COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
SAIPAN, TINIAN, ROTA and NORTHERN ISLANDS

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PUBLIC NOTICE OF EMERGENCY REGULATIONS WHICH ARE FOR THE POLICIES AND PROCEDURES FOR THE NORTHERN MARIANAS HOUSING CORPORATION, COMMUNITY DEVELOPMENT BLOCK GRANT – DISASTER RECOVERY (CDBG-DR) PROGRAM'S NEW CONSTRUCTION FOR HOMEOWNERSHIP OPPORTUNITY AND FIRST-TIME HOMEBUYER ASSISTANCE PROGRAM, HOMEBUYER ACTIVITIES PROGRAM, HOMEOWNER REHABILITATION AND RECONSTRUCTION PROGRAM, AFFORDABLE RENTAL HOUSING DEVELOPMENT PROGRAM, CDBG-DR GAP-FILLER TO LOW-INCOME HOUSING TAX CREDITS PROGRAM, INFRASTRUCTURE PROGRAM POLICIES, TOURISM POLICIES AND PROCEDURES, AND WORKFORCE DEVELOPMENT POLICIES AND PROCEDURES

EMERGENCY ADOPTION AND IMMEDIATE EFFECT: The Northern Marianas Housing Corporation (NMHC) finds that:

(1) the attached rules and regulations regarding the policies and procedures for the Northern Marianas Housing Corporation (NMHC) - Community Development Block Grant – Disaster Recovery (CDBG-DR) Division, shall be adopted immediately on an emergency basis because the public interest so requires, for the reasons stated below (1 CMC § 9104(b), (c); 1 CMC § 9105(b)(2)); and

(2) the same rules and regulations shall be adopted, after a proper notice and comment period, as permanent regulations pursuant to the attached Notice of Proposed Rules and Regulations and the Administrative Procedure Act, 1 CMC § 9104(a).

AUTHORITY: These proposed regulations are promulgated under the authority of the Board of Directors, through its Chairperson, to promulgate rules and regulations pursuant to 2 CMC § 4433 (i), which lists the responsibilities of the Board of the NMHC.

The Administrative Procedure Act provides that an agency may adopt an emergency regulation upon fewer than 30 days' notice if it states its reasons in writing:

> (b) If an agency finds that the public interest so requires, or that an imminent peril to the public health, safety, or welfare requires adoption of a regulation upon fewer than 30 days' notice, and states in writing its reasons for that finding, it may, with the concurrence of the Governor, proceed without prior notice or hearing or upon any abbreviated notice and hearing that it finds practicable, to adopt an emergency

regulation. The regulation may be effective for a period of not longer than 120 days, but the adoption of an identical regulation under subsections (a)(1) and (a)(2) of this section is not precluded.

(c) No regulation adopted is valid unless adopted in substantial compliance with this section. . . .1 CMC § 9104(b), (c).

THE TERMS AND SUBSTANCE: These Rules and Regulations provide policies and procedures for the Northern Marianas Housing Corporation's Community Development Block Grant – Disaster Recovery (CDBG-DR) Division for its following new programs: New Construction for Homeownership Opportunity and First-Time Homebuyer Assistance Program, Homeowner Rehabilitation and Reconstruction Program, Homebuyer Activities Program, Affordable Rental Housing Development Program, CDBG-DR Gap-Filler to Low-Income Housing Tax Credits Program, Infrastructure Program, Tourism Policies and Procedures, and Workforce Development Policies and Procedures.

THE SUBJECTS AND ISSUES INVOLVED: These rules and regulations:

1. Provide policies and procedures for the Northern Marianas Housing Corporation (NMHC) - Community Development Block Grant – Disaster Recovery (CDBG-DR) Division's New Construction for Homeownership Opportunity and First-Time Homebuyer Assistance Program, Homeowner Rehabilitation and Reconstruction Program, Homebuyer Activities Program, Affordable Rental Housing Development Program, and CDBG-DR Gap-Filler to Low-Income Housing Tax Credits Program, Infrastructure Program, Tourism Policies and Procedures, and Workforce Development Policies and Procedures.

ADOPTION OF EMERGENCY REGULATIONS FOR 120 DAYS: The Northern Marianas Housing Corporation "NMHC" has followed the procedures of 1 CMC § 9104(b) to adopt these Proposed Regulations on an emergency basis for 120 days.

REASONS FOR EMERGENCY ADOPTION: The Northern Marianas Housing Corporation (NMHC) finds that the public interest requires adoption of these regulations on an emergency basis, for the following reasons:

1. No policies and procedures are currently in place governing the Northern Marianas Housing Corporation (NMHC) – Community Development Block Grant – Disaster Recovery (CDBG-DR) Division's Programs under New Construction for Homeownership Opportunity and First-Time Homebuyer Assistance, Homeowner Rehabilitation and Reconstruction, Homebuyer Activities, Affordable Rental Housing Development Program, CDBG-DR Gap-Filler to Low-Income Housing Tax Credits Program, Infrastructure Program, Tourism Policies and Procedures, and Workforce Development Policies and Procedures. These policies and procedures are needed to address unmet housing needs, infrastructure repairs and improvements, and guidance on tourism and workforce development as a result of Typhoon Mangkhut and Super Typhoon Yutu.

DIRECTIONS FOR FILING AND PUBLICATION: These Proposed Rules and Regulations shall be published in the Commonwealth Register in the section/s on emergency and proposed regulations (*see* 1 CMC § 9102(a)(1)) and posted in convenient places in the civic center and in local government offices in each senatorial district. (1 CMC § 9104(a)(1))

The Northern Marianas Housing Corporation (NMHC) shall take appropriate measures to make these Rules and Regulations known to the persons who may be affected by them (1 CMC 9105(b)(2)).

IMMEDIATE EFFECT: These emergency rules and regulations become effective immediately upon filing with the Commonwealth Register and delivery to the Governor. (1 CMC § 9105(b)(2)) This is because the Northern Marianas Housing Corporation (NMHC) has found that this effective date is required by the public interest or is necessary because of imminent peril to the public health, safety, or welfare. (*Id.*)

TO PROVIDE COMMENTS: No comments are required for these emergency rules and regulations. However, the related Notice of Proposed Rules and Regulations will specify comment procedures. Please see the notice regarding these emergency regulations being presented as proposed regulations, in the January, 2021, Commonwealth Register.

The attached emergency regulations were approved by the Northern Marianas Housing Corporation (NMHC) on the date listed below.

Submitted by: _____ 02/04/21
Marcie M. Tomokane — Date
Chairperson
NMHC Board of Directors

Received by: _____ 02/04/2021
Mathilda A. Rosario — Date
Special Assistant for Administration

Concurred by: _____ 2/9/21
Ralph DLG. Torres — Date
Governor

Filed and
Recorded by: _____ 02-25-2021
ESTHER SN. NESBITT — Date
Commonwealth Registrar

Pursuant to 1 CMC § 2153(e) (AG approval of regulations to be promulgated as to form) and 1 CMC § 9104(a)(3) (obtain AG approval) the proposed regulations attached hereto have been reviewed and approved as to form and legal sufficiency by the CNMI Attorney General and shall be published (1 CMC § 2153(f) (publication of rules and regulations)).

