

NORTHERN MARIANAS HOUSING CORPORATION

CITIZEN CENTRIC REPORT FISCAL YEAR 2019

- PAGE 1 MISSION & INFORMATION
- PAGE 2 PERFORMANCE
- PAGE 3 FINANCES
- PAGE 4 OPPORTUNITIES & CHALLENGES



GOVERNANCE

NMHC MANAGEMENT

Jesse S. Palacios,
Corporate Director

Zenie (Jeannie) P. Mafnas,
Deputy Corporate Director

Michael G. Barto, Chief
Financial Officer

Board of Directors

Kimo M. Rosario, Acting
Chairman (Saipan)

Frank Lee S.N. Borja,
Treasurer (Tinian)

Vinney Atalig-Hocog,
Secretary (Saipan)

Ignacio L. Perez, Director
(Tinian)

Ralph S. Demapan,
Director (Saipan)

Joaquin P. Omar, 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

A division of the Commonwealth Development Authority (CDA), governed by a seven (7) member Board of Directors, 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 \$3,166,875 (FY 2019) and \$2,765,000 (FY2018) were made available for developers of affordable housing projects in the CNMI.

NMHC makes loans for providing low cost housing from both federal and local funding sources. Outstanding loans for all programs totaled \$13,047,163 in FY 2018.

In FY 2018, NMHC provided HUD Housing Rental assistance totaling \$4,481,015 including \$1,249,733 for 118 housing rental units in for very low income housing to administer the programs; \$3,089,523 distributed in monthly rental supplements for about 300 families through the Housing Choice Voucher Program; and, \$141,759 in 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 \$923,089 (FY 2019) and \$711,984 (FY 2018).



PERFORMANCE "WHAT WE DID IN 2019"

Supertyphoon Yutu Disaster Recovery

As the State Designee to administer the CDBG-DR Grant Program by the Governor, NMHC has begun pre-award work in anticipation of the final publication of administrative grant requirements in the Federal Register and the actual allocation of grant funds.

A Program Manager and Finance Manager have been recently hired, a dedicated office has been secured, top infrastructure projects lists were transmitted to the Governor in September 2019, for his review and approval, requisite data mining series of meetings with key State stakeholders have begun and are ongoing, data sharing Memorandums of Understanding have been transmitted to US FEMA and US SBA required for grant planning. Working drafts of the action plan and corresponding policies and procedures have begun. As of September 30, 2019, NMHC so far has expended \$100,145 for the ongoing preparation.

Typhoon Reinforced Design Under Review



Saipan Solar Array Project

NMHC received donations of solar panels, construction services, and related hardware totaling \$1,349,489 from a third-party contractor through a U.S. Department of Agriculture. The project will directly benefit 82 low income families in our Mihaville and Koblerville housing units.

When fully activated, our tenants would benefit from about a 70% reduction in monthly costs for power used during daylight hours. This lower cost alternative will improve the quality of life of those families. At full capacity, it is estimated the solar arrays will generate about 48 kWh every 30 days based on an 82-unit total generating capacity, and 6.5 hours full daylight with no cloud cover. The additional power generated will not require fuel or oil from the power provider's generators increasing load capacity from an eco-friendly renewable resource.

| HOUSING | SAIPAN | TINIAN | ROTA | TRANSFER TO USA | TOTAL |
|----------------|--------|--------|------|-----------------|-------|
| VOUCHERS | 293 | 2 | 8 | 4 | 307 |
| LANDLORDS | 108 | 2 | 7 | 3 | 120 |
| WAIT LIST | 347 | 20 | 20 | N/A | 387 |
| NEW ADMISSIONS | 33 | 0 | 2 | N/A | 35 |

