV Panels

50. It is clear that there is a lack of appreciation that the policy of the Government was to facilitate the leasing of the roofs to HOPE to further compensate for the purchase of the property. As stated before, the true purchase price of the house was a combination of the cash component paid by the purchaser and the value of the earnings from the rooftop for 20 years which was being leased to HOPE for them to install PV panels for the sale of renewable energy to Barbados Light and Power Ltd (BL&P).
51. It should be recalled that HOPE stands for Home Ownership Providing Energy Inc.
52. The Auditor General's Report neglects to fully appreciate the extent to which the provision of energy remains central to the financial viability of HOPE in spite of the delays experienced. These delays have been primarily as a result of the BL&P experiencing grid instability. Solar energy provides intermittent energy and batteries are therefore needed to store the energy so that it may be used when it is required. The necessary procurement of the batteries has been complex and has not yet been completed even though it is expected to be within the next nine (9) to twelve (12) months. Similarly, HOPE could have sought to buy batteries on their own, but there is no clarity on the feed-in tariff which could be used with respect to the sale of solar energy with batteries.

53. It should be remembered that the underlying philosophy of the government in this project was to cap every aspect of the place structure as stated before, while creating opportunities for the earning of income from the rooftops through the income derived from the energy generated by the PV panels. Rather than leaving the risk of installation and earnings to the individual homeowner, HOPE decided to take the benefit of the leases so that it may monetize them and have an income stream from the BL&P over the 20 year period. In addition, HOPE will be able to assess and put before the carbon markets any opportunities that they may have for earnings, given the intention to build climate resilient homes with as many carbon neutral materials as possible.
54. In addition to the items identified above, the very structure of the sale of these houses allows persons who otherwise could never be eligible for the purchase of a house to become a homeowner. It is for this reason the structure of the sale was such that the purchaser would at the outset be responsible for the cost of the construction of the house through their respective mortgages while leasing the rooftop to HOPE for 20 years to cover the payment for the land , the infrastructure associated therewith and the actual cost of the PV panels and their installation. It is therefore misleading for the Auditor General to suggest that there will be losses incurred financially by HOPE for houses at Vespera Gardens and indeed at the other sites. It is clear that in spite of the delays experienced, there are income streams now to be unlocked with respect to each completed house. This does not even include any revenue from carbon credits to be secured in the future. In addition, the subsidies provided by Government as will be seen with respect to [...] houses for low income persons will ensure that HOPE does not carry any of these losses.
55. While it is true that there have been challenges with regard to the purchase and installation of the photovoltaic panels, and as such the collection of revenue from same, the Auditor General's Report wrongfully suggests that the use of photovoltaic panels has been abandoned as opposed to being delayed.

56. With regard to the rooftop system as evidenced, HOPE 2 the projected annual revenue on a two-bedroom one-bathroom house was projected to be \$7,340.00 per house with a projected annual maintenance/service cost of \$876.00, netting an annual profit of \$6,464.00 per house. Without tariff increases, which are surely likely to occur over the 20 years, the revenue per two-bedroom house is just on or about \$129,280. The projected annual revenue on a three-bedroom two-bathroom house being \$9,961.00 with a projected annual maintenance/service cost of \$1,188.00, netting an annual profit of \$8,773.00 per house. Without tariff increases, which are surely likely to occur over the 20 years, the revenue per two-bedroom house is just on or about \$175,460.00.
57. The Auditor General's Report neglects to mention that Housing Credit Fund (HCF) had \$133.2M at 28 February 2021. [...] A copy of the Balance Sheet of the Housing Credit Fund which was provided to HOPE on 20 March 2025 by the Governor of the Central Bank). This is significant while the Project may have contemplated that 80% of the cost of these photovoltaic panels would be financed by commercial bank loans. Cabinet at its meeting on 26 November 2020 agreed inter alia to make funds of \$40M from HCF available to HOPE to be utilized for the financing of this Project including the photovoltaic system, infrastructure works and administrative costs, recognizing that at the very latest HOPE would be in a position to repay the portion of funds use for photovoltaic systems by the revenue received from the same by year 16 of the lease.
58. In pursuing the PV installations, HOPE by application applied to BL&P for a quotation of the installation of electrical infrastructure necessary to facilitate the installation of PV panels at Vespera. The first quotation received by a letter dated 11 August 2022 [...], HOPE was advised that the cost of the electrical infrastructure to facilitate the PV panels was \$440,880.95 VAT inclusive. In December 2023, when HOPE had reached the stage for the implementation of the electrical infrastructure, a new quote was obtained indicating that the cost for the PV electrical infrastructure for all houses at Vespera was now \$471,616.25 VAT inclusive. Having queried the figure representing VAT, the total amount paid by HOPE for the electrical infrastructure was \$421,041.00.



