

ANNUAL COMMUNITY ASSESSMENT REPORT

Commonwealth of the Northern Mariana Islands Program Year 2021: October 1, 2021 to September 30, 2022

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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. Per 24 CFR 91.525, HUD's comments below and the cover letter above incorporate the Department's assessment of the Commonwealth of Northern Mariana Islands' (CNMI's) Program Year (PY) 2021 performance.

In assessing the CNMI's performance, HUD relied primarily upon the CNMI's PY 2021 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 its HUD Community Planning and Development (CPD) programs which consists of the Community Development Block Grant (CDBG), CDBG Cares Act funds (CDBG-CV), Home Investment Partnerships (HOME), Housing Trust Fund (HTF), Emergency Solutions Grant (ESG), and ESG Cares Act funds (ESG-CV) programs. However, HUD has concerns regarding the CNMI's implementation of its CPD programs.

Significant Performance Conclusions

Overall, the CNMI has had issues with its management of its CPD programs which consists of the CDBG, HOME, HTF, and ESG programs as follows:

- Although the CNMI passed the CDBG timeliness test on August 2, 2022 with a timeliness ratio of 1.90, the CNMI is in danger of missing its next official CDBG timeliness test that will take place on August 2, 2023. The CNMI's current CDBG timeliness ratio is 2.86. The CNMI's timeliness ratio includes \$2,798,036.78 line of credit balance and \$6,985.16 program income balance in Integrated Disbursement and Information System (IDIS). The CNMI's current 2.86 ratio does not take into account if the CNMI has any CDBG program income not receipted in IDIS. CDBG program income cash balances on hand will be calculated in the official timeliness test. The CNMI must spend a minimum of \$844,772 (not including unreceipted program income) in CDBG entitlement funds between now and August 2, 2023 to pass the CDBG timeliness test. The CNMI's current rate of CDBG expenditures combined with an increase in CDBG program income receipts may negatively impact the CNMI's ability to meet timeliness requirements. The CNMI should carefully review its anticipated CDBG program income and expenditures, monitor program income receipts and CDBG draws for the next few months and take any necessary steps to increase the CDBG drawdown in order to meet the timeliness standard.
- Any HOME funds appropriated in federal fiscal year 2015 will not be available for HOME Participating Jurisdictions (PJs) to expend after September 30, 2023. The CNMI is at risk of having its remaining \$190,154 PY 2015 HOME funds recaptured on this date by the United States Treasury, per the National Defense Authorization Act. To meet the HOME program expenditure requirement for PY 2015 HOME funds, the CNMI needs to spend and drawdown \$190,154 in PY 2015 HOME funds before September 21, 2023.
- The CNMI needs to commit its PY 2021 HTF funds by December 8, 2023. HUD will deobligate any PY 2021 HTF funds not committed by December 8, 2023, and any deobligated funds will no longer be available to the CNMI. To meet the HTF program commitment requirement, the CNMI needs to commit \$168,519 in PY 2021 HTF funds to a specific local project before December 8, 2023.
- The CNMI missed the October 23, 2021 deadline to spend its PY 2019 ESG funds with a \$11,622.31 shortfall. Although the deadline passed, HUD allowed the CNMI to expend its remaining PY 2019 ESG funds by September 30, 2022. The CNMI expended and drew down its remaining PY 2019 ESG funds by December 31, 2021 before the extended deadline.

To meet the next ESG expenditure deadlines, the CNMI needs to spend and drawdown \$11,977.91 in PY 2020 ESG funds before June 1, 2023 and \$68,824.17 in PY 2021 ESG funds before December 8, 2023.

CPD Programs

CDBG

The CNMI's Consolidated Plan describes the following high priority concerns that will be addressed through the CDBG program: public facilities and improvements, special needs and low-mod income housing, increase homeowner education and counseling, and sustain affordable housing stock. The CNMI received \$970,416 in PY 2021 CDBG funds to address community needs for public facilities during the reporting period.

During the reporting period, the CNMI expended \$881,011.51 in CDBG funds on seven (7) out of 11 projects active during the period. One hundred percent (100%) of CDBG funds were spent on activities that benefited low and moderate-income persons. The CNMI completed two (2) CDBG activities in PY 2021:

- Purchase of a Fire Pumper Truck for the Department of Fire and Emergency Management Services (funded in PY 2018).
- Purchase and Installation of Lighting Fixtures for Oleai Track and Field Facility (funded in PY 2018).

