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Plaskett Calls for VIHFA to Lose Control of Recovery Program, Says HUD Warnings Went Unheeded

Plaskett says HUD's action freezes rather than withdraws federal funds, but warns that repeated management failures require a turnaround plan, outside technical support and a new body with stronger controls to oversee the territory's recovery program.

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Delegate to Congress Stacey Plaskett is calling for the territory's federal recovery program to be removed from the V.I. Housing Finance Authority and placed under a body with stronger controls and oversight, saying HUD's suspension followed repeated warnings over weak financial safeguards, high administrative spending and insufficient progress on projects.

In a statement issued July 20, Ms. Plaskett said the U.S. Department of Housing and Urban Development's action freezes the use of federal funding by VIHFA but does not withdraw the money from the Virgin Islands.

She said the territory now has 30 days to appeal and will need more than a legal response. According to Ms. Plaskett, the government must produce a credible restructuring plan capable of restoring federal confidence and correcting long-standing problems with financial controls, procurement, payments and project delivery.

Plaskett Says Funding Is Frozen, Not Withdrawn

Ms. Plaskett, who is also running for governor, said she had received a copy of HUD's notice suspending VIHFA from future participation in federal procurement and nonprocurement transactions while an investigation proceeds.

"I am in receipt of a copy of the notice to the Virgin Islands Housing Finance Authority (VIHFA) from the U.S. Department of Housing and Urban Development (HUD) regarding the suspension of future participation in procurement and non-procurement transactions pending an investigation. This represents the freezing (not withdrawal) of federal funding. This is a de facto "debarment" restriction of one agency's, VIHFA, ability to use the funds."

Following receipt of the notice, Ms. Plaskett said her office contacted officials with the House Committee on Financial Services, the White House, HUD and other parties in Washington.

"Upon receipt of the notice, my office and I immediately contacted the leadership of the committee of jurisdiction – the House Committee on Financial Services, our White House Liaison, the HUD leadership team and others in Washington, D.C. We learned that HUD leadership repeatedly warned the local government about their management of HUD funding and the lack of controls, specifically a high percentage of funds used for administrative costs and insufficient spending on projects."

Ms. Plaskett said the concerns cited by HUD did not appear to be new and placed responsibility on the Bryan-Roach administration for failing to resolve them effectively.

"It would appear that this is not a new issue but one that the Bryan Roach Administration has not given sufficient effort to effectively resolve. The notice from HUD makes strong allegations that VIHFA not only violated its obligation to distribute and manage taxpayer funds but also, 'made false statements regarding its financial management controls and safeguards against conflict of interest.' The notice clearly states that the money is not being taken away but that VIHFA is being suspended from making use of the resources. The money is not being spent."

Funding Supports More Than Housing

Ms. Plaskett said the Community Development Block Grant Disaster Recovery and mitigation programs are complex, but the Government of the Virgin Islands has been unable to use the available resources efficiently.

She said HUD's position is that financial controls have been inadequate, procurement was not properly conducted and payments were not made on time.

The consequences extend beyond housing, she said, because the funding supports much of the local match required for rebuilding projects involving the V.I. Water and Power Authority, schools, hospitals and other areas.

“Community Development Block Grant (CDBG) HUD funding, both Disaster Relief (CDBG-DR) and Mitigation (CDBG-MIT) represents a complicated program under which the Government of the Virgin Islands has been unable to use the resources. The position of HUD is that there have not been enough financial controls, procurement has not been done properly, and payments have not been made timely. The funding in this program affects not just housing but ultimately much of the local match needed for many rebuilding projects, including the Virgin Islands Water and Power Authority, schools, hospitals, etc.”

Housing Data Shows Low Completion Rates

Ms. Plaskett included tables from HUD’s notice to illustrate the pace of disaster-recovery and mitigation work.

For single-family rental rehabilitation, two of 95 projected units had been completed, representing 2 percent.

Seventy-two of 440 projected single-family homeowner rehabilitation units had been completed, or 16 percent. Multifamily rental rehabilitation and new construction had produced 319 of 1,643 projected units, representing 19 percent.

Public facilities showed the highest completion rate, with 477 of 572 projects finished, or 83 percent. However, Ms. Plaskett said those were smaller projects accounting for less than 20 percent of the total funding.

No properties had been assisted under an economic-development program that projected work involving 18 properties.

“The table below is not a full representation of the delay but gives a snapshot For example, in the first table seen below, which discusses Program Areas and lists Public Facilities, 477 of 572 have been completed. Those, however, represent small projects which only account for less than 20% of all funding amounts. We have not spent our funding quickly or efficiently and the local government is being called to task.”

No Housing Mitigation Units Completed

The mitigation data showed no completed single-family or multifamily housing units among 329 projected units and facilities.

One of two planned public-facility projects had been completed, representing 50 percent.

No work had been completed under an economic-revitalization program involving 18 projected projects.

Two Percent of Grid-Recovery Budget Expended

The electrical-grid recovery figures showed that $1,125,860.19 had been expended from a total budget of $67,653,000, representing 2 percent.

The administration category had spent $626,941.10 from a $3,382,650 budget, or 19 percent.

Grid resiliency had expended $177,975.68 from a $35,788,437 budget, representing less than 1 percent.

The Community Innovative program had spent $320,943.41 from a $19,010,493 allocation, or 2 percent.

Nothing had been expended from the $2,706,120 budget for Solarized Hubs.

Planning expenditures totaled $177,975.68 from a budget of $6,765,300, representing 3 percent.

Plaskett Calls For Restructured Turnaround Plan

Ms. Plaskett said HUD’s notice begins a 30-day appeal process that will require the Government of the Virgin Islands to identify factual disputes warranting a hearing.

“This notice begins a 30-day appeal process which will require a hearing for the Government of the Virgin Islands to present a “dispute of material facts.””

She said discussions with federal partners, agencies and congressional staff made clear that the territory needs a restructured turnaround plan capable of satisfying the federal government.

Ms. Plaskett recommended that Jacobs, Ernst and Young, and Witt O’Brien’s be asked to provide pro bono assistance in developing the plan.

She also called for the territory’s major recovery contractors to be included in the process. According to Ms. Plaskett, many of those firms have independent relationships with the Trump administration, have encountered similar issues and have worked in other jurisdictions.

Her proposal would remove authority from VIHFA and transfer the entire recovery program to another body with stronger financial controls and oversight.

“As a plan is developed which removes authority from VIHFA and puts the entire program in a body which has more controls and oversight, the Governor should engage with and receive support from the Legislature of the Virgin Islands by bringing them along with our major contractors into the discussion, many of whom have worked on this in other jurisdictions.”

Ms. Plaskett said Gov. Albert Bryan Jr. should involve the Legislature and the territory’s contractors in developing the new structure and responding to the federal government’s concerns.

“My office will continue to be available to support and leverage our relationships in Washington, D.C. to ensure that we come to a resolution that advances the people of the Virgin Islands.”