Of note, this quotation did not include the double meter box which was acquired by HOPE at a total cost of \$1208.15 per house which represents an additional \$178,806.00 for all 148 houses at Vespera, being the type of box required to facilitate the use of PV panels.

59. Regrettably notwithstanding the foregoing and having been advised by its then Board Chairman that there had been a purported carve out for HOPE with respect to space on BL&P this was not the case.
60. The Management of HOPE has since been advised through the Ministry of Housing Lands & Maintenance that the Government through the Ministry of Energy and Business is in the process of facilitating battery storage which will allow for small scale storage projects to provide an opportunity for HOPE to access battery storage if it desires. It is to be remembered that the underlying philosophy of the Government in this project is to cap every aspect of the cost structure before, while creating opportunities for earning income from the rooftops through the income derived from the energy generated by the PV Panels. Rather than leaving the risk to the individual home owner, Hope decided to take responsibility for the leases so that it may monetize them and have an income stream from BL&P over a 20 year period. This income stream shifts the risk from the home owner and lowers the overall cost of the home to buyers. Instead of homeowners having to pay either a deposit for the property or for the cost of the land as would ordinarily be the case with home ownership, this model removes that obligation by creating a revenue stream that covers those costs. This make housing affordable for Barbadian.
61. As soon as Barbados, through the utility or Government facilitated procurement installs batter storage, the HOPE Financial Model will be fully operational.
62. In addition, Hope will be able to assess and put before the carbon markets any opportunities that they may have for earnings, given the intention to build climate resilient homes with as many carbon neutral materials as possible. This model which has emerged in other jurisdictions over and above



the direct revenue from roof top solar panels which the Government is developing.

Financing & The Housing Credit Fund

63. The working capital to finance infrastructural works and housing construction comes from the Housing Credit Fund (HCF), a fund specifically created in 1982 for the purpose of providing homes and addressing the urgent need for housing. As of February 28, 2021, the balance sheet had total assets of \$ 133,199,812.60

64. HOPE borrowed the following sums from the HCF on the following conditions: -

\$40M Loan (To assist in financing the development of lower- income housing solutions)

- i. Interest Rate 1.15% per annum on the outstanding balance at the end of each quarter.
- ii. Moratorium on principal and interest from 1 March 2022 to 29 February 2024
- iii. Repayment in 20 equal quarterly installments of \$2M commencing 31 March 2024.
- iv. Maturity Date 31 March 2029

HOPE has drawn down \$40M from this loan and repaid \$4M of which \$3,574,500.00 is principal repayment and \$425,500.00 in interest paid. A further \$1M principal plus interest in \$139,631.00 approximately is due as at 31 March 2025.

65. On 20 March 2025, revised terms were received from the Central Bank as follows:

65.1 Interest rate of 1.15% per annum on the outstanding balance at the end of each quarter

65.2 No moratorium on principal or interest



66. Repayment will be \$4M due on 31 January 2025 and thereafter 36 equal quarterly instalments of \$1M plus interest commencing 31 March 2025
67. Maturity Date 31 December 2033
68. \$27,275,510.00 Loan (To assist in the provision of pre-fabricated hardwood houses from [...] (Guyana) Inc. and the procurement of infrastructural services)
- i. Interest Rate 1.15% per annum on the outstanding balance at the end of each quarter.
 - ii. Moratorium on interest from 31 March 2024 to 31 March 2027
 - iii. Repayment in 28 equal quarterly installments of \$974,125.35 commencing 30 April 2026.
 - iv. Maturity Date 30 April 2031.