Dated the 18 day of ~~January~~ February, 2021.

EDWARD MANIBUSAN
Attorney General

NORTHERN MARIANAS HOUSING CORPORATION

NEW CONSTRUCTION FOR HOMEOWNERSHIP OPPORTUNITY AND FIRST-TIME HOMEBUYER ASSISTANCE PROGRAM POLICIES AND PROCEDURES

VERSION: 1.0

Prepared by:

Northern Marianas Housing Corporation - CDBG-DR Division

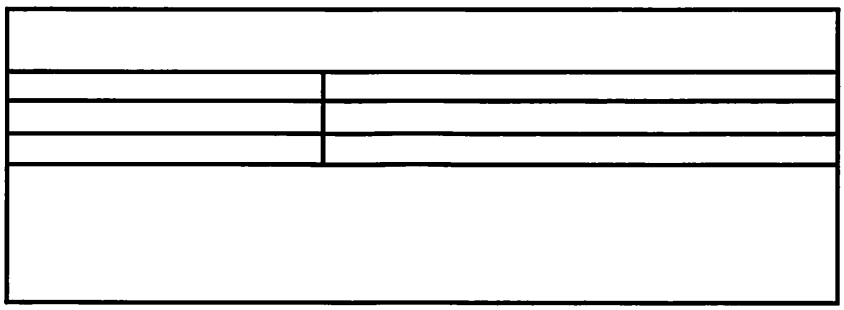


Table 1: New Construction for Homeownership and First-Time Homebuyer Assistance Program Version Control

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VERSION NUMBER	DATE REVISED	DESCRIPTION
Version 1	N/A	Version 1.0

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1.0 POLICIES

1.1 Version Policy

Version history is tracked in the table title page, with notes regarding version changes. The dates of each publication are also tracked in this table. The first version of this document is 1.0.

Substantive changes within this document that reflect a policy change will result in the issuance of a new version 2.0, an increase in the primary version number. Future policy changes will result in additional revision and the issuance of a new primary version number.

Non-substantive changes such as minor wording and editing, or clarification of existing policy that do not affect the interpretation or applicability of the policy will be included in minor version updates denoted by a sequential number increase behind the primary version number. Such changes would result in a version number such as 2.1, 2.2, etc.

1.2 Policy Change Control Board

Policy review and changes for the CNMI's New Construction for Homeownership Opportunity and First-Time Homebuyer Assistance Program (Program) policies are considered through a change control process. When policy clarifications, additions, or deletions are needed to more precisely define the rules by which the Program will operate, Program staff will work with the Corporate Director to prepare a request to amend the policy. The NMHC Board of Directors will be responsible in the review and approval of the request to amend the policy.

1.3 Definitions

Adjusted Gross Income (AGI): AGI is an individual's total gross income less specific deductions. NMHC's AGI methodology may be found in the NMHC's Homebuyer Policies and Procedures. Applicant: A person or persons who have applied at NMHC for approval of a CDBG-DR home purchase and Homeowner Financial Assistance.

Area Median Income (AMI): Calculated annual limits based on HUD-estimated median family income with adjustments based on family size used for demonstrating LMI beneficiaries in the program. May also be referred to as Area Median Family Income (AMFI) in other program documents.

Builder/Contractor: (Used interchangeably) A person or company that enters a contract to construct or repair houses and or supervised building operations. Builder/Contractor must meet all CNMI and HUD requirements.

Common Area Under Roof: The total area under the common roof is primarily interior, conditioned spaces, and for single-story homes, equal to the footprint of the house. The term is also synonymous with the eligible area. In addition, exterior spaces such as detached porches and garages are not considered eligible areas.

Community Development Block Grant - Disaster Recovery (CDBG-DR): The Department of

Housing and Urban Development (HUD)'s Community Development Block Grant Disaster program established by the applicable appropriations statute to assist communities impacted by disasters to recover.

CDBG-DR Development Agreement: An agreement entered into by Grantee and Developer for the purpose of funding and carrying out CDBG-DR-eligible activities on one or more CDBG-DR-eligible properties.

CDBG-DR Buyer: Applicant eligible to purchase a CDBG-DR constructed home.

CDBG-DR Property: A property that is rehabilitated, newly constructed, or reconstructed pursuant to Developer's agreement with Grantee, utilizing CDBG-DR funds.

CDBG-DR Home: An CDBG-DR property that is being sold to an owner-occupant.

CDBG-DR Program Budget: The budget attached to a CDBG-DR Development Agreement showing projected development costs and funding for Developer's entire CDBG-DR program in the aggregate.

Construction Cap: For the New Construction for Homeownership and First-Time Homebuyer Assistance program the Grant cap is $250,000 for development of properties owned by NMHC; and also $250,000 when building on land owned by a prospective homebuyer.

Damage Assessment: An inspection of the housing unit to document damage from the event. An assessment by a certified or licensed inspector is required to specifically and clearly document storm-related property damage via photographic evidence and detailed narratives. Damage assessments must include final cost of repair estimates according to most current local code, an assessment of cost-effectiveness of each recommended activity (reconstruction or rehabilitation), mold remediation, and assistance needed to bring the home up to code at completion.

Davis-Bacon Act of 1931 (40 USC Part 3141 et seq.) and Related Acts: All laborers and mechanics employed by contractors or subcontractors in the performance of construction work financed in whole or in part with assistance received under this chapter shall be paid wages at rates not less than those prevailing on similar construction in the locality of determined by Secretary of Labor in accordance with the Davis-Bacon Act, as amended. This applies to the rehabilitation and reconstruction of residential property with 8 or more units.

Demolition: The clearance and proper disposal of dilapidated buildings and improvements.

Duplication of Benefits: The Robert T. Stafford Disaster Assistance and Emergency Relief Act (Stafford Act) prohibits any person, business concern, or other entity from receiving financial assistance from CDBG-DR funds with respect to any part of a loss resulting from a major disaster which he/she has already received financial assistance under any other program, from insurance, or any other source. It is an amount determined by the Program that may result in the reduction of an award value.

Environmental Review: All qualified projects must undergo an environmental review process. This process ensures that all activities comply with National Environmental Policy Act (NEPA)

and other applicable state, territorial and federal laws.

Environmental Review Record (ERR): the document resulting from required environmental review which includes a description of activities, evaluation of environmental impact, documentation of compliance with applicable environmental regulations, and an environmental determination.