Additionally, the CNMI expended \$703,283.91 in CDBG-CV funds on seven (7) out of eight (8) projects active during the period. One hundred percent (100%) of CDBG-CV funds were spent on activities that benefited low- and moderate-income persons for public services and emergency housing assistance to prepare, prevent, and respond to COVID-19. The CNMI reported completed one (1) CDBG-CV activity in PY 2021: CDBG-CV Planning and Administrative Costs for the Emergency Housing Assistance (Mortgage Assistance) Program.

When HUD conducted the CDBG timeliness test on August 2, 2022, the CNMI had a \$1,840,955.20 balance in its line-of-credit and zero (\$0.00) balance in program income which was 1.90 times its annual grant for the CDBG timeliness test. Accordingly, the CNMI was in compliance with 2.00 CDBG timeliness standard for insular areas in accordance with 24 CFR 570.902.

The CNMI's next official CDBG timeliness test will take place on August 2, 2023. The CNMI's current CDBG timeliness ratio is 2.86. The CNMI's timeliness ratio includes \$2,798,036.78 line of credit balance and \$6,985.16 balance in program income. The CNMI's current 2.86 ratio does not take into account if the CNMI has any CDBG program income not received in IDIS. CDBG program income cash balances on hand will be calculated in the official timeliness test. The CNMI must spend a minimum of \$844,772 (not including unreceipted program income) in CDBG entitlement funds between now and August 2, 2023 to pass the CDBG timeliness test. A slowdown in CDBG expenditures combined with an increase in CDBG program income receipts may negatively impact the CNMI's ability to meet timeliness requirements. The CNMI should carefully review its anticipated CDBG program income and expenditures, monitor program income receipts and CDBG draws for the next few months and take any necessary steps to increase the CDBG drawdown to meet the timeliness standard.

Additionally, the CNMI has undisbursed CDBG funds at-risk of cancelation. Any CDBG funds appropriated in federal fiscal year 2016 will not be available for CDBG grantees to expend after September 30, 2023. CDBG funds remaining in the grantees PY 2016 grant on this date will be recaptured by the United States Treasury per the National Defense Authorization Act. To avoid recapture of funds, the CNMI needs to spend and drawdown \$14,524.60 in PY 2016 CDBG funds before September 21, 2023, at least seven full business days before September 30, 2023 of which \$1,308.15 is not committed to any CDBG activity.

HUD established progressive expenditure deadlines to ensure that CDBG-CV funds are spent quickly on eligible activities to address the public health and economic crisis caused by COVID-19. The CNMI must spend at least 80 percent of all CDBG-CV funds no later than the end of the third year of the period of performance established by the CDBG-CV grant agreement, which is June 24, 2023. The CNMI needs to spend and drawdown \$280,601.57 in CDBG-CV funds before June 24, 2023 to meet the 80 percent expenditure deadline.

The CNMI has CDBG formula funds from PY 2016 through PY 2021 totaling \$107,601.23 in the line of credit that are uncommitted. The CNMI should evaluate uncommitted funds to ensure that the community is assisted with available resources.

The CNMI needs to complete the following at-risk activity with no draws for over one (1) year and bring it into national objective compliance: Activity 718 CDBG-CV19 Planning and Administrative Costs for the Purchase of Mobile Clinic for Commonwealth Healthcare Corporation. The CNMI needs to complete the following at-risk activity with more than 80 percent of funds drawn and no accomplishments and bring it into national objective compliance: Activity 720 Acquisition of a Mobile Clinic for the Commonwealth Healthcare Corporation. The CNMI needs to complete the following pending at-risk activities with no draws for more than nine months and bring them into national objective compliance: Activity 694 Super Typhoon Yutu Debris Removal and Activity 702 PY CDBG 2019 Planning and Administrative Costs. The CNMI needs to complete the following pending at-risk activity with more than 66 percent of funds drawn and no accomplishments: Activity 727 CDBG-CV Food Pantry Program (Karidat Social Services).