HOPE has drawn down \$21,046,880.00 as at 24 March 2025. Leaving an amount available for drawdown of \$6,228,630.00. As per the stated terms and conditions above, neither interest nor principal repayments are due as yet.

69. The below represents how these sums were used from HOPE's inception in November 2020 to 24 March 2025 i.e. approximately 4 1/2 years: -

Item	Loan Proceeds Balance	Outflow	Inflows	Bank Account	Unallocated
Admin Overhead		8,303,696			
Chancery Lane		39,855			
Clifden		2,948,717	(1,595,000)		
Colleton		2,076,344			
Concordia		15,792			
Duravilla House Kits		1,950,145	(1,086,578)		
Ginger Works		63,261			
HCF Duravilla Loan	(21,046,880)				
HCF Loan	(36,424,500)				
Pool		6,196,448			
River Crescent		3,307,388	(2,991,000)		
Searles		5,295			
Todds		7,508			
Bank Account				9,378,374	
Unallocated					274,183
Vespera		48,080,699	(19,503,744)		
Grand Total	(57,471,380)	72,995,145	(25,176,323)	9,378,374	274,183



The above Table shows as at 24 March 2025 the loans proceeds balances; the outflows represent how monies were spent; the inflows represent monies received from sale revenues; the bank account represents HOPE's bank balance; and unallocated represents the netting of unallocated items in particular receivables and payables.

The below chart shows the overheads broken down by year.

	2021	2022	2023	2024	2025	Grand Total
Overheads	191,782	1,398,087	1,752,753	2,453,113	2,507,961	8,303,696

70. The audited accounts are available for the financial years November 2020 to 31 March 2022 and 1 April 2022 to 31 March 2023 and for the financial year 1 April to 31 March 2024, the audit is complete save and except for receipt of a signed letter from the Shareholder with regard to the recoverable amounts shown on HOPE's Balance Sheet.
71. Accordingly, HOPE is currently servicing the said loans and is not in breach of any of its obligations to HCF.
72. The New Leadership fully appreciate that the model with respect to Stage Payments from Purchasers (which will offset the amount of working capital that must be borrowed) is a model that must be complied with strictly by HOPE.

Housing Solutions - Pre Cast Units

73. Given the shortage of skilled artisans and the difficulties experienced with the small contractors, HOPE recognized there would be challenges once it moved to fulfill its mandate of house construction at scale. A decision was therefore made by the previous Chairman and CEO to utilize pre-cast concrete structures for the walls of some of the houses to be built at Pool and other new

projects in the pipeline to address the manpower challenges and the need for speed.

74. The then Board authorized an agreement with Preconco Ltd for the supply and erection of 54 units for Pool. Shortly thereafter, the then Chairman sought to vary the contract with HOPE and [...]. for [...] the supply 1,000 units within a 15-month period. The then Chairman indicated that he was seeking to achieve a reduction of the unit price for each pre-cast concrete structure by significantly increasing the numbers. This increase was not initially approved by the then Board, at the time of the signing of the contract with [,] by the Chairman. After receiving the explanation by the then Chairman, the then Board ratified the decision that he had taken. [...]
75. Of the 54 precast units that were ordered, 17 have been erected and 37 remain to be delivered. No additional pre-cast units have been ordered due to severe cash flow challenges arising from operating multiple sites without any cash inflows from the Stage Payments due to the lengthy ongoing court process to ultimate convey the land to HOPE through ResLife.
76. The total cost of the 54 [...] Units is \$3.8M, which equates to approximately \$70,000.00 per unit based on a total of 54 units.
77. The decision not to order more precast units until all the outstanding issues pertaining to land planning and stage payments could be resolved has meant that effectively the Current Board and management are seeking to novate the contract with [the Company]. This was further reinforced when the current management analyzed the cost of continuing in this arrangement for the remaining 946 units from the original 1,000 units and it was realized that this would result in an additional \$37M more compared to construction

of the remaining 946 houses through traditional forms of construction.

78. Given that HOPE has been looking at alternative prefabricated structures at a lower cost, albeit for different demographics, the need to novate the existing contract was reinforced. The parties are now in negotiations to see how best a mutually beneficial agreement may be reached.