FEMA-Designated High-Risk Area: Area designated by FEMA as vulnerable to significant wind and/or storm surge damage as well as areas located in the designated 100-year flood zone. These areas will be identified during the environmental review process for each participating jurisdiction.

First-Time Homebuyer: A **first-time homebuyer** is an individual who has had no ownership in a principal residence during the 3-year period ending on the date of purchase of the property. This includes a spouse (if either meets the above test, they are considered **first-time homebuyers**).

Flood Hazard Area: Areas designated by FEMA at risk of flooding.

Flood Insurance: The Flood Disaster Protection Act of 1973 (42 U.S.C. 4012a) requires that projects receiving federal assistance and located in an area identified by FEMA as a Special Flood Hazard Area (SFHA) be covered by flood insurance under the National Flood Insurance Program (NFIP). To purchase flood insurance, a community must participate in the NFIP. If a community does not participate in the NFIP, federal assistance cannot be used in those areas.

Floodplain: FEMA designates floodplains as geographic zones subject to varying levels of flood risk. Each zone reflects the severity or type of potential flooding in the area.

"100-year floodplain" - the geographical area defined by FEMA as having a one percent chance of being inundated by a flood event in any given year.

"500-year floodplain" - the geographical area defined by FEMA as having a 0.2 percent chance of being inundated by a flood event in any given year.

Grantee: Eligible first-time homebuyer

Household: A household is defined as all persons occupying the same housing unit, regardless of their relationship to each other. The occupants could consist of a single family, two or more families living together, or any other group of related or unrelated persons who share living arrangements. For housing activities, the test of meeting the LMI National Objective is based on the LMI of the household.

HOME Program: The HOME Investment Partnerships Program (HOME) provides formula grants to States and localities that communities use to fund a wide range of activities including building, buying, and/or rehabilitating affordable housing for rent or homeownership or providing direct rental assistance to low-income people. HOME is the largest Federal block grant to state and local governments designed exclusively to create affordable housing for low-income households.

Individual Mitigation Measures (IMM): Activities designed to mitigate or reduce the risk of damage beyond the pre-disaster condition of a housing unit when the activities are above and

beyond federal, state, or local requirements and the payment of flood insurance are not IMM activities. Examples of IMM activities include elevating a structure above the base flood elevation level, the addition of storm shutters, disaster proof windows, roof straps, etc. as long as those improvements are not required to comply with local code requirements and did not exist on the housing unit prior to the disaster damage.

Low- and Moderate-Income (LMI): A household is considered to be of low- and moderate-income if the household income (including income derived from assets) is at or below 80 percent of an area's median income. All income is based on the Area Median Income limits set annually by HUD for each county or metropolitan statistical area.

Low to Moderate Income (LMI) National Objective: Activities which benefit households whose total annual gross income does not exceed 80% of Area Median Income (AMI), adjusted for family size. Income eligibility will be determined and verified in accordance with 24 CFR Part 5 requirements using procedures as stated in the Technical Guide for Determining Income and Allowances, 3rd Edition (HUD-1780-CPD). The most current income limits, published annually by HUD, shall be used to verify the income eligibility of each household applying for assistance at the time assistance is provided.

Mitigation: Improvements made to reduce the possibility of loss of life, property damage, personal and commercial hardship, as well as long lasting monetary burdens. For example, implementing a flood mitigation program such as the acquisition of flood-prone property/housing, or the elevation of housing in floodplains are effective mitigation projects that can make residents and communities safer in the face of natural disasters.

Mixed-income Housing: Mixed income housing development can include diverse types of housing units, such as apartments, town homes, and/or single-family homes for a people with a range of income levels.

New Construction: The construction of a new home in a new location.

Project Funding: Any and all governmental and private funds, including a Developer's cash, used to pay for the costs to redevelop a single CDBG-DR-assisted property.

Project Budget: A budget for all acquisition, rehab/construction and soft costs for a potential CDBG-DR project. The Developer must submit the budget to the Grantee and the property must pass Environmental Review and receive Authorization to Use Grant Funds prior to committing to the purchase of any property for use in the CDBG-DR program.

Sales Price: Price established though determination of Fair Market Value (FMV) of the property.

Section 3: A provision of the Housing and Urban Development (HUD) Act of 1968 that requires recipients of certain HUD financial assistance, to the greatest extent feasible, provide job training, employment, and contracting opportunities for low- or very-low income residents in connection with projects and activities in their neighborhoods.

Section 504: A provision of the Rehabilitation Act of 1973 which provides that no qualified individual with a disability should, only by reason of his or her disability, be excluded from the

participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance.

Single-Family Home: A single-unit family residence detached or attached to other housing structures.

Urgent Need National Objective: An urgent need that exists because conditions pose serious and immediate threat to the health or welfare of the community. The existing conditions must be recent or have recently become urgent and the subrecipient cannot finance the activities on its own because other funding sources are not available. Subrecipients or the state must document how each program and/or activity funded under this category responds to a disaster-related impact. See 24 CFR 570.208(c).

Northern Marianas Housing Corporation (NMHC): NMHC is the Grantee for HUD's Community Development Block Grant-Disaster Recovery (CDBG-DR) funding. NMHC will retain day to day administrative management and oversight of CDBG-DR activities and will be responsible for establishing and maintaining financial accountability for CDBG-DR funds, compliance with CDBG-DR requirements and establishing and maintaining project files and records. NMHC will be implementing this program directly and also acting as the developer within this program.

2.0 PROGRAM OVERVIEW

Under this program, NMHC will utilize CDBG-DR funds to install infrastructure and construct homes on public lands or private lands if available. The development of land will include activities such as infrastructure (roads, lighting, etc.), grading, installation of utilities, and land preparation.

The New Construction for First-Time Homebuyers Program has two options for eligible first-time homebuyers, briefly described below:

- Option 1: Turnkey Home Development: The first method will enable the creation of new turnkey homes for first-time homebuyers. Option 1 will provide for the development of new homes on land owned by NMHC or public lands. Potential homebuyers must be mortgage-ready and have incomes at or below 120% AMI. Note: Homes will be made available for purchase at no less than 80% of the total homes available in the turnkey development to families at or below 80% AMI.

- Option 2: Have a Lot, Build a Home: The second option allows new construction to occur on land that already belongs to the household. This option enables the creation of new, custom stock housing on private land for first-time homebuyers who are mortgage ready and have incomes at or below 120% AMI. Note: No less than 80% of the funding will be provided to families at or below 80% AMI.

NMHC does not anticipate providing down payment assistance, however if the assistance is provided for future projects, down payment assistance would be capped at $40,000 and must be classified as a public service activity (against the 15% cap).

This policy document explains the structure of the program, the requirements for developers, including NMHC acting as the developer, requirements for contractors, eligibility criteria for first-time homebuyers, and supporting documentation for program eligibility determination.