In addition to the above identified pending at-risk activities, the CNMI has one (1) slow moving CDBG activity: Activity 737 PY 2020 CDBG Planning and administrative Costs. The CNMI also has two slow moving CDBG-CV activities: Activity 724 CDBG-CV Emergency Housing Assistance (Mortgage Assistance) and Activity 742 CDBG-CV Emergency Rental Payment Assistance.

The CNMI needs to closely monitor these at-risk, pending at risk, and slow-moving activities and ensure that they progress in a timelier manner. As a CDBG grantee, the CNMI is responsible for oversight of its CDBG activities and subrecipients, this includes monitoring activities and subrecipients for progress and for compliance with CDBG requirements while an activity is underway and after the activity is completed throughout the national objective period.

HOME

The CNMI received \$463,940 in PY 2021 HOME funds and allocated funds for the NMHC's Homeowner Rehabilitation Program. The CNMI also has remaining prior year HOME funds allocated for NMHC's Homebuyer Program and Homeowner Rehabilitation Program. During the program year, the CNMI expended \$1,054,307.91 HOME funds on six (6) homebuyer activities out of seven (7) homebuyer activities and two (2) homeowner rehabilitation activities active during the program year.

The CNMI committed HOME funds to provide homebuyer assistance to assist one (1) low-income homebuyers construct a new home and completed (5) homebuyer activities during the program year. The CNMI committed HOME funds to provide homeowner rehabilitation assistance to one (1) existing homeowner to bring their home up to housing code during the program year.

For PY 2015 and subsequent year HOME allocations, the HOME program regulations require a HOME PJ to expend all funds in the U.S. Treasury from the specific program year allocation at least seven full business days before the September 30th of the fifth year after the end of the period of availability of the program year allocation for obligation by HUD. Due to end-of-year financial system closeouts that begin before this date and prevent electronic access to the payment system, requests to draw down the funds must be made at least seven full business days before this date to ensure that the funds still can be drawn from the United States Treasury account through the computerized disbursement and information system.

To meet the next HOME program expenditure requirement for PY 2015 HOME funds which occurs on September 30, 2023, the CNMI needs to expend and drawdown \$190,154 in PY 2015 HOME funds before September 21, 2023. These funds, if not expended by the deadline, will be deobligated. Although the CNMI expended and drew down \$ 1,054,307.91 in HOME funds during the reporting period, none of those funds spent and drawn were PY 2015 HOME funds. Furthermore, the CNMI has not expended and drawn down its PY 2015 HOME funds since September 2019.

The CNMI has HOME funds from PY 2015 through PY 2021 totaling \$2,191,740.36 that are uncommitted. While the 24-month commitment deadline for HOME funds is currently suspended, HUD expects each PJ to monitor its commitment and expenditure rates to ensure the timely use of HOME program funds. The CNMI should monitor HUD announcements if HUD should decide not to extend its suspension of the 24-month commitment requirement set to expire on December 31, 2023. In addition, the CNMI should evaluate uncommitted funds to ensure that the community is assisted with available resources.

The CNMI has two HOME funded programs that are slow moving: Homebuyer Program and Homeowner Rehabilitation Program. This is the third consecutive ACA report in which HUD has noted that CNMI's HOME program is slow moving. While the CNMI's HOME program performance has improved slightly from the prior year, HUD remains concerned that CNMI has not taken the necessary steps to maximize its HOME funds and provide decent affordable housing to lower-income households. Almost five times CNMI's annual allocation of

HOME funds remain uncommitted when these HOME funds could be used to assist low-income households buy a home of their own and to assist low income homeowners bring their homes up to housing code. The CNMI needs to boost participation in its HOME Homebuyer and Homeowner Rehabilitation Programs and closely monitor projects to ensure that they progress in a timelier manner. Failure commit HOME funds to projects and to complete these projects in a timely manner may result in the recapture HOME funds from the CNMI and lost opportunities for decent affordable housing for the lower-income households in the CNMI.

In addition to regular HOME funds, HUD awarded the CNMI \$1,692,522 in HOME America Rescue Plan (HOME-ARP) program funds at the end of the program year. Upon execution of the grant agreement on September 20, 2021, the CNMI obtained access to five percent (\$84,626.10) of the total award for administrative and planning costs. Before HUD can make available to the CNMI the remaining HOME-ARP award of \$1,607,895.90, the CNMI needs to submit to HUD the CNMI's HOME-ARP Allocation Plan. HUD established March 31, 2023 as the deadline for PJs to submit their HOME-ARP allocation plan to HUD. The CNMI will forfeit its HOME-ARP allocation if the CNMI does not submit its HOME-ARP allocation plans by March 31, 2023.

