

ANNUAL COMMUNITY ASSESSMENT REPORT

Commonwealth of Northern Mariana Islands
Program Year: October 1, 2013 to September 30, 2014

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Introduction

The Housing and Community Development Act of 1974, as amended, and the National Affordable Housing Act of 1990, require federal grant recipients receiving federal assistance under the Acts to submit an annual performance report disclosing the status of grant activities. The U.S. Department of Housing and Urban Development (HUD) is required by 24 CFR 91.525 to determine whether the grant recipient is in compliance with the statutes and has the continuing capacity to implement and administer the programs for which assistance is received. In accordance with 24 CFR 91.525, this report incorporates the Department's assessment of the Commonwealth of Northern Mariana Islands' (CNMI) Program Year (PY) 2013 performance.

In assessing the CNMI's performance, HUD relied primarily upon the CNMI's Program Year 2013 Consolidated Annual Performance and Evaluation Report (CAPER), technical assistance, on-site and remote monitoring, and communications with the Northern Marianas Housing Corporation (NMHC) staff. During this period, the CNMI generally met the intent of the Community Planning and Development (CPD) programs, which include, but are not limited to, the Community Development Block Grant (CDBG), HOME Investment Partnerships Program (HOME), and Emergency Solutions Grants (ESG) Program.

Significant Performance Conclusions

In general, the CNMI adequately administers the CPD grant programs.

In accordance with the CDBG regulations at 24 CFR 570.902(c)(1), the timeliness ratio benchmark should be 2.0 sixty days prior to the end of the CNMI's program year. The CDBG timeliness deadline was on August 2, 2014 and the CNMI's CDBG timeliness ratio was 1.57. HUD appreciates the efforts of the Northern Marianas Housing Corporation for their hard work in achieving the timeliness standard.

CPD Programs

CDBG

The CNMI used CDBG funds to address community development needs during Program Year 2013. The CNMI's management of its CDBG program has ensured that low- and moderate-income persons will primarily benefit and receive program assistance. During the Program Year, 100 percent of CDBG funds (excluding funds expended for administration and planning) were spent on activities that benefited low- and moderate-income persons.

The CNMI completed the following CDBG activities during Program Year 2013, according to the 2013 PR03 CDBG Activity Summary Report:

- PY 2010 – Activity Number 470, Planning and Administrative Costs
- PY 2013 – Activity Number 576, Rehabilitation of Fire Stations on Saipan

The PR03 report showed additional activities that expended its entire allocation of funds; however, the activities were not completed in HUD's Integrated Disbursement & Information System (IDIS) during the program year so they are considered completed in PY 2014.

During the program year, the CNMI achieved one (1) of five (5) Community Development Goals set forth in its Consolidated Plan:

- Funded two (2) projects that will improve the delivery of services to the general public.

Since the CNMI allocated its entire PY 2011 and PY 2012 CDBG awards, excluding funds allotted for planning and administrative costs, to the Design and Construction of the Koblerville Junior High School, it is critical for the CNMI to ensure the completion of the school's gymnasium, as well as the project meeting a national objective by coming into operation and becoming available for students' and public use. The remaining land acquired with PY 2008 CDBG funds to construct a school must also be completed and meet a national objective.

In addition, the CNMI must ensure that projects that received prior years' CDBG funds for architectural and engineering costs either achieve a national objective or return funds to the program (e.g. PY 2009, A&E Design Services for Saipan Southern High Swim for Life Instructional Pool; and PY 2009, A&E Design for the GTC Library Expansion). The CNMI must also ensure that all completed projects meet a national objective and are put into community use (e.g. PY 1999, Conversion of Tinian Youth Center's Swimming Pool to a Tennis Court; PY 2006, NMI Japan Cultural Center Food Court; and PY 2009, Demolition of an Existing Tank and Design/Acquisition of a 500,000 Gallon API Bulk Storage Tank).

The PR59 CDBG Activities at Risk Dashboard flagged PY 2013 Planning and Administrative Costs as being an open activity with no draws for 12 months or more. The CNMI must therefore implement a Remediation Plan in the Integrated Disbursement and Information

System (IDIS) for this activity.

CNMI's FY 2013 PR26 CDBG Financial Summary Report did not include amounts for the following line items:

- Line 1: Unexpended CDBG Funds at End of Previous Program Year
- Line 28: PS Unliquidated Obligations at End of Current Program Year
- Line 29: PS Unliquidated Obligations at End of Previous Program Year
- Line 38: PA Unliquidated Obligations at End of Current Program Year
- Line 39: PS Unliquidated Obligations at End of Previous Program Year

Updated Instructions for Completing the CDBG Financial Summary Report (PR26) is available at <https://www.hudexchange.info/resource/2652/updated-instructions-completing-cdbg-financial-summary-report-pr26/>. HUD conducted a manual analysis to determine the amounts that were missing in this program year's PR26 report; however, it is expected that CNMI will provide all required data for subsequent years' reports.