Housing Solutions - Timber Houses

79. The Government of Barbados recognizing that there are no entities that provide for prefabricate hardwood houses and having entered into the St. Barnabas Accord with Guyana who did have the expertise in prefab hardwood houses. Entered into an agreement with [a Company] to purchase such houses. While there is no denying that under the previous Board and CEO there existed teething challenges. The Government and the New Leadership have been able to confirm that as at April 2024 the Guyanese company has been bought over by new equity partners that have initiate a comprehensive review of factory operations, including the bringing in of specialist to optimize efficiency as phase one of their takeover and restructuring. They have also made major investment in automation to increase productivity. With regard to logistics, they have implemented a full end-to-end supply chain by partnering a dedicated logistics company to service both Guyana and Barbados, which includes inter alia, direct procurement of non-wooden components from manufacturers enabling streamlined materials such as tiles, cabinets, and plumbing fixtures directly to Barbados. Moreover, they have optimized container loads from Guyana to Barbados for all wooden components allow for the shipping of a minimum of 60 houses per month to Barbados.
80. So while the below evidences and speaks to what would have transpired under the previous chairman and CEO, both the New Leadership and the New [...], expect great things going forward in fulfilment of what as contemplated in the St. Barnabas Accord.



81. For full transparency we summaries below Clifden Project as well as its selling price and subsidy – not loss. The following is to be noted

82. Purchase price of [...] kit; cost of earthworks; cost of foundation; cost of electrical and plumbing work; cost of the finishes; cost of security, professional fees, and other common overheads. Note also the government’s commitment to provide subsidies, given the fact that these houses were being built for low-income persons who invariably needed some level of subsidy in order to qualify for the purchase of houses. A decision was taken not to pass on the full cost to those low-income persons given their inability to carry such cost.

Clifden Costs for 11 [REDACTED] Houses BDS \$		
House Cost	Total Costs	Cost Per House
Earthworks/Foundation	756,137.31	68,739.76
House Kit Cost	650,547.37	59,140.67
House Kit Landing Cost	53,366.83	4,851.53
Demurrage	84,180.82	7,652.80
Installation Costs	495,000.00	45,000.00
Plumbing Costs	126,500.00	11,500.00
Electrical Costs	66,000.00	6,000.00
Finishes	231,393.69	21,035.79
House Cost Subtotal	2,463,126.02	223,920.55
Incidentals	Total Costs	Cost Per House
Professional Fees	143,815.00	13,074.09
Utilities	11,827.00	1,075.18
Freight and delivery	179,706.00	16,336.91
Security	100,328.00	9,120.73
Rentals	26,185.00	2,380.45
Indirect labour	16,945.00	1,540.45
Other	6,610.00	600.91
Incidentals Subtotal	485,416.00	44,128.73
Grand Total	2,948,542.02	268,049.27

Selling price to NHC @ \$145,000 per house		
Total Sales Proceeds	1,595,000	
Loss Incurred	(1,353,542)	

83. This was the first time HOPE had assembled the [...] housing kits and it was done without the then Board and Chairman securing the necessary training that was to be provided [...]. Going forward this will no longer be the case as it is a full turnkey operation that [...] is providing.



Further, the arrangement that existed at that time was that NHC would build the foundations for Clifden, but HOPE built the foundations, which is included in the materials and labour line items and posed some challenges to HOPE. Compounding the foregoing is the fact that the kits delivered to HOPE at that time were missing critical components which caused additional delays and, in some instances, HOPE had to replace pieces which were not to its standards (incorrect lengths, warped pieces).

- 84. Additionally, HOPE was challenged with offloading and storing the containers of kits within the timeframe required by the shipper and therefore demurrage charges were incurred despite best efforts to acquire a suitable size warehouse storage space.
- 85. From the knowledge gained in the new River Crescent, St. Philip Project where HOPE is constructing 27 units the true cost of a [...] unit is approximately \$185,000.00 (materials, labour, freight inclusive of foundation).