2.1 Total Allocation

$41,120,667 and/or as detailed in the CDBG-DR Action Plan and Amendments

2.2 Tie to the Disaster

Typhoon Mangkhut and Super Typhoon Yutu caused significant damage to both the owner-occupied and rental housing stock, depleting an already limited housing stock and driving housing prices above affordable levels. This is especially true for single family homes for sale and for new construction.

2.3 National Objective

The CNMI's New Construction for Homeownership and First-Time Homebuyer Assistance Program will serve the Low- to Moderate-Income Housing (LMI) and Urgent Need National Objectives.

2.4 Eligible Activities

HUD makes the determination if an activity is eligible or ineligible. The following activities under the Housing and Community Development Act of 1974 (HCDA) are eligible for CBDG-DR grant funds: Clearance, Rehabilitation, Reconstruction and Construction of Buildings (including Housing) (HCDA Section 105(a)(4)); Public Facilities (HCDA Section 105(a)(2); Public Services (HCDA Section 105(a)(8)).

2.5 Ineligible Activities

Activities are not eligible for CDBG-DR funds if the activity:

- Does not correspond to an identified disaster-related impact.
- Is restricted by the appropriation legislation.
- Is ineligible according to CDBG-DR requirements and a waiver has not been granted.
- Fails to meet a national objective.

2.6 Geographic Area(s) Served

The Program will serve primarily the islands of Saipan, Tinian, and Rota. It is anticipated that in the first phase of the program, under Option 1, the new, turnkey development will primarily be, but not limited to, located in neighborhoods where public lands are available such as in the southern area of Saipan, nearby existing villages, or other proposed areas for homestead development or suitable private land with nearby access to infrastructure. Under Option 2, homes may be built on land owned by the homebuyer.

2.7 Estimated Start and End Dates

- January 2021 through December 2026.

2.8 Program Administration

NMHC staff along with additional personnel and contractors hired to support NMHC with the administration and implementation of the recovery program will oversee all activities and expenditures in connection with the CDBG-DR funds. NMHC will ensure the program meets all requirements, including: the disaster threshold, eligibility, national objective, compliance, fair housing, labor standards, nondiscrimination, environmental regulations, and procurement regulations.

NMHC will monitor eligible activities in accordance with CDBG-DR requirements so each funded activity will meet the disaster threshold and one of HUD's three national objectives, with emphasis on achieving the primary national objective of benefiting low- and moderate-income persons.

NMHC will monitor the program through procedures outlined in the CDBG-DR Homebuyer Policies and Procedures.

2.9 Affordability Period

Properties will remain affordable for a period of up to 30 years following NMHC's current affordability

period schedule.

2.10 Recapture Provisions

Recapture Provisions

Recapture provisions will apply when CDBG-DR funds are used to provide direct financial assistance to a homebuyer to build or acquire a unit.

Applicability

The recapture provisions herein shall apply where CDBG-DR funds are employed to assist home ownership housing to qualify as affordable housing either by providing financial assistance such as down payment or closing cost assistance, interest subsidies, or mortgage buydowns that enable homebuyers to make the purchase or by providing monies as a development subsidy which then enables the unit to be sold at a price below fair market value. Note: Recapture provisions shall not apply when CDBG-DR funds are used only to subsidize the development cost of the assisted unit and the unit is sold at fair market value; in that case, resale provisions will be used.

Restrictions on Transfer

Under the recapture option, there is no requirement that the CDBG-DR-assisted property is sold/transferred to another low-income homebuyer upon either voluntary or involuntary transfer during the affordability period. Instead, the original CDBG-DR-assisted homebuyer will be free to sell the property to any willing buyer at whatever price the market will bear. Upon either voluntary or involuntary transfer during the affordability period, the participating jurisdiction shall recapture from available net proceeds an amount defined below.

Enforcement

The CDBG-DR funds will be secured by the incorporation of the applicable language in the Deed of Conveyance. NMHC will also require the homebuyer execute a Promissory Note and a Mortgage which shall be recorded against the property.

Calculation of Recapture

a) **Recapture**. NMHC will ensure that it recoups all or a portion of the CDBG-DR loan assistance provided to the homebuyer(s), if the housing unit ceases to be the principal residence of the homebuyer(s) for the duration of the period of affordability. All subsidy amounts (in the form of loans) that directly benefited the property owner (i.e., through down payment and/or closing cost assistance, deferred payment loans, interest rate buy-downs, property discount, etc.) are also subject to recapture. Recapture is capped at what is available out of net proceeds for agreements after November 2004. Net proceeds are defined as the sales price less superior non CDBG-DR debt (if any) less closing costs. NMHC will utilize the following recapture options:

1. **Recapture entire amount**. NMHC may recapture the entire amount of the loan and/or subsidy from the homebuyer(s) if the sale of the property occurs within halfway into the given affordability period. For example, a homebuyer was approved for a $50,000 CDBG-

DR loan to construct a home. The affordability period is therefore, fifteen years. On the seventh year, the borrower sells the house for $60,000. Since the borrower failed to comply with the minimum seven and one half (7½) years of the fifteen-year affordability period, the recaptured amount is $50,000.

2. **Forgiveness**. NMHC may reduce the loan amount and/or subsidy to be recaptured on a pro rata basis for the period the homebuyer(s) has/have owned and occupied the housing unit measured against the required affordability period; however, homebuyer(s) must occupy the housing unit at a minimum of ten years or at least halfway into the affordability period, whichever is greater, in order to qualify for this recapture option. For example, if the CDBG-DR subsidy is $60,000 with 15-year affordability and the owner sells the property in the 12th year of ownership the recapture amount will equal $12,000 ($60,000/15 years affordability period x 3 years remaining = $12,000 recapture).

3. **Buyer's recovery of initial investment**. The homebuyer(s) investment (down payment and capital improvements made by the owner since purchase) may be repaid in full before any CDBG-DR funds are recaptured, provided that the homebuyer(s) occupied the housing unit at a minimum of ten years before the sale of the property and the homebuyer's household income level is at or below 50% of the area median income in order to qualify for this recapture option.

4. **Shared appreciation**. In the case where net proceeds exceed the amount necessary to repay both the homebuyer(s)' investment and the CDBG-DR assistance, the excess proceeds may be shared proportionately (i.e., percentage of investment provided) by both parties.

b) *Note*: The HOME Interim Rule on November 22, 2004 clarifies that when the recapture requirement is triggered due to a voluntary or involuntary sale during the period of affordability and there are no net proceeds or the net proceeds are insufficient to repay the HOME investment due, NMHC may recapture an amount less than or equal to the net proceeds available.

c) **Circumstances Under Which Recapture Will Apply**. Recapture restrictions must be used in cases where interest bearing loans or advances, non-interest bearing loans or advances, deferred loans (repayable), interest subsidies, or loan guarantees were provided to the homebuyer(s) in order to subsidize the purchase of the property to cover the down payment or closing costs.

d) **Legal Instrument to Enforce Recapture**. NMHC must use deed restrictions, land covenants, or other similar legal documents to enforce these recapture restrictions.