It is highly recommended that grantees expend FY 2014 and earlier CDBG grants as soon as possible since "first in, first out" accounting in IDIS will be eliminated beginning in FY 2015. Expending and closing grants from earlier grant years will assist in the streamlined tracking and administration of funds. Further guidance is expected soon on the new accounting methods and the impact they will have on local program design and operations going forward. *CPD Memo: System and Regulatory Changes to Eliminate First-In-First-Out Accounting in IDIS* is available at <https://www.hudexchange.info/resource/3838/cpd-memo-changes-to-first-in-first-out-accounting-in-idis/>.

HOME

The CNMI received \$326,684.00 in HOME funds and allocated these funds for homebuyer loans and homeowner construction/rehabilitation loans to low-income households. Per the regulations, HOME funds are required to be committed within 24 months and expended within 60 months of the grant award. Failure to commit and expend funds within the required time period will result in the deobligation of the funds. During this period, the CNMI met the commitment and expenditure requirements within the required time periods.

According to the CAPER, in program year 2013, three (3) homes were rehabilitated and eight (8) homes were built or acquired. Eleven (11) loan applications closed comprising of two (2) completed home-assisted units; six (6) ongoing projects and two (2) projects converted to Neighborhood Stabilization Program (NSP) purchases. The number of approved loans during the program year was not provided in the CAPER to compare with the number of loans that were closed during the reporting period.

During the program year, the CNMI achieved four (4) of nine (9) Housing and Special Needs Housing Goals set forth in its Consolidated Plan:

- Increased homeownership opportunities for five (5) households.

- Improved housing standards by rehabilitating three (3) homes.
- Improved the quality of life for persons with disabilities by making two (2) homes reasonably accommodating for the elderly or disabled.
- Decreased dependency on non-renewable energy sources and reduced the cost of homeownership by providing loans to rehabilitate or construct eight (8) homes that included energy efficient features.

During PY 2012, HUD recommended that the CNMI assess the processes and timeframe it takes from loan approval to loan closing, to determine whether steps can be taken to increase the number of loan closings during the program period, to assist additional households move into or improve their homes during the year. HUD recommends that the CNMI continue to develop strategies to commit HOME funds and close activities at a faster rate.

The following HOME open activity has a zero (0) balance and should therefore be completed in IDIS: *(HUD advised the CNMI of this open activity in the PY 2012 ACA Report):*

- PY 2008, Activity 535 – 08M Homeowner Admin Fees

While the PR02 List of Activities By Program Year and Project Report showed a number of completed HOME activities, it also revealed a significant number of HOME activities that were cancelled. This leads to an analysis of whether or not the CNMI is conducting adequate assessments of households' eligibility and ability to meet HOME loan requirements prior to committing funds to these activities. The CNMI must demonstrate its due diligence in ensuring that commitment of funds are being made to legitimate activities that can be executed and completed on a timely basis.

As a reminder, the CNMI must report HOME activity performance measurement objective, and outcome data and completion and beneficiary data for initial occupants by entering the information into IDIS on a timely basis. The affordability periods for HOME activities do not begin until activity completion data is properly entered into IDIS.

The next review for 2013 commitments is scheduled for September 30, 2015. According to the latest PR 49 HOME Deadline Compliance Status Report (as of 2/12/15), the CNMI needs to commit \$337,052 to achieve the HOME Program commitment requirement. The next review for 2010 disbursements is on October 31, 2015 and CNMI has a shortfall of \$121,945. *Please note that the commitment amount provided does not include allocations from FY 2015 and beyond. Starting with the FY 2015 HOME grant award, the 24-month commitment deadline will be applied separately to each annual HOME allocation.*

As with the CDBG Program, it is highly recommended that grantees expend FY 2014 and earlier grants as soon as possible since "first in, first out" accounting in IDIS will be eliminated beginning in FY 2015. *This change is especially critical for the HOME Program because beginning with the FY 2015 HOME grants, compliance with the HOME 24-month commitment*

deadline will be determined by examining only those commitments made from the HOME allocation subject to the deadline.

Expending and closing grants from earlier grant years will assist in the streamlined tracking and administration of funds. Further guidance is expected soon on the new accounting methods and the impact they will have on local program design and operations going forward. *CPD Memo: System and Regulatory Changes to Eliminate First-In-First-Out Accounting in IDIS* is available at <https://www.hudexchange.info/resource/3838/cpd-memo-changes-to-first-in-first-out-accounting-in-idis/>.