HTF

The CNMI received \$187,243 in PY 2021 HTF funds and allocated funds for rental housing for extremely low-income individuals and families. The CNMI's HTF grant is slow-moving. The CNMI has not spent any HTF funds. The CNMI has committed only \$18,724 in HTF funds for administrative activities. The CNMI has not committed any HTF funds to a specific local project. HTF regulations require grantees to commit HTF funds within 24 months of after the date of HUD's execution of the HTF grant agreement. To meet the HTF commitment requirement for PY 2021 HTF funds which occurs on December 8, 2023, the CNMI needs to commit \$168,519 in PY 2021 HTF funds to a specific local project before December 8, 2023 and ensure that the CNMI's HTF program proceeds in a timelier manner. These funds, if not committed by the deadline, will be deobligated.

ESG

The CNMI received \$79,644 in ESG funds for PY 2021. During the reporting period, the CNMI expended \$45,241.63 in ESG funds and carried out three activities funding rapid rehousing, homeless prevention, Homeless Management Information System (HMIS), and administration. The CNMI reported that a total of 167 persons in 42 households received rapid rehousing assistance and a total of 250 persons in 64 households received homeless prevention assistance during the program year.

The CNMI allocated \$1,090,639 in ESG-CV funds for homeless assistance and homeless prevention activities to prepare, prevent, and respond to COVID-19 and mitigate the impacts of COVID-19 among individuals and families who are homeless. During the reporting period, the CNMI expended \$20,086.68 in ESG-CV funds and carried out three activities funding rapid

rehousing, homeless prevention, Homeless Management Information System (HMIS), and administration. The CNMI reported that a total of 162 persons in 42 households received rapid rehousing assistance and a total of 271 persons in 69 households received homeless prevention assistance during the program year.

ESG funds must be expended within 24 months of the grant award. The CNMI missed its PY 2019 ESG Program Expenditure Deadline which occurred on October 23, 2021 with a shortfall of \$11,622.31. Although the deadline passed, HUD allowed the CNMI to spend its remaining PY 2019 ESG funds. The CNMI took until December 31, 2021 to fully expend and draw down its PY 2019 ESG funds.

The next expenditure deadlines for the CNMI's PY 2020 and 2021 ESG funds are in 2023. The CNMI needs to spend and draw down \$11,977.91 in PY 2020 ESG funds before June 1, 2023 to meet the expenditure deadline. In addition, the CNMI needs to spend and draw down \$68,824.17 in PY 2021 ESG funds before December 8, 2023 to meet the expenditure deadline.

To ensure that ESG-CV funds are spent quickly on eligible activities to address the public health and economic crises caused by COVID-19, HUD established progressive expenditure deadlines. The CNMI met the ESG-CV 80 percent expenditure deadline on March 31, 2022 having spent and drawn down 97.84 percent of ESG-CV funds by the deadline. To meet the final expenditure deadline, the CNMI needs to spend and drawdown its balance of \$24,046.82 before September 30, 2023.

In addition to timeliness issues, HUD identified issues with the CNMI's reporting of ESG accomplishments for PY 2021. The CNMI did not submit its PY 2021 ESG CAPER in the Sage HMIS Reporting Repository and did not make its PY 2021 ESG CAPER available to public for review. As a result, citizens were not provided with an opportunity to comment of the CNMI's PY 2021 ESG performance. The CNMI needs to make its PY 2021 ESG CAPER available to the public for a 15-day comment period.

Continuum of Care

During the program year, NMHC collaborated with government and nonprofit organizations serving the homeless to plan and execute activities serving the homeless including CDBG-CV funded emergency housing assistance, and ESG and ESG-CV funded rapid rehousing and homeless prevention assistance. HUD encourages the NMHC to continue its work with government agencies, nonprofit organizations, and the CNMI Homeless Prevention Coalition in their shared goal to develop a plan to more comprehensively integrate a system of housing and services to assist individuals and families who are homeless.