Upon resale of the property, the homebuyer shall recover from the net proceeds their entire investment (which is defined as the homeowner's contribution to down payment and the cost of capital improvements made by the owner since purchase) before the participating jurisdiction recaptures the direct CDBG-DR subsidy. The homeowner's investment shall be repaid in full before the participating jurisdiction recaptures any funds. If the net proceeds are insufficient to repay the homeowner's investment, the homeowner shall receive the available net proceeds and the participating jurisdiction shall not be responsible for any balance remaining. The NMHC recognizes that, if net proceeds are not sufficient to repay the homeowner's investment and the direct CDBG-DR subsidy, the participating jurisdiction may not be able to recapture the full amount

of the direct CDBG-DR investment.

2.11 Duplication of Benefits

Duplication of Benefits Assistance under this program will be reviewed as required under the Robert T. Stafford Act (Stafford Act), as amended, which prohibits any person, business concern, or other entity from receiving federal funds for any part of such loss for which they have already received financial assistance under any other program, private insurance, charitable assistance, or any other source.

2.12 Program Income

The program will generate program income both with the sales of the homes and in the event of recapture. NMHC will utilize the Program Income to continue to fund the solutions within this program. As stated in the NMHC Action Plan, NMHC will comply with all HUD requirements found at 24 CFR 570.489. In the event program activities generate program income, those funds will be allocated to projects with further recovery activities and, to the maximum extent possible, will be distributed before the program makes additional withdrawals from the Treasury. Program Income proceeds will continue to be considered CDBG-DR funds and will be subject to all regulations and DR waivers. Expenditures of Program Income must meet all CDBG-DR rules such as eligibility, linked to a storm, national objective, LMI targeted requirements and other federal requirements such as environmental review, Davis Bacon, Fair Housing, etc.

2.13 Program Solutions

2.13.1 Option I: Turnkey Development

Under the first option, NMHC will utilize CDBG-DR funding to install infrastructure and build homes on land currently owned or purchased by NMHC or available public lands that may be under the homestead program. In the first phase of this program, NMHC will act as developer and solicit contractors to install the infrastructure and construct homes.

Option I will be open to eligible residents including those that have been pre-qualified for NMHC's (on behalf of the CNMI) HOME homebuyer program. In addition, applicants on the homestead waiting list may be pre-qualified following the same homebuyer policies and procedures.

Due to the high cost of construction in the CNMI, the sales price for homes constructed under this program may still not be within reach of what a borrower can qualify for with a typical mortgage. In such situations, NMHC may offer homeownership assistance in the form of deep subsidies, a second mortgage, down payment assistance and/or closing costs.

In keeping with guidelines of the Federal Register Notices FR-6182-N-01, homeownership assistance can be provided to households earning up to 120% of the area median income. The guidelines also allow grantees to provide down payment assistance up to 100%.

Eligible Applicants: Potential homebuyers must have been a resident of the CNMI at the time of the event, been displaced by one or both typhoons, and those who demonstrate they are mortgage-ready with income <120% of AMI will be prioritized. No less than 80% of the funding will be reserved for

those applicants at or below 80 AMI.

Maximum Award: Awards may be up to $250,000 per home, including the infrastructure and construction of homes for first-time homebuyers. Circumstances where additional costs may be incurred will be reviewed against cost reasonableness guidelines. However, the sales price must not exceed HUD's new homes HOME purchase price limits. NMHC does not anticipate providing down payment assistance, however if assistance is provided for future projects, down payment assistance would be capped at $40,000 and must be classified as a public service activity (against the 15% cap).

2.13.2 Option 2 Have a Lot, Build a Home (New construction on homebuyer's land)

As in the turnkey option, the second option will also follow the HOME policies and procedures for the creation of new or custom stock housing for first-time homebuyers on land already owned by the household. For those applicants who do not have lots to build on, Option 2 will include purchase of the lots. This component will support the development costs of the land (including but not limited to infrastructure, grading, and land preparation). For house and lot purchases, the sales price must not exceed HUD's existing homes HOME purchase price limits.

Eligible Applicants: Potential homebuyers displaced by the storms and can show they are mortgage ready with incomes of up to 80% of AMI will be prioritized. No less than 80% of the funding will be reserved for those applicants at or below 80% AMI.

Prioritization Criteria: The elderly and the disabled as described in the HOME policies and procedures are prioritized over non-elderly and non-disabled applicants. However, eligible applicants that are mortgage ready will also be prioritized on a first come, first serve basis over the elderly or disabled applicants who are not mortgage ready.

Maximum Award: Awards may be up to $250,000 per home including the infrastructure and construction of homes for first-time home buyers.

Circumstances where additional costs may be incurred will be reviewed against cost reasonableness guidelines.

2.14 Level and Terms of Assistance

Option 1: Turn Key Solution **$20,000,000** (per project site). Two project sites are proposed.

- The per household cap to construct homes and underlying infrastructure is $250,000.
- The sales price of the home will be established based on the most current 95% of the area median purchase price for single family housing (existing or new homes), as determined by HUD.

Option 2: Have a Lot, Build a Home Solution **$21,120,667.**

- The per house cap to construct homes and underlying infrastructure is $250,000.

2.15 Eligible Properties

Under the initial phase of Option, I Turn Key Development, development will occur on undeveloped land owned or to be acquired by NMHC, public lands, or designated homestead lots.

Under Option I, properties eligible for acquisition must meet the following criteria:

- Must be located on Saipan, Tinian, or Rota.
- Must have no substantial adverse environmental factors as determined by an environmental review (e.g., not in a floodplain, wetland, nesting area of endangered species, etc.).
- Must be suitable locations for marketing and resale of homes to income-qualified homebuyers. Positive factors to be considered but not limited are low crime rates, close to neighborhood schools, grocery shops, and a substantial percentage of homeowners in the immediate vicinity and recent sales to owner-occupants.
- Must be acquired with a valid deed free and clear of all encumbrances.
- Preferably be close to infrastructure to maximize funding on the actual building of the homes.

For Option 2 Have a Lot, Build a Home, properties owned by the homebuyer and proposed for the program must meet the following eligibility criteria:

- Must be owned by the program applicant, with clear title verified by title search.
- Must have no substantial adverse environmental factors as determined by an environmental review.
- Preferably be suitable locations for marketing and resale of homes to income-qualified homebuyers. Positive factors to be considered but not limited are low crime rates, close to neighborhood schools, grocery shops, and a substantial percentage of homeowners in the immediate vicinity and recent sales to owner-occupants.

