

NORTHERN MARIANAS HOUSING CORPORATION



CITIZEN CENTRIC REPORT FISCAL YEAR 2022

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GOVERNANCE

NMHC MANAGEMENT

Jesse S. Palacios,
Corporate Director

Zenie (Jeannie) P. Mafnas,
Deputy Corporate Director

Jeffrey Q. Deleon Guerrero,
Chief Financial Officer

Board of Directors

Marcie M. Tomokane,
Chairwoman (Saipan)

Eric J. Reyes,
Vice Chairman (Tinian)

Vinney Atalig-Hocog,
Treasurer (Rota)

Oscar M. Babauta,
Secretary (Saipan)

Melvin O. Faisao,
Director (Saipan)

Mission Statement

NMHC is committed to providing efficient and responsive delivery of housing, mortgage and community development programs to the people of the Commonwealth; affording fair and equal opportunity to housing programs and services for all, with special emphasis to very-low, low and moderate income individuals, elderly and persons with disabilities; increasing and implementing home ownership programs with houses that are safe, decent, sanitary and affordable; encouraging and promoting economic independence, self-sufficiency and upward mobility for families; and implementing programs to address the growing and future needs and economic viability of the communities in the Commonwealth.

Overview

Pursuant to the Governor's Executive Order 2020-21, the NMHC is no longer a subsidiary corporation of CDA effective September 24, 2021. Since the separation of CDA, a new set of Board of Directors was established. NMHC was established to develop and administer residential housing for very low, low, and medium income households in the CNMI, and provide subsidized low-interest loans for construction and rehabilitation of such housing. The primary purpose and functions of NMHC are to administer direct loans to qualified individuals for housing construction; participate as guarantor or trustee in housing loan programs; develop and manage rental housing; construct and/or administer other Federal and local residential and housing projects; and participate in programs subsidized by HUD. NMHC serves the low and moderate-income population on Saipan, Tinian, and Rota, by providing safe, decent, sanitary, affordable housing; and, community facilities through its housing and community development programs.

Goals

Expand the supply and improve quality of assisted housing; ensure equal opportunity and improve fair housing; improve family self-sufficiency; expand community development and home ownership opportunities.

Selected Demographics

Low Income Housing Tax Credits: IRS annual tax credits of \$2,975,000 (CY 2022), \$3,245,625 (CY 2021), \$3,217,500 (CY 2020) and \$3,166,875 (CY 2019) were made available to developers of affordable housing projects in the CNMI.

NMHC provides loans for low cost housing from both federal and local funding sources. Outstanding loans for all programs totaled \$8,260,380 for FY 2022.

In FY 2022, NMHC provided HUD housing rental assistance totaling \$5,611,664 including \$1,481,524 for 114 project-based housing rental units for very low income housing to administer the rental programs; \$3,854,725 divided into monthly rental supplements for approximately 355 families through the Housing Choice Voucher Program; \$271,664 for 30 families under the Emergency Housing Voucher Program; and \$3,751 revenues from tenants.

Lastly, NMHC administers Community Development Block Grants used in improving public facilities. NMHC distributed payments for the related construction projects and other expenses totaling \$980,125 (FY2022), \$893,875 (FY2021), \$1,374,290 (FY 2020) and \$971,886 (FY 2019).



P.O. Box 500514, Saipan, MP 96950
(670) 234-6866/9447 www.nmhcgov.net



PERFORMANCE

Community Development Block Grant - Disaster Recovery (CDBG-DR)

The Department of Housing and Urban Development (HUD) allocated \$254,324,000 in CDBG-DR funds to the Commonwealth of the Northern Mariana Islands (CNMI). HUD had approved the CNMI's CDBG-DR Action Plan on October 14, 2020 and has executed the Grant Agreements on November 24, 2020 starting the six year clock.

The NMHC kicked off the CDBG-DR Homebuyer/New Construction and Rehabilitation/Reconstruction Programs on January 4, 2021 receiving total of 728 loan application packets with 459 approvals, 258 denials, and 11 inactive applications between Saipan, Tinian, and Rota. In November 2021, NMHC suspended accepting pre-qualification applications for the Homebuyer/New Construction programs. There are currently 20 housing construction projects ongoing - 15 under the Homebuyer/New Construction Program and 5 under the Rehabilitation/Reconstruction Program.

Under the Affordable Rental Housing Development - New Construction program, there have been 15 loan application packets submitted with 10 approvals and 5 denials.

During FY2022, NMHC CDBG-DR Projects Division received 5 Authorization to Use Grant Funds (AUGF) for active infrastructure projects. To date, a total of 21 Infrastructure projects are currently active and are in various stages of the process including application review, environmental review, procurement process, notice to proceed, and construction. CDBG-DR Projects Division currently monitors fifteen (15) active and on-going New Home Construction and two (2) Rehabilitation Home repairs projects.

In September 2021, NMHC and the Northern Marianas Trades Institute (NMTI) kick-started the Workforce Development Training Scholarship (WDTSP) Program for Construction Courses. Courses commenced in May 2022 and should conclude in December 2022. To date, the program had a total of 42 scholarship recipients receiving a total of \$113,678.66 in scholarships. WDTSP applications are now being accepted for the next cycle. NMTI hopes to see more interested and eligible participants enroll before the next cycle begins.

There are currently 38 personnel hired to administer the CDBG-DR Program. NMHC has expended \$7,079,881.22 for the disaster recovery program.

Community Development Block Grant - Mitigation (CDBG-MIT)

In August 2019, HUD allocated \$16,225,000 in Mitigation funds to the CNMI. Funds will be utilized for mitigation activities that will increase resilience to disasters and reduce or eliminate the long-term risk of loss of life, injury, damage to and loss of property, and suffering and hardship, by lessening the impact of future disasters. On June 4, 2022, HUD formally notified the CNMI that it approved the CDBG-MIT Action Plan, and subsequently executed a grant agreement with the CNMI on June 15, 2022 thereby allocating the sum \$16,225,000 to the CNMI. NMHC is now gearing up to launch the program.

Cares Act Funding

The CNMI, through the CARES Act, was granted CDBG-COVID and ESG-COVID funding. NMHC, the State Designee, was allocated three separate allocations of Community Development Block Grant (CDBG)-COVID funding and two separate allocations of Emergency Solutions Grant (ESG)-COVID. Total allocation are as follows: CDBG-COVID (first allocation) : \$549,270; ESG-COVID (first allocation): \$275,414; CDBG-COVID (second allocation): \$274,635; ESG-COVID (second allocation): \$815,225; CDBG-COVID (third allocation): \$545,858. These funds will assist qualified households who were impacted by the Coronavirus Pandemic.

As of date, NMHC has completed the purchase of a mobile clinic for the Commonwealth Healthcare Corporation using CDBG-CV 1st allocation funds. The project's completion date was June 2022. NMHC is administering the ESG-COVID program (first and second allocations) by providing qualified households with financial assistance (rental and/or utility arrears up to 6 months and rental and utility payments up to 12 months). Completion date for the ESG-CV allocation was February 2022. On October 1, 2020, NMHC and the US Department of Housing and Urban Development (HUD) executed grant agreements for the CDBG-COVID and ESG-COVID allocations.

The third allocation was received by NMHC on March 15, 2021. The allocation of \$545,858 is being administered by the NMHC as a Food Pantry program to supplement and expand ongoing efforts to procure food and infection control supplies to prepare, prevent and respond to the Coronavirus Pandemic. NMHC has sub-granted the Food Pantry Program to two non-profit organizations. Karidat Social Services (to assist the entire CNMI, considered Low-Mod Area) in the amount of \$405,268.50 and The Center for Living Independently in the CNMI (to assist their Low-Mod Clientele) in the amount of \$135,089.50.

Family Self Sufficiency

Guidance, education, training, document preparation, and various assistance given to 27 active participants. 12 participants were provided employment search assistance with 15 participants gaining employment in 2022. Two (2) participants successfully graduated from the FSS Program receiving the Escrow payment. The total Escrow paid out was \$19,941. The balance in Escrow as of 09/30/2022 is \$178,145.

| HOUSING | SAIPAN | TINIAN | ROTA | TRANSFER TO USA | TOTAL |
|----------------|--------|--------|------|-----------------|-------|
| VOUCHERS | 329 | 6 | 13 | 3 | 351 |
| LANDLORDS | 119 | 5 | 11 | 3 | 138 |
| WAIT LIST | 441 | 7 | 6 | 0 | 454 |
| NEW ADMISSIONS | 27 | 2 | 2 | 0 | 31 |

Emergency Housing Voucher (EHV)

| PERFORMANCE PARAMETERS | SAIPAN | TINIAN | ROTA | PORT-OUT | TOTAL | VOUCHER AVAILABILITY | |
|--|--------------------------------------|--------|------|----------|-------|-------------------------|-----|
| EHV TOTAL ISSUED (AS OF 09.2022) | 50 | 1 | 1 | 0 | 52 | ISSUED | 52 |
| EHV TOTAL UNIT SEARCHING (AS OF 08.2022) | 20 | 1 | 0 | 0 | 21 | TO BE ISSUED (OCT 2022) | 21 |
| EHV TOTAL HOUSED | 29 | 1 | 0 | 0 | 30 | AVAILABLE | 59 |
| COMMENTS | 52 Vouchers issued—1 Voucher expired | | | | | TOTAL | 132 |

| RENTAL ASSISTANCE | SAIPAN | TINIAN | ROTA | TOTAL |
|-------------------|--------|--------|------|-------|
| OCCUPIED | 82 | 19 | 15 | 116 |
| OCCUPANCY | 100% | 95% | 94% | 96% |
| WAIT LIST | 373 | 9 | 1 | 383 |
| NEW ADMISSIONS | 7 | 4 | 3 | 15 |

Development Grants

In 2019, HUD awarded NMHC funds totaling \$1,470,871 composed of Development Grants - \$963,951; HOME Program - \$429,574; and Emergency Solutions Grants - \$77,346. Development Grants awarded to grantees in FY 2019 included rehabilitation for both Tinian's Gymnasium and Youth Center Basketball Court, and both Rota's Youth Center and Sinapalo Children's Park roofing. Projects ongoing from previous years include Saipan's San Vicente Central Park, Koblerville Youth Center Expansion, and Kagman Community Center. Additional CARES Act funding awarded PY 2020 for CDBG-CV Round 1 \$549,270 and Round 2 \$274,635 Total of \$823,905 & PY 2020 for ESG-CV Round 1 \$275,414 and Round 2 \$815,225 Total of \$1,090,639.

In FY 2021, HUD awarded NMHC funds totaling \$1,505,032 composed of Development Grants - \$961,222; HOME Program - \$463,940; and emergency shelters - \$79,870. Development Grants awarded to grantees in FY 2020 include (1) Office of the Mayor of Tinian and Aguiguan for the Tinian's Children's Park Improvement Project, (2) Department of Fire and Emergency Medical Services (DFEMS) for the Purchase of Two Wildland Fire Trucks for the CNMI, and (3) Department of Fire and Emergency Medical Services (DFEMS) for the Purchase of Personal Protective Equipment for the Department of Fire and Emergency Medical Services (DFEMS) CNMI.

Homeowner Assistance Funds (HAF)

NMHC received \$4 Million in Homeowner Assistance Funds (HAF) Program made possible through the US Department of Treasury. The program's purpose is to assist income eligible homeowners with mortgage delinquency payments, future mortgage payments, utilities and broadband arrears and future payments, and homeowner related insurance payments. The homeowner must also show proof of financial hardship as a direct result of the COVID 19 pandemic. The program provides residents of the CNMI with the opportunity to maintain homeownership and recover from the economic impact of the pandemic.

Housing Trust Fund (HTF)

NMHC received approximately \$400K in Housing Trust Fund (HTF) monies for PY 2021 and 2022. HTF funds will be used to rehabilitate approximately (2) NMHC foreclosed units on the island of Saipan to convert to rental housing for extremely low income households. The program fulfills one of NMHC's priority goals of sustaining the affordable housing stock in the CNMI.

Loan Commitments

Total HOME entitlement funds available for commitment as of the end of Fiscal Year 2022 was \$2,239,935. Total HOME program income funds available was \$184,840; for a grand total of \$2,424,775 in funds that were available for commitment.

Wait List - Loans

There are currently 35 loan applications being processed totaling over \$3 million in project funding.

| AGING REPORT | NO. OF LOANS | BALANCE |
|-------------------|--------------|-------------|
| ACTIVE LOANS | 238 | \$8,260,627 |
| PAST DUE 90 DAYS | \$2,230,446 | 27.00% |
| MORE THAN 30 DAYS | \$3,292,186 | 39.85% |

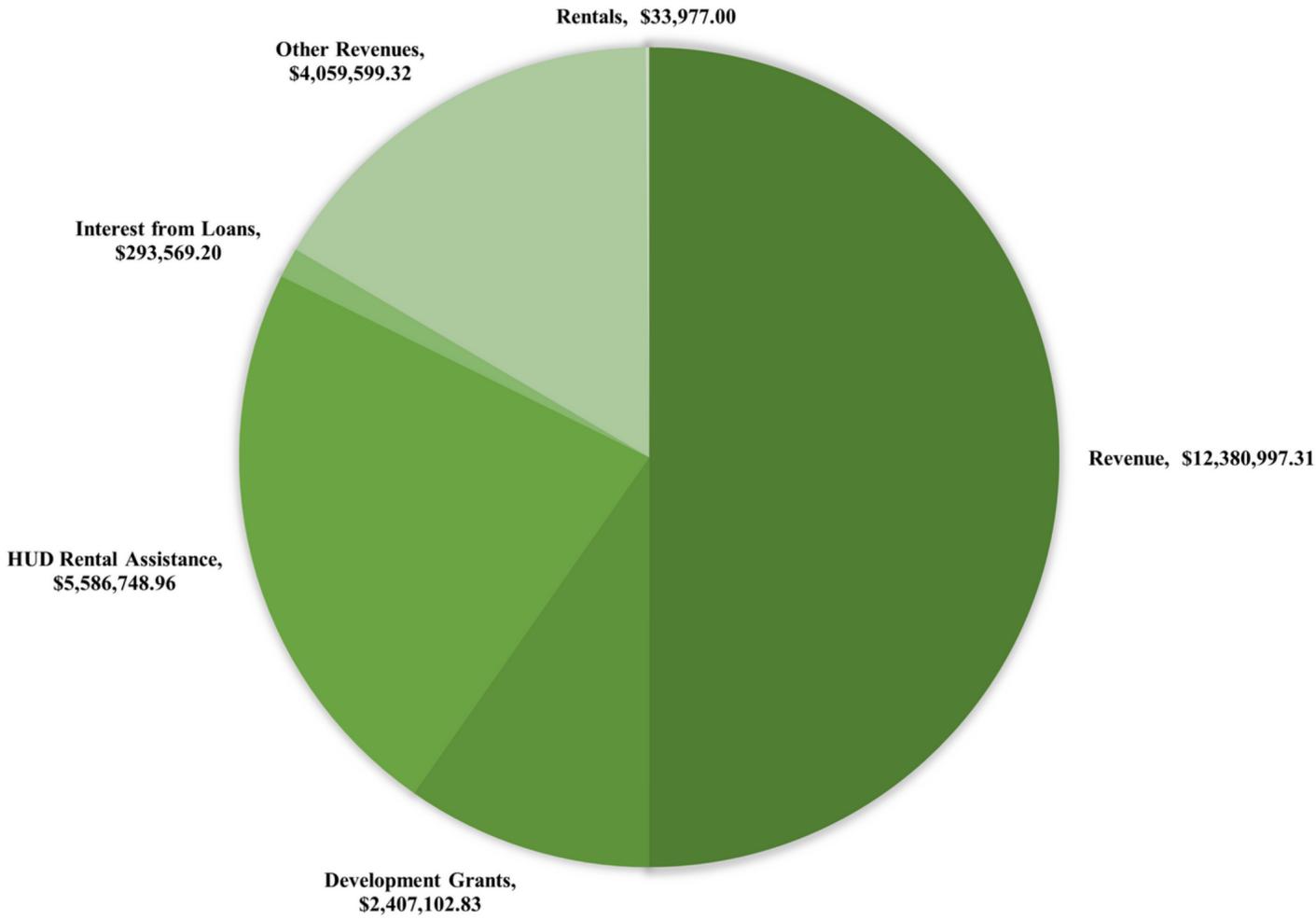
Emergency Solutions Grant

NMHC assisted seven (7) homeless households in FY2022. As of date, NMHC assisted a total of 21 homeless households locate temporary housing. From the shelter program's inception, NMHC has assisted 74 households with rentals and utility assistance for up to ten months allowable.

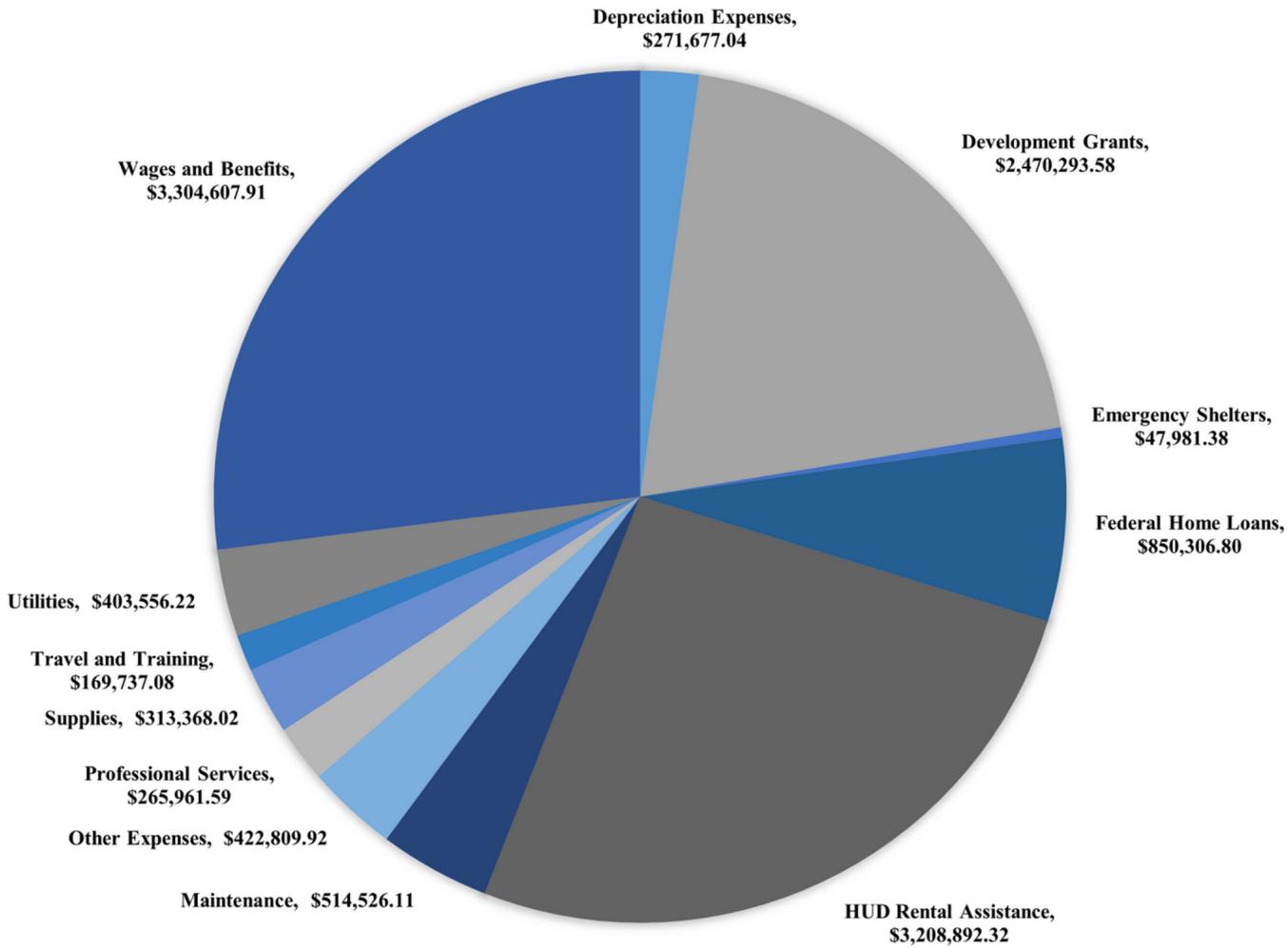
FINANCES

Your Taxpayers Dollars at Work

REVENUE



EXPENSES



| STAFFING SUMMARY | POSITIONS |
|---------------------------|-----------|
| EXECUTIVE | 3 |
| ADMINISTRATION | 5 |
| ASSET MANAGEMENT DIVISION | 6 |
| CDBG-DR | 38 |
| DEVELOPMENT GRANTS | 4 |
| FISCAL DIVISION | 6 |
| HOUSING DIVISION | 10 |
| MORTGAGE DIVISION | 4 |
| ROTA FIELD OFFICE | 2 |
| TINIAN FIELD OFFICE | 2 |
| TOTAL | 80 |

CHALLENGES AND OPPORTUNITIES

The Corporate Director's Desk

Hafa Adai and Tirow. Our Board of Directors, Management, and Staff are pleased to provide the community with an update on our various housing, infrastructure, and economic development programs that we administer on behalf of the CNMI.

To recap, the U.S. Department of Housing and Urban Development (HUD) has allocated a total of \$254,324,000 to the CNMI for Disaster Recovery to be expended over the course of six (6) years. The CNMI received approval of its CDBG-DR Action Plan (Action Plan) on October 14, 2020 and executed the grant agreements on November 24, 2020 starting the six-year clock. The Action Plan entails a comprehensive analysis of the recovery needs and long-term disaster recovery efforts for the CNMI. Proceeds of the funding will go toward housing, infrastructure, and economic revitalization. New construction and rehabilitation of fully-concrete housing have begun in various villages as well as for infrastructure projects and preliminary A&E work for water tanks, public facilities, sewerline, and roads. The Northern Marianas Technical Institute has launched its Workforce Development Training Scholarship Program as funded by disaster recovery money to provide training for eligible residents in the construction trades. The CNMI was also allocated \$16,225,000 in CDBG Mitigation (CDBG-MIT) funds that will be used towards infrastructure projects to free up funds for housing. The CDBG-MIT Action Plan was approved by HUD on June 4, 2022. In addition, the CDBG-MIT Policies and Procedures were published in the Commonwealth Register on September 28, 2022 in order to provide guidance to subrecipients regarding the general requirements for activities using CDBG-MIT funds to "increase resilience to disasters and reduce or eliminate the long-term risk of loss of life, injury, damage to or loss of property, and suffering and hardship, by lessening the impact of future disasters."

NMHC, on behalf of the CNMI, has submitted a Request for a Waiver on the Federal Register Notice concerning Build America, Buy America (BABA) as Applied to Recipients of HUD Federal Financial Assistance. Because of our location and by way of BABA, coupled with the unavailability of US-made products or lack of supplies, this will force the CNMI to procure and import these items directly from the U.S. mainland and the importation of these "Made in the USA" products will unquestionably drive-up costs exponentially and cause further delays on NMHC's time-sensitive and time-barred infrastructure projects.

The CNMI has so far been awarded funding through the CARES Act to prevent, prepare for, and respond to the coronavirus. HUD has allocated \$1,369,763 for CDBG-CV and \$1,090,639 for ESG-CV. A portion of the CDBG-CV funds was used to purchase a mobile clinic for CHCC to boost its community health outreach services. The rest of the CARES Act funding received were used to assist eligible applicants with their mortgage and rental payment needs.

ESG-CV \$1,090,639

HUD has allocated a total of \$1,090,639 ESG-CV funds for the CNMI. A total of 968 Pre-Applications were received from February 2020 through December 2020. Due to the limited funding, NMHC was only able to assist 111 applicants. The two components for the rental assistance are to prevent individuals and families from becoming homeless and to help those who are experiencing homelessness to be quickly re-house and stabilized. Program assistance includes Rental and/or utility assistance up to 12 months; Rental and/or utility arrears up to 6 months; Rental Security Deposit; and Utility Security Deposit. Rental payments are paid directly to the landlord and utility payments are paid directly to CUC. As of date, 98% of the funding has been expended.

Challenges

Reduced cash flow due to business interruptions for both government and the private sector from Super Typhoon Yutu, and the coronavirus pandemic. Changing regulatory rules are time constricted which may reduce program delivery and response times.

Increased CNMI obligations in recovery efforts for unreserved extraordinary expenditures, and vulnerability from future disasters including related economic impacts.

NMHC runs lean, and funding to manage disaster recovery is unbudgeted; therefore, must be secured from external resources to cover initial expenditures.

CNMI's remote location and limited resources. Prior to, and exponentially after the disaster, the CNMI as a whole, had critical shortages in construction services and labor.

Recovery agencies and other stakeholders in the mainland unfamiliarity with CNMI needs plus the magnitude of the destruction and limitations imposed by the disaster, potentially affecting grant delivery. NMHC management is working to educate mainland stakeholders and reduce potential delays.

Current estimates for rentals, new housing and reconstruction are significantly higher than allowed by US guidelines potentially impeding new loans, rentals and other programs.

Opportunities

NMHC was designated as the Program Administrator for CDBG-DR funds by the Office of the Governor. CDBG-DR grants for unmet housing needs, economic recovery, and infrastructure have been approved by US Congress.

CDBG-DR grants, when delivered and construction completed, will reduce the net effect of the next disaster.

NMHC is considered the subject matter expert by community leaders on related programs and ongoing coordination with other entities for related projects adds quality to existing programs.

New projects will have a significantly larger scope of work and higher funding threshold to provide needed services effectively and efficiently.

Strong relationships and ongoing support from US Government entities including HUD, FEMA, SBA, Office of the Governor and related CNMI agencies, non-profit organizations, and private sector.

Creation of new typhoon resistant homes will reduce future economic and safety impacts.

Contact us for more information! Call us at (670) 234-6866/9447 | www.nmhcgov.net