Based on CNMI's historical rate of commitments and expenditures, HUD highly advises CNMI to expand its HOME Program beyond its current loan programs in order to expend its growing grant balances and to reduce the risk of returning unexpended funds to HUD. We are available to discuss CNMI's proposed expanded use of its HOME funds in order to meet timely commitments and expenditures.

HUD published a Final Rule in the Federal Register (Changes Only) on July 24, 2013 to amend the HOME Program regulations. The 2013 HOME Final Rule, 24 CFR Part 92, Program deadlines, and resources are available on the HUD Exchange website at <https://www.hudexchange.info/home>.

ESG

During the program year, the CNMI allocated its entire PY 2013 Emergency Solutions Grant (ESG) award, with the exception of administration and planning costs, to Karidat Social Services to provide financial assistance to households that are literally homeless (rapid re-housing). Financial assistance for up to ten (10) months was provided to four (4) households, consisting of 24 persons, for rental assistance, utility deposit, and/or utility payments.

The CNMI reported that the case management provided to households, concurrently with financial assistance, increased households' success in sustaining their housing status and/or obtaining employment during the assistance period. The CNMI is encouraged to continue these efforts to ensure that households remained housed and are self-sufficient after ESG assistance is completed.

The following ESG open activity has a zero (0) balance and should therefore be completed in IDIS:

- PY 2010, Activity 501 – ESG, Division of Youth Services, Operational Costs

HUD's regulations require grantees to expend ESG funds within 24 months of award. HUD notes that the CNMI has made significant progress to expend the ESG funds on a timely basis.

As part of the ESG certifications, jurisdictions are to establish and implement, to the maximum extent practicable and where appropriate, policies and protocols for the discharge of

persons from publicly funded institutions or systems of care (such as health-care facilities, mental health facilities, foster care or other youth facilities, or correction programs and institutions) in order to prevent this discharge from immediately resulting in homelessness for these persons. The CNMI reported that it currently does not have a homeless discharge coordination policy.

While understanding the challenges of limited staff and funding, the CNMI is encouraged to continue its coordination efforts with government agencies, service providers, and community organizations to develop a discharge coordination policy, work towards achieving the Homeless Goals set forth in the Consolidated Plan, and increasing participation in the Homeless Management Information System (HMIS) beyond ESG-funded agencies.

Continuum of Care

As of Program Year 2013, the Interagency for Homelessness Council in the CNMI has not been able to continue its regular meetings and formally establish a Council through an Executive Order because of the resignation of the lead entity and the dissolution of the agencies involved. Therefore, the CNMI has not been able to gather sufficient data with regards to the homeless population in order to submit a Continuum of Care grant application. Similarly, because of the lack of sufficient data, the CNMI was unable to complete and submit a grant application for the HOPWA program.

As stated above, along with the CNMI's ongoing efforts to strengthen its network of government and non-profit providers, it should consider connecting with publicly funded institutions, such as health care facilities, foster care or other youth facilities, or correction institutions or programs. These partnerships could assist the CNMI in developing and implementing a homeless discharge coordination policy to help prevent persons being released from these institutions from becoming homeless. Homeless discharge coordination is an important component, if the CNMI considers forming a Continuum of Care in the future.

Technical assistance from a HUD consultant was provided during Program Year 2014 to assist the CNMI in assessing its existing Homeless Management Information System and the composition of its service provider network. The goal is to strengthen the CNMI's data collection and coordination of services, which could also assist the CNMI in creating a Continuum of Care in the future.

Community Empowerment

As part of its Consolidated Plan, the CNMI developed a Citizen Participation Plan. The Plan is intended to develop ways to involve the public in the development of the Consolidated Plan/Action Plan. Opportunities were provided for citizen participation in the development of the Plan and performance report through public hearings and public notices. The CNMI reported that no oral or written comments were received on the CAPER. HUD encourages the CNMI to continue its efforts to foster public participation and encourage the CNMI to explore additional opportunities to involve the public in its planning process, especially during the planning for the next Consolidated Plan.

Management of Funds

In accordance with the CDBG regulations, the timeliness ratio benchmark should be 2.0 or below 60 days prior to the end of the CNMI's program year. On the test date of August 2, 2014, the CNMI's timeliness ratio was 1.57. HUD is pleased that the CNMI achieved the timeliness standard.

To reiterate, since the CNMI allocated its entire PY 2011 and PY 2012 CDBG awards, excluding funds allotted for planning and administrative costs, to the Design and Construction of the Koblerville Junior High School, it is critical for the CNMI to ensure the completion of the school's gymnasium, as well as the project meeting a national objective by coming into operation and becoming available for students' and public use. The remaining land acquired with PY 2008 CDBG funds to construct a school must also be completed and meet a national objective.