2.16 First-Time Homebuyer Applicant Eligibility Criteria and Prioritization

Homebuyer applicants for both Options must meet the following eligibility criteria:

- Must be a first-time homebuyer.
- Must meet established income requirements.
- Must be a resident of the CNMI for three years prior to applying for assistance. Priority given to those who have been displaced by the typhoons.
- Must be pre-qualified for a mortgage loan based on nationally accepted underwriting standards of conventional mortgages.
- Must attend NMHC's Homebuyer's Education Program and earn a Certificate of Completion.
- Must occupy the property as their primary residence.

Prioritization Criteria

The program will prioritize eligible elderly and/or disabled applicants. The Program will prioritize pre-qualified applicants with incomes at or below 80% AMI for new housing construction and then those who are at or below 120% AMI if the elderly and/or disabled applicants are not mortgage ready. Not less than 80% of the funding allocation is for at or below 80% AMI applicants and not more than 20%

of the funding is for 80.1% - 120% AMI applicants.

Applicants for Option 2 will be prioritized based on a review of each individual project for project viability.

2.17 Application Period

The Program will have an open application period lasting 90 days (including extensions) per applicant. Outreach activities will be conducted by NMHC to ensure that the public is aware of the Program. Special outreach efforts will be made to residents that are currently in the NMHC's existing HOME program waiting list provided they meet the eligibility and prioritization criteria mentioned above and all HOME funds have been exhausted.

APPENDICES

Cross-Cutting Requirements

Homebuyer Application Checklist

APPENDIX A.1: Crosscutting Requirements

1.1 Crosscutting Requirements

1.2 Fair Housing

The Fair Housing Act requires all grantees, subrecipients, and/or developers funded in whole or in part with HUD financial assistance to certify that no person was excluded from participation in, denied the benefit of, or subjected to discrimination in any housing program or activity because of their age, race, color, creed, religion, familial status, national origin, sexual orientation, military status, sex, disability or marital status. The Program complies with and enforces the Civil Rights requirements of Title I of the Housing and Community Development Act (HCDA) and the Fair Housing Law.

Projects must also assess how planning decisions may affect members of protected classes, racially and ethnically concentrated areas, as well as concentrated areas of poverty; will promote the availability of affordable housing in low-poverty, non-minority areas where appropriate; and will respond to natural hazard-related impacts. Program staff will use demographic, geographic, and social vulnerability analyses to determine any positive or negative impacts to protected classes. Should a project present negative impacts, project scope or design will be re-assessed to mitigate such impacts.

1.3 Environmental Review

Early environmental coordination must be completed to ensure effective implementation of all CDBG-DR Programs. CDBG-DR funding is contingent upon compliance with both local and federal environmental regulations. This includes compliance with NEPA and related environmental and historic preservation legislation and executive orders. In general, NMHC serves as the lead agency for purposes of NEPA.

HUD's Environmental Review process allows grantees to serve as the "Responsible Entity" to assume environmental review responsibilities under NEPA. As the grantee, NMHC serves as the Responsible Entity (through authorization from the Governor) as it relates to environmental review responsibilities under NEPA. Within NMHC, Environmental Review Staff will be responsible for performing environmental reviews and compiling the Environmental Review Records (ERR). Reviews are conducted either directly or using qualified environmental service contractors. NMHC's Corporate Director, as the Certifying Officer, is ultimately responsible with certifying that NMHC's environmental reviews follow NEPA and HUD environmental regulations.

Federal Register Notice FR-6182-N-01 authorizes recipients of CDBG-DR funds under the Appropriations Act to adopt any environmental review, approval, or permit performed by a Federal agency for the same project to satisfy responsibilities with respect to environmental review, approval, or permit. NMHC will notify HUD in writing of its decision to adopt another agency's environmental review. NMHC will also retain a copy of the review in its environmental records. Further information concerning the environmental review process is set forth in the Environmental Policies and Procedures.

1.4 Labor Standards

The Davis-Bacon and Related Acts (DBRA) applies to all federally-funded or assisted construction

contracts in excess of $2,000. This may apply to projects that are fully or partially funded with CDBG-DR, including FEMA or FHWA match programs. In matched projects, only the scope of the CDBG-DR portion of the project are subject to crosscutting requirements. DBRA requires all workers employed by contractors or subcontractors on CDBG-DR programs, be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with DBRA, as amended. DBRA also requires that workers on federally-assisted projects are paid not less than weekly.

Wage information for labor under CDBG-DR programs will be tracked in detail by both NMHC and relevant Implementing Partners and subrecipients throughout the life of the Program. Compliance for this requirement may be tracked in the following ways:

1. Additional NMHC Program staff hired to track wages and verify contractor and agency compliance
2. External contractor hired by NMHC to track DBRA compliance
3. Enhanced TA provided to Implementing Partners to track DBRA compliance

Procedures for this process are currently under development and will be incorporated in a future update to this document.

For prime contracts in excess of $100,000, contractors and subcontractors must also, under the provisions of the Contract Work Hours and Safety Standards Act, as amended, pay laborers and mechanics, including guards and watchmen, at least one and one-half times their regular pay for all hours worked over 40 in a work week. Additionally, NMHC must follow the reporting requirements per HUD and U.S. Department of Labor (DOL) regulations. This requirement also extends to NMHC subrecipients, Implementing Partners, and contractors.

The Fair Labor Standards Act of 1938 (FLSA), as amended, establishes the basic minimum wage levels for all work and requires the payment of overtime at the rate of at least one and one-half times the basic hourly rate of pay for hours worked in excess of 40 per week. These labor standards are applicable to the entire construction contract whether or not CDBG-DR funds finance only a portion of the project.

1.5 Limited English Proficiency

Federal Executive Order 13166 requires NMHC and all satellite offices, programs, subrecipients, contractors, subcontractors, and/or developers funded whole or in part with CDBG-DR financial assistance to ensure fair and meaningful access to programs and services for families and individuals with Limited English Proficiency (LEP) and/or deaf/hard of hearing.
Compliance with this requirement is detailed in NMHC's Language Action Plan (LAP) and will be coordinated and tracked by the Monitoring and Compliance division at NMHC. Depending on the program, NMHC, Implementing Partners, sub-recipients, and subcontractors will share the following expectations to comply with this Executive Order:

1. Document Translation: All documents defined as "vital documents" will be translated into Chamorro or Carolinian by NMHC, Implementing Partners, and sub-recipients. A "vital document" is defined as a document that includes information regarding eligibility requirements, applications and instructions, program eligibility determinations, and appeals procedures. NMHC may aid to ensure this requirement is met.
2. Where required, seek feedback from the community the project serves (advocacy groups serve

vital role).

Language maps provided in the Language Action Plan will be used to determine the project's location and subsequent language context and if proactive LEP outreach will be required. These maps will be included as part of the Project Assessment Form used by NMHC to review the eligibility, priority level, and impacts of a potential project.

