



Legislature of the Virgin Islands

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POST AUDIT DIVISION

May 28, 2026

MEMORANDUM

TO: Honorable Novelle E. Francis, Jr.
Chairman, Committee on Budget, Appropriations and Finance
36th Legislature of the Virgin Islands

FROM: Post Audit Division

SUBJECT: Bill No. 36-0274 – An act requiring the Virgin Islands Housing Finance Authority to pay compensation to the homeowners within the LBJ Gardens community who have been required to vacate their homes as a result of the actions related to the demolition of properties owned by the Virgin Islands Housing Finance Authority and associated with the operations of the Virgin Islands Water and Power Authority and the Virgin Islands Waste Management Authority.

BACKGROUND

Lyndon B. Johnson (LBJ) Gardens

LBJ Gardens is a residential community on St. Croix developed as part of the broader mid-20th century housing initiatives aimed at expanding affordable housing in the U.S. Virgin Islands. Like many developments of that era, it combined public housing with privately owned homes, rather than functioning as an exclusively public housing project.

Over time, portions of LBJ Gardens, particularly the publicly controlled multi-unit buildings fell into disrepair. Due to ongoing environmental concerns and hazardous conditions, the Virgin Islands Housing Finance Authority (VIHFA) condemned these structures in 2012 and relocated residents, deeming that portion of the community as uninhabitable.

Approximately 24 privately owned residential plots remained. Of those, the Virgin Islands Water and Power Authority acquired two, leaving 22 homeowners in an area that had been officially uninhabitable.

Key historical aspects of LBJ Gardens include:

- **Development:** Established in the mid-1960s, as part of a wave of high-density housing projects on St. Croix, including the John F. Kennedy (JFK) Housing Community located near Christiansted and the original Louis E. Brown community, built in the wake of the 1965 federal HUD legislation.

- **Infrastructure Struggles:** Throughout the 2000s, residents reported significant structural failures in units following Hurricanes Hugo (1989) and Marilyn (1995), along with consistent sewage leaks and electrical failures.
- **Decline and Deterioration:** By the 2000s-2010s, some structures were vacant and uninhabitable, while others remained occupied by private homeowners.
- **Contamination & Hazards:** The community was known for frequent failures of the sewage force main pipe near the entrance, leading to raw sewage leaks and health advisories in 2007, 2008, and beyond.
- **2020-2025 Demolition & Buyouts:** The area became a focus for redevelopment in the early 2020s. By 2025, the Virgin Islands Housing Finance Authority began demolishing sections of the community. In early 2025, the Authority also initiated negotiations to buy out remaining homeowners in the 15A and 15B Penitentiary Land area (LBJ Gardens), citing the deteriorated condition of the surrounding infrastructure.

Virgin Islands Housing Finance Authority

The Virgin Islands Housing Finance Authority was created to expand access to housing and administer federally supported housing programs throughout the territory. Created to address the ongoing shortage of low-and moderate-income housing, its mission is to ensure that all Virgin Islanders have the opportunity to obtain safe, sanitary and affordable housing.

Overtime, the Authority has expanded its role beyond administering federal housing funds and programs to include the redevelopment of distressed properties, oversight of aging housing stock, and the implementation of large-scale, federally funded rebuilding initiatives. These efforts are supported through a combination of financial means, including tax credits, grants, and revenues from the real estate transfer tax.

ANALYSIS

Bill No. 36-0274 mandates that VIHFA compensate displaced homeowners from the LBJ Gardens Community due to demolition activities linked to infrastructure operations involving the Virgin Islands Water and Power Authority (WAPA) and the Virgin Islands Waste Management Authority (VIWMA).

The Bill establishes:

- Fixed replacement value caps:
 - 2-bedroom: \$250,000
 - 3-bedroom: \$300,000
 - 4-bedroom: \$350,000
 - Vacant land: \$50,000

Compensation options:

- Direct payment
- Government-funded purchase
- Government-funded rehabilitation/construction

Additional reimbursements for:

- Closing costs
- Relocation expenses (capped at \$5,000)
- Temporary housing (capped at \$25,000)
- Incidental expenses (capped at \$2,500)

Funding source: *\$7 million appropriation from stamp tax revenues* owed to VIHFA.

Of the twenty-two plots affected,

- 15 homeowners x 3 bedroom cap of \$300,000 = \$4,500,000
- 4 homeowners x 2 bedroom cap of \$250,000 = \$1,000,000
- 1 homeowner x 4-bedroom cap of \$350,000 + \$350,000
- 2 vacant lots x \$50,000 = \$100,000

Total base compensation of ***\$5,950,000***

Based on the unit distributions provided, the estimated minimum based cost of compensating 22 displaced homeowners is \$5.95 million. This would leave approximately \$1.05 million from the proposed appropriation of \$7 million available for:

- Closing costs
- Relocation expenses
- Temporary housing
- Earnest money deposits
- Incidental expenses

SUMMARY

Bill No. 36-0274 establishes a structured framework to compensate displaced homeowners within the LBJ Gardens Community, including defined replacement value caps and multiple pathways for recovery following displacement. Based on the projected base compensation cost of \$5.95 million, the proposed \$7 million appropriation appears sufficient, however, the imposed time limitation remains a concern.

The Virgin Islands Housing Finance Authority is owed years of unremitted stamp tax revenues that were statutorily designated for the Authority but retained by the central government to support General Fund obligations. In testimony before the Legislature, the Authority indicated that in Fiscal year 2022 they received approximately \$5 million from the Government of the Virgin Islands while being owed roughly \$20 million in stamp tax revenues. This raises concerns about the feasibility of meeting the bill's proposed deadline of September 30, 2026, given existing funding gaps and competing fiscal pressures.



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