In addition, the CNMI must ensure that projects that received prior year's CDBG funds for architectural and engineering costs either achieve a national objective or return funds to the program (e.g. PY 2009, A&E Design Services for Saipan Southern High Swim for Life Instructional Pool; and PY 2009, A&E Design for the GTC Library Expansion). The CNMI must also ensure that all completed projects meet a national objective and are put into community use (e.g. PY 1999, Conversion of Tinian Youth Center's Swimming Pool to a Tennis Court; PY 2006, NMI Japan Cultural Center Food Court; and PY 2009, Demolition of an Existing Tank and Design/Acquisition of a 500,000 Gallon API Bulk Storage Tank).

For the HOME Program, HUD recommends that the CNMI assess the processes and timeframe it takes from loan approval to loan closing, to determine whether steps can be taken to increase the number of loan closings during the program period, to assist additional households move into or improve their homes during the year. The CNMI should continue to develop strategies to commit HOME funds and close activities at a faster rate. The CNMI should also assess its HOME activity cancellation and loan default rates as it relates to commitments and expenditures.

Based on CNMI's historical rate of HOME commitments and expenditures, HUD highly advises CNMI to expand its HOME Program beyond its current loan programs in order to expend its growing grant balances and to reduce the risk of returning unexpended funds to HUD. We are available to discuss CNMI's proposed expanded use of its HOME funds in order to meet timely commitments and expenditures.

Fair Housing & Equal Opportunity

The CAPER was made available to Mr. Jelani Madaraka, Lead Equal Opportunity Specialist, HUD Honolulu Field Office, for review to ensure compliance with the Department's Fair Housing and Equal Opportunity requirements. CNMI is reminded that as a requirement for receiving HUD funds, it has certified that it will take affirmative steps to further fair housing by taking actions to overcome any impediment identified in its Analysis of Impediments (AI). A review of CNMI's PY 2013 CAPER revealed that the CNMI needs to increase its efforts to

affirmatively further fair housing per the actions set forth in its AI. While understanding the limitations resulting from Commonwealth Constitution, Article XII: Restrictions of Alienation of Land, the CNMI should review its current AI to determine if actions are needed to address housing issues related to race, color, religion, sex, disability, familial status, or national origin. Additional actions are expected in the PY 2014 and subsequent program years. HUD's Office of Community Planning and Development and Office of Fair Housing and Equal Opportunity are available should the CNMI need guidance or recommendations on this matter.

The CNMI stated that it is in the process of updating its AI. As a reminder, the updated AI should be submitted to HUD's Office of Fair Housing and Equal Opportunity. Please feel free to address any questions or comments regarding this matter to Mr. Madaraka directly at 808-547-4677.

Areas for Improvement and Recommendations

Areas for improvement and recommendations are included in the respective program sections above. The CNMI should review the ACA, as well as the reports available in IDIS and the HUD Exchange website, <https://www.hudexchange.info/>, for guidance on effectively managing its programs.

As reminded in the PY 2012 CAPER, the CNMI should include the following IDIS Reports in its next CAPER submission to HUD. These documents should be available for the public's review upon request:

- PR03 – Activity Summary for Grantees
- PR06 – Summary of ConPlan Projects for Report Year
- PR10 – CDBG Housing Activities
- PR19 – ESG Program Grantee Statistics for Program Year
- PR20 – ESG Grantee Activity Summary
- PR22 – Status of HOME Activities
- PR23 – Summary of Accomplishments
- PR26 – CDBG Financial Summary (Form 4949.3)
- PR27 – Status of HOME Grants

Conclusion

HUD has determined that the CNMI is generally meeting the intent of the CPD programs. While HUD finds the CNMI's implementation of its CDBG, HOME, and ESG programs acceptable, HUD remains concerned about the CNMI's overall progress in managing CPD funds.

Overall, the CNMI is meeting its community needs by planning and executing a Consolidated Plan with a vision for the future and by implementing this Plan through its Annual Action Plan. As a result, the CNMI has assisted the entire community, especially low- to moderate-income individuals. HUD encourages the CNMI to continue its support of various housing and community development programs and wants to recognize the NMHC staff for their

dedication to the CPD programs. HUD will continue to work with the CNMI to ensure the efficient and effective administration of CPD programs.

As the CNMI enters the final year of its 2010 – 2015 Consolidated Plan, HUD encourages the CNMI to evaluate the actual goal outputs that it has accomplished, as well as goals that will not be fully achieved, in planning the priorities for its next Consolidated Plan 5-year cycle.