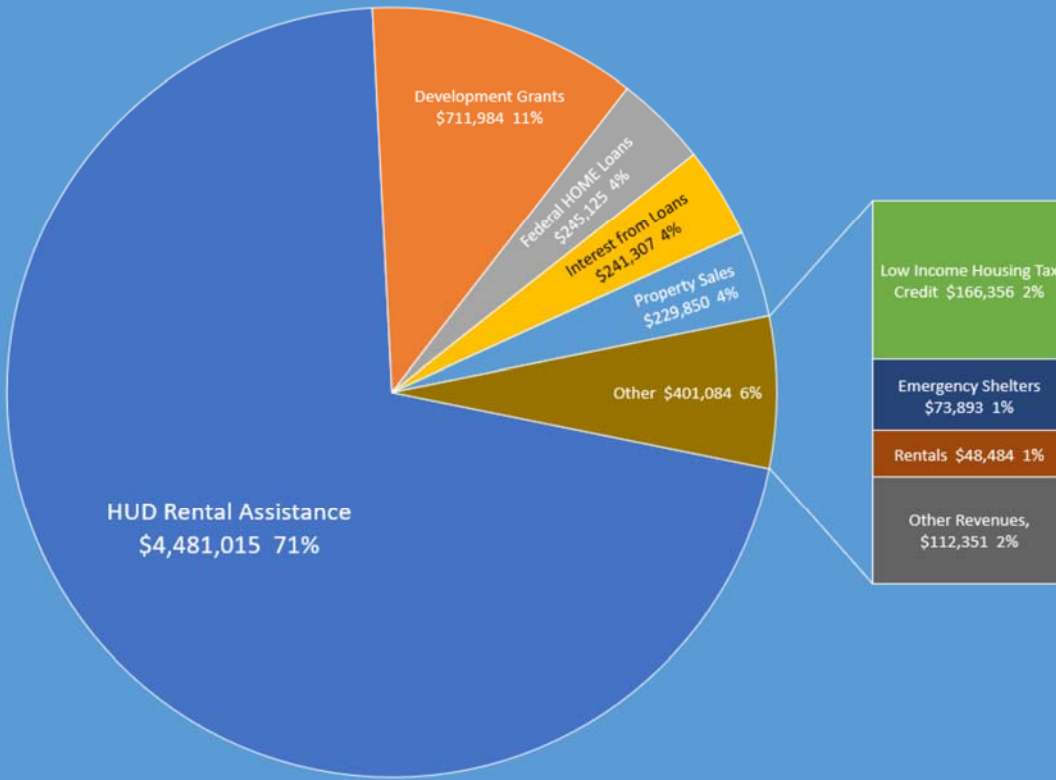
| RENTAL ASSISTANCE | SAIPAN | TINIAN | ROTA | TOTAL | FAMILY SELF SUFFICIENCY Guidance, education, training, document preparation, and various assistance given to 32 active participants. 20 participants were provided employment search assistance with one participant gaining employment in 2019. |
|-------------------|--------|--------|------|-------|--|
| OCCUPIED | 81 | 20 | 15 | 116 | |
| OCCUPANCY | 99% | 100% | 94% | 98% | |
| WAIT LIST | 305 | 9 | 1 | 315 | |
| NEW ADMISSIONS | 1 | 0 | 1 | 1 | |

| | |
|---------------------------|--|
| DEVELOPMENT GRANTS | In FY 2019, HUD awarded NMHC funds totaling \$1,512,224 composed of Development Grants - \$966,828; HOME Program - \$468,064; and emergency shelters - \$77,332. 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 Sinapolo Children's Park roofing. Projects ongoing from previous year's include Saipan's San Vicente Central Park, Koblerville Youth Center Expansion, and Kagman Community Center. |
| EMERGENCY SHELTERS | NMHC assisted six homeless households locate temporary housing in FY 2019. From the shelter program's inception, NMHC assisted fifty-one households with rentals and utility assistance for up to ten months allowable. |
| DISASTER RECOVERY | \$300,000 was reallocated to disaster recovery with HUD approval in January 2019 for recovery programs. |
| LOAN COMMITMENTS | Total funds available for loan commitment at January 2019 was \$1,183,099. |
| WAIT LIST - LOANS | There are currently 40 loan applications being processed totaling \$3,377,611 pending applicant underwriting. |

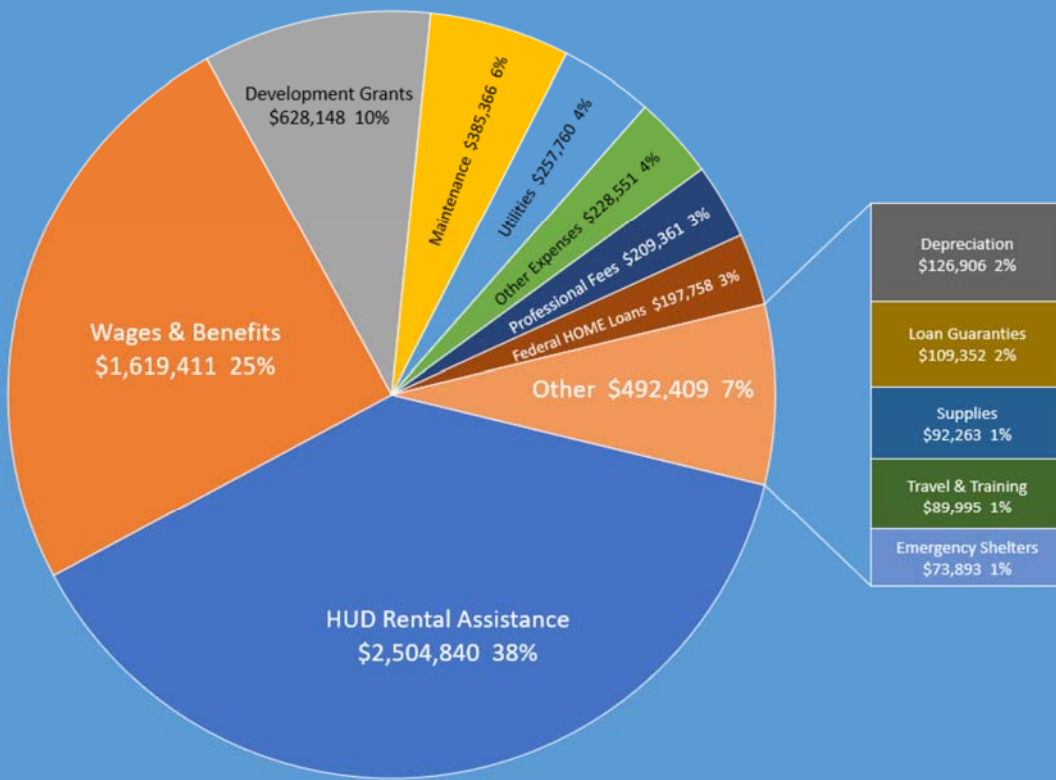
| AGING REPORT | NO. OF LOANS | BALANCE | PAST DUE 90 DAYS | PAST DUE 90 DAYS | MORE THAN 30 DAYS | MORE THAN 30 DAYS |
|--------------|--------------|-------------|------------------|------------------|-------------------|-------------------|
| ACTIVE LOANS | 213 | \$7,275,298 | \$1,074,341 | 14.77% | \$1,914,541 | 26.32% |

FINANCES "YOUR TAXPAYER DOLLARS AT WORK"

How is revenue generated? FY 2018 \$6,310,365



How were your tax dollars spent? FY 2018 \$6,523,604



The CNMI, as a whole, was catastrophically affected by Super typhoon Yutu. NMHC acted immediately to secure safety and housing quality of our renter households including typhoon repairs, and significant deferments of loan payments, interest, and rental related collections. This negatively affected operating margins; however, the Board and management worked closely to provide expeditious, maximum assistance and have submitted FEMA reimbursements to partially offset the related expenditures.—CFO

| Staffing Summary | Positions |
|---------------------|-----------|
| Executive | 3 |
| Housing Division | 8 |
| Fiscal Division | 6 |
| Mortgage Division | 4 |
| Administration | 4 |
| Maintenance | 4 |
| Development Grants | 2 |
| Disaster Recovery | 2 |
| Rota Field Office | 2 |
| Tinian Field Office | 2 |
| Total | 37 |

CHALLENGES AND OPPORTUNITIES

THE CORPORATE DIRECTOR'S DESK

NMHC and USDA RD will be executing a Memorandum of Understanding (MOU) before the end of the calendar year 2019 to provide our low income families additional homeownership opportunities. The last time USDA RD closed on a loan in the CNMI was back in 2007. This MOU is another home loan option for families and homesteaders who are looking forward to becoming homeowners.

Governor Ralph DLG. Torres has tapped NMHC to administer the Community Development Block Grant Disaster Recovery program (CDBG-DR). NMHC is the lead agency responsible in developing the recovery plans for this funding. The U.S. Department of Housing and Urban Development (HUD) intends to allocate \$205 million following a comprehensive analysis of the recovery needs in the CNMI (and American Samoa). Proceeds of the funding will go toward housing, infrastructure, and economic revitalization.

NMHC will be awarding low income housing tax credits in January, 2020 through a competitive application process for the construction of affordable rental housing. Since 2009, developers have completed six apartment-type complexes with another one to be completed in January 2020, for a total of 348 units added to our rental housing stock.

NMHC continues to work with the Commonwealth Utilities Corporation (CUC) in expediting CUC's approval process for the solar power units installed in its homes located in Mihaville and Koblerville. NMHC has completed its duty in the preparation of the solar arrays. We look forward to CUC's completion of their inspections, hookups and activation of the completed arrays.

CHALLENGES

Reduced cash flow due to business interruptions for both government and the private sector from Super typhoon Yutu. 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.