1.6 Minority and/or Women-Owned Business Enterprises

The Federal Executive Order 12432 guidelines require selected federal agencies to promote and increase the utilization of Minority-Owned and Women-Owned Business Enterprises (M/WBEs). Following procurement guidelines under 2 CFR 200.321, NMHC must make efforts to ensure that all subrecipients, contractors, subcontractors, and/or developers funded in whole or in part with HUD CDBG-DR financial assistance encourage participation in contracts and other economic opportunities by small and minority firms, women-owned business enterprises (WBEs), and labor surplus area firms whenever possible. NMHC will accept a M/WBE certification from another state, local or regional, DPW, SBA HUB Zone, SBA 8-A certification (economically disadvantaged and 51% locally-owned), and other eligible certification processes. Documentation and goals regarding M/WBE percentages and reporting will be determined in the contracting agreements.

1.7 Section 3 Economic Opportunities

Section 3 is triggered when the award of CDBG-DR funds for new construction and rehabilitation projects creates the need for new employment, contracting, or training opportunities.

Section 3 of the Housing and Urban Development Act of 1968 is to "ensure that employment and other economic opportunities generated by certain U.S. Department of Housing and Urban Development (HUD) financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed to low and very low income individuals, especially recipients of government assistance for housing and to businesses which provide economic opportunities to low and very low income individuals."

The Section 3 program requires that recipients of HUD CDBG-DR funds, to the greatest extent feasible, provide (a) employment and training, and (b) contracting opportunities for low- or very- low income residents in connection with construction projects in their neighborhoods.

It also specifically encourages economic opportunities for households who are recipients of government assistance for housing. NMHC and all administering entities will follow and require relevant contractors to follow Section 3 requirements in contracting.

Section 3 applies to the CNMI, as recipient of HUD funding, as well as to subrecipients or Implementing Partners/Sub-recipients receiving HUD funding exceeding $200,000. Whenever any portion of HUD funding is invested into projects involving housing construction, demolition or rehabilitation, commercial/private improvements for economic development, or other public construction (e.g., roads, sewers, community centers, and public facilities), the requirements of Section 3 apply.

In conjunction with construction activity, Section 3 applies to projects that are fully or partially funded

with CDBG-DR assistance, including projects that are financed in conjunction with CNMI, local, or private matching or leveraged funds, provided that the Section 3 monetary threshold requirements are met. In particular:

- In conjunction with construction activities, Section 3 applies to contractors or subcontractors that receive contracts more than $100,000 for Section 3-covered projects/activities. Once it is determined that Section 3 applies to a project, the requirements apply to all contracts for construction work arising in connection with that project exceeding $100,000, including those not funded with CDBG-DR assistance. Contractors or subcontractors are required to comply with the Section 3 regulations in the same manner as the CNMI; and

- "Section 3-covered contract" includes professional service contracts, provided that the work to be performed is generated by the expenditure of funds in furtherance of Section 3 covered work (e.g., housing construction, housing rehabilitation, and other public construction), arising relating to construction projects. Professional service contracts that may constitute Section 3-covered contracts include construction contract oversight, engineering, architectural, environmental and property evaluation, construction progress and draw inspections, and prevailing wage labor compliance.

The regulations pertain to new hires required to complete Section 3-covered projects and activities. If the expenditure of funding for an otherwise covered project and activity does not result in new employment, contracting, or training opportunities, Section 3 reporting will still be required.

When NMHC awards CDBG-DR funds to other governmental departments, nonprofit organizations, subrecipients or other funded entities, NMHC will require they document how reasonable attempts were made to reach numerical goals set forth at 24 CFR Part 135.30. NMHC will inform its Implementing Partners and other funded entities of the requirements of Section 3, including the language required to be inserted into all construction-related contracts, assist them and their contractors with achieving compliance, and monitor their performance with respect to the Section 3 objectives and requirements.

Implementing Partners/Sub-recipients will receive training on this requirement and methods of compliance, technical assistance from Program staff, and continual monitoring from NMHC. Currently, a Section 3 Plan is under development, the details of which will be included in an update to this manual.

1.8 System for Award Management (SAMs)

SAM is the federal System for Award Management and is a requirement for doing business with the U.S. government. All vendors are required to register in SAM in order to be awarded contracts under the CDBG-DR program. Vendors are required to complete a one-time registration to provide basic information relevant to procurement and financial transactions. Vendors must update or renew their registration annually to maintain an active status.

1.9 Uniform Relocation and Real Property Acquisition Act (49 CFR 24)

The Uniform Relocation Assistance and Real Property Acquisition Act (URA), is a federal law that establishes minimum standards for federally funded programs and projects that require the acquisition of real property (real estate) or displace persons from their homes, businesses, or farms. The URA's protections and assistance apply to the acquisition, rehabilitation, or demolition of real property for

federal or federally funded projects. The phrase "program or project" is defined in 49 CFR Part 24 as, "any activity or series of activities undertaken by a federal agency or with federal financial assistance received or anticipated in any phase of an undertaking in accordance with the federal funding agency guidelines."

The objectives of the URA are:

- To provide uniform, fair and equitable treatment of persons whose real property is acquired or who are displaced in connection with federally funded projects;
- To ensure relocation assistance is provided to displaced persons to lessen the emotional and financial impact of displacement;
- To ensure that no individual or family is displaced unless decent, safe, and sanitary (DSS) housing is available within the displaced person's financial means;
- To help improve the housing conditions of displaced persons living in substandard housing; and,
- To encourage and expedite acquisition by agreement and without coercion.

49 CFR 24.101(c)(1) provides that the subpart B requirements also apply to the acquisition of permanent and/or temporary easements necessary for the project. However, 49 CFR 24.101(c)(2) provides an exception for the acquisition of temporary easements which exclusively benefit the property owner.

APPEXDIX A.2: Homebuyer Application Checklist

NORTHERN MARIANAS HOUSING CORPORATION
P.O. BOX 500514, Saipan, MP 96950-0514

Counseling Session Time Tracking:
Start Time:
End Time:
Total hrs/mins:

Homebuyer Application Checklist

Tel. (670) 234-6866
234-9447
234-7689
234-7670
Fax: (670) 234-9021

Client (s) Name _____ & _____ Date _____

In order to complete your application for assistance, we need the following items as checked below:

- ☐ Eligibility Release Form (each adult member of the household must sign, date & initial)
- ☐ Use of Funds Certification (both Applicant and Co-Applicant must sign)
- ☐ Disability Eligibility Verification (Doctor/Physician must complete this Form)
- ☐ Verification of Employment (employee's employer must complete this Form)
- ☐ Statement of Unemployment (each adult member of the household who's unemployed must complete this Form)
- ☐ Social Security - Consent to Release Information (Must be completed for each household member)
- ☐ Check Stubs (six most current)
- ☐ 1040 Tax Form previous two years (2018 & 2019)
- ☐ Tax & Revenue - Certification of Compliance (for both Applicant and Co-Applicant)
- ☐ Loan Payment Record(s), If any
- ☐ Verification of Deposit(s), If any
- ☐ Checking account statement (six most current statements)
- ☐ Savings account statement (most current statement)
- ☐ Assets - Retirement 401 (a)(k), Supplemental Life etc. (most recent statement with cash value)
- ☐ Divorce Decree, Judgment(s) etc.. If applicable
- ☐ Certification of Title, Deed, or Residential Homestead Permit, etc.
- ☐ Property Map
- ☐ Photo I.D.- Driver's Licenses, MOS, Passport (for applicants only) and Birth Certificate (for each member of the household)
- ☐ Documentations for any federal assistance such as WIC, MEDICAID, MEDICARE, LIHEAP, NAP, CHILDCARE ASSISTANCE, etc.
- ☐ Utility bill (most current)
- ☐ If a bankruptcy has been filed, a copy of your discharge letter (we cannot proceed without the letter)
- ☐ Affidavit of Construction
- ☐ Uniform Residential Loan Application

Due to the fact that many families are in the same position as you, and the high demand for our services we ask that you notify us One (1) day prior to your appointment if you are unable to attend. If you are unable to bring ALL the necessary photocopied documents to your appointment, your eligibility assistance may be delayed.

Please read carefully:
As head of household I declare that members of my household have no ownership, in full or part, of any assets other than those identified above, the value of which have been disclosed. Please sign below:

BORROWER _____ CO-BORROWER _____

LOAN SPECIALIST _____

"NMHC is a fair housing agency and an equal opportunity, lender and employer"

Rota Field Office: Tel: (670) 532-9410
Fax: (670) 532-9441

Tinian Field Office: Tel: (670) 433-9213
Fax: (670) 433-3690

SUBCHAPTER 100-100.3
CDBG-DR POLICIES AND PROCEDURES FOR HOMEBUYER ACTIVITIES ACTIVITES

Part 001 - General Provisions

§ 100-100.3-001 Introduction
§ 100-100.3-005 Public Announcement

Part 100 - Application

§ 100-100.3-101 Formal Application
§ 100-100.3-105 Supplemental Information

Part 200 - Eligibility

§ 100-100.3-201 Eligibility Requirements

Part 300 - Affordability Restrictions

§ 100-100.3-301 Long Term Affordability
§ 100-100.3-305 Right of First Refusal
§ 100-100.3-310 Resale
§ 100-100.3-315 Recapture

Part 400 - Homebuyer Costs

§ 100-100.3-401 Eligible Costs

Part 500 - Notification to Applicants

§ 100-100.3-501 Notification of Eligibility or Ineligibility

Part 600 - Loan Processing

§ 100-100.3-601 Selection
§ 100-100.3-605 Administration; Approval; Appeals Process

Part 700 - Terms and Conditions of Loan

§ 100-100.3-701 Maximum Homebuyer Program Loan Amount
§ 100-100.3-705 Minimum and Maximum CDBG-DR Homebuyer Programs Loan/Deferred Loan Amount
§ 100-100.3-710 Non-Interest-Bearing Loans
§ 100-100.3-715 Deferred Loans: Forgivable or Repayable
§ 100-100.3-720 Interest Subsidies
§ 100-100.3-725 Loan Guarantees
§ 100-100.3-730 Repayment Period
§ 100-100.3-735 After-Construction Property Value, After-Rehabilitation Property Value, or Property Value at Initial Purchase (if Acquisition Only)
§ 100-100.3-740 Security
§ 100-100.3-745 Late Charge
§ 100-100.3-750 Prepayment of Loan

Part 800 - Distressed Homebuyer(s)

§ 100-100.3-801 Distressed Homebuyer(s)

Part 900 - Assistance

§ 100-100.3-901 Types of Assistance

Part 1000 -Mitigation to Foreclosure

§ 100-100.3-1001 Items Needed to Cancel Foreclosure and Reinstate Account

Part 1100 - Performing New Construction Work

§ 100-100.3-1101 Performing New Construction Work

Part 1200 - Homebuyer Underwriting

§ 100-100.3-1201 Guidelines and Referenced Sections
§ 100-100.3-1205 Subsidy Layering
§ 100-100.3-1210 Acronyms Reference Section

APPENDIX A.1: Crosscutting Requirements

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1.2 Fair Housing

1.3 Environmental Review
1.4 Labor Standards
1.5 Limited English Proficiency
1.6 Minority and/or Women-Owned Business Enterprises
1.7 Section 3 Economic Opportunities
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1.9 Uniform Relocation and Real Property Acquisition Act (49 CFR 24)

APPENDIX A.2: HOMEBUYER APPLICATION CHECKLIST

Part 001 - General Provisions

§ 100-100.3-001 Introduction

(a) As a result of the 2018 storms, namely Typhoon Mangkhut and Super Typhoon Yutu, the Commonwealth of the Northern Mariana Islands (CNMI) received an allocation of Community Development Block Grant Disaster Recovery (CDBG-DR) funds which will be administered by the Northern Marianas Housing Corporation (NMHC). NMHC has developed the Homebuyer Program patterned after HUD's HOME program to cover the eligible costs to construct a new home, acquire a home, or to acquire and renovate a home. The governor of the CNMI has placed housing as the highest recovery priority. The total allocation amount under this Program is $41,120,667.

(b) Funds will be made available for eligible projects and to eligible beneficiaries through the following forms of financial assistance or subsidy:

(1) Interest bearing loans (not applicable at this time);
(2) Non-interest-bearing loans;
(3) No-interest subsidies
(4) Forgivable Deferred loans

(c) Due to the limited availability of CDBG-DR funds allocated to the Commonwealth of the Northern Mariana Islands (CNMI) from the U.S. Department of Housing and Urban Development (HUD), financial assistance will be limited to qualified extremely low, very low-, low-, and moderate-income homebuyers. No less than eighty percent (80%) of CDBG-DR funds will be used to assist families with income levels at or below 80 percent of the area median income while the remaining twenty percent (20%) of the funds will be used to assist families with income levels at or below 120 percent of the area median income. These families' income eligibility is based on their annual income. Annual income for this purpose is the gross amount of income anticipated by all adults in a family during the 12 months following the effective date of the determination. The determination of income and allowances as a criterion to qualify these homebuyers shall be guided by 24 CFR Part 5 (Part 5 annual income).

(d) NMHC, on behalf of the CNMI, has been tasked with the responsibility and administration of the CDBG-DR Homebuyer Program. In the interim, NMHC's Mortgage and Credit Division (MCD) will be assisting in the day-to-day administration of the program. Support services will also be provided by NMHC's Fiscal Division (FD) with respect to CDBG-DR related disbursement of funds and collection of payments, accounting, and maintenance of financial records. NMHC's AMD Property Manager will provide technical assistance and work with the CDBG-DR Project Manager, in-house engineer/architect