Typical Cost of Three - Bed [...] Unit	
House -Kit Purchase	\$59,000
Landing Cost	\$5,000
Demurrage	\$3,500
Foundations	\$37,000
House Erection Cost (Labour)	\$41,500
Plumbing & Drainage	\$11,500
Electrical Installation	\$6,000
Finishes	\$21,500
Total	\$185,000

- 86. HOPE Advance target market is \$1,500 to \$2,800 per month net of NIS and PAYE and therefore the selling price to NHC was set at \$145,000.00 hence resulting in the loss of \$1.3M which loss would be covered by Government.



87. The mortgage repayment of \$145,000 over 30 years at 4% is about \$692. It is therefore clear to see that it would be challenging for persons earning under \$1700 PER MONTH. When these figures are understood, it becomes clearer the justification for why the MHL&M and the NHC offered a subsidy for persons at the very bottom of the income ladder person whose income is difficult to prove given the itinerary nature of their earnings.
88. As of 21 March 2025 ten houses have been completed at River Crescent with a further eighteen houses to be completed over the next month. The River Crescent project involves the construction of 27 lots and not the 24 as stated in the Auditor General's Report.

Conclusion

89. It is regrettable that the results of the report indicate certain and clear shortcomings in the initial operations of HOPE particularly regarding the ability to build houses in a cost effective, efficient and timely manner. However, with the New Leadership along with the implementation of strategic changes within HOPE, the public can be assured that HOPE is actively addressing these concerns. While the model for subsidizing housing through renewable energy revenue has not as yet been implemented, HOPE, Hope PV and the Government are committed to revising our approach to ensure its effectiveness moving forward. This added to HOPE's commitment to revising its approach to ensure effectiveness moving forward, and the importance of developing a comprehensive plan that encompasses land availability financing and contractor management as essential components for HOPE shall all work to ensure HOPE's future success.
90. Our leadership team is fully dedicated to fostering collaboration among stakeholders to achieve the ambitious housing targets set by the Government. The steps we are taking will help us to effectively address the areas of concern highlighted in the audit and improve project management outcomes.

Auditor General's Comments on HOPE Inc's Response to the Special Report

The response to the Draft Report on the Special Audit of Activities of Home Ownership Providing Energy (HOPE Inc) by the Barbados Audit Office was received on 27th March, 2025 after a number of requests for extensions on the scheduled response date. It should be noted that the original deadline for the response was 28th February 2025. This response was generally supportive of the findings in the Special Audit. The response also included a number of strategies and objectives which HOPE Inc intended to implement to achieve its objectives in the future. These include the following: -

- Extending the Statutory Framework for Mortgage Indemnity Insurance to all banks and credit unions to further deliver mortgages to low income applicants.
- Government's ongoing strategy to ensure that HOPE Inc is positioned to go public in the medium term.
- Introduction of a process that sees each project being subjected to its own developmental appraisal which highlights the objectives, risks and risks mitigation with each appraisal subject to the approval of the Board.
- Identification of five thousand, four hundred and seventy-eight (5,478) lots for the availability of housing.
- Utilization of lots for denser construction, that is, duplexes, quadruplexes and sextuplex.
- Establishment of a Working Group in the Planning Department to deal with HOPE Inc and HOPE Joint Ventures.
- The Ministry of Energy and Business Development is in the process of facilitating battery storage which will allow small scale storage projects,

which would provide an opportunity for HOPE Inc to access battery storage if it desires.

- Expected procurement of batteries to store energy in the next nine (9) to twelve (12) months.
- Approval of an Environmental Impact Assessment for Lower Burney.
- The commitment of Government to provide subsidies for low income houses.
- Assembly of prefabricated houses for \$185,000, down from \$268,049.
- The proposal by Government to construct two thousand (2,000) houses contemplated a mix delivery via HOPE Inc, National Housing Corporation (NHC) and Joint Venture Private Sector Projects.
- HOPE Inc is to provide development oversight for construction of houses by private sector on lands owned by NHC.
- Shipping of a minimum sixty (60) prefabricated houses per month to Barbados from Guyana.
- Mortgage payment of \$692 per month for prefabricated houses for thirty (30) years.
- Earnings to be gained from the carbon markets given the intention to build climate resilient homes with carbon neutral materials.

2. Some of the activities mentioned above were subsequent to the completion of the special audit and others are related to future operations. The implications and possible benefits from these initiatives will not be known for some time. This information is new and was not subjected to any review by the Audit Office.