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. The CNMI reported that no oral or written comments were received. HUD encourages the CNMI to continue its efforts to foster public participation and encourages the CNMI to explore additional opportunities to involve the public in its planning process.

The CNMI did not submit its PY 2021 ESG CAPER in the Sage HMIS Reporting Repository and did not make its PY 2021 ESG CAPER available to the public for review. As a result, citizens were not provided with an opportunity to comment of the CNMI's PY 2021 ESG performance. Therefore, the CNMI needs to make its PY 2021 ESG CAPER available to the public for a 15-day comment period. HUD recommends that the CNMI publish a combined notice for the CNMI's PY 2021 ESG CAPER and HUD's PY 2021 ACA report for at least a 15-day comment period.

Management of Funds

Although the CNMI passed the CDBG timeliness test on August 2, 2022 with a timeliness ratio of 1.90, the CNMI is in danger of missing its next official CDBG timeliness test that will take place on August 2, 2023. The CNMI's current CDBG timeliness ratio is 2.86. The CNMI's timeliness ratio includes \$2,798,036.78 line of credit balance and \$6,985.16 program income balance in IDIS. The CNMI's current 2.86 ratio does not take into account if the CNMI has any CDBG program income not receipted in IDIS. CDBG program income cash balances on hand will be calculated in the official timeliness test. The CNMI must spend a minimum of \$844,772 (not including unreceipted program income) in CDBG entitlement funds between now and August 2, 2023 to pass the CDBG timeliness test.

Additionally, the CNMI has undisbursed CDBG funds at risk of cancelation. Any CDBG funds appropriated in federal fiscal year 2016 will not be available for CDBG grantees to spend after September 30, 2023. To avoid recapture of funds, the CNMI needs to spend and drawdown \$14,524.60 in PY 2016 CDBG funds before September 21, 2023, at least seven full business days before September 30, 2023 of which \$1,308.15 is not committed to any CDBG activity.

To meet the CDBG-CV 80 percent expenditure deadline, the CNMI needs to spend and draw down \$6,648.97 in CDBG-CV funds before June 24, 2023.

To meet the CNMI's approaching HOME program expenditure requirement for PY 2015 HOME funds which occurs on September 30, 2023, the CNMI needs to expend and drawdown \$190,154 in PY 2015 HOME funds before September 21, 2023. These funds, if not expended and drawn down by the deadline, will be deobligated.

To meet the CNMI's approaching HTF commitment requirement for PY 2021 HTF funds which occurs on December 8, 2023, the CNMI needs to commit \$168,519 in PY 2021 HTF funds to a specific local project before December 8, 2023. These funds, if not committed by the deadline, will be deobligated.

To meet the CNMI's next ESG expenditure deadlines for PY 2020 and 2021 ESG funds, the CNMI needs to expend and draw down \$11,977.91 in program year 2020 ESG funds before June 1, 2023 and needs to expend and draw down \$68,824.17 in program year 2021 ESG funds before December 8, 2023.

To meet the final ESG-CV expenditure deadline, the CNMI needs to spend and drawdown its balance of \$24,046.82 before September 30, 2023.

Should the CNMI fail to meet the timeliness standards on each of the CPD funds, the CNMI may have its grants reduced.

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 regularly download the reports available in IDIS and the HUD Exchange, <https://www.hudexchange.info/grantees/reports/#view-all-reports> for data and resources to effectively manage its programs, to improve CPD program compliance, and to ensure timely expenditure of grant funds.

Fair Housing & Equal Opportunity

The CAPER was forwarded to Mr. Jelani Madaraka, Lead Equal Opportunity Specialist, HUD Honolulu Field Office, to review for compliance with Fair Housing and Equal Opportunity requirements. Mr. Madaraka will forward any comments or questions he may have separately. The 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 the impediments identified in the CNMI's Analysis of Impediments (AI) document.

Conclusion

HUD has determined that the CNMI is generally meeting the intent of the CPD programs, although there is concern over the timely implementation of activities and expenditure of CDBG, HOME, HTF, and ESG funds.

Overall, the CNMI is addressing community needs by planning executing a Consolidated Plan with a vision for the future and by implementing this Plan through its Action Plan. As a result, the CNMI has assisted the entire community, especially low- and 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 improve the efficiency and effective administration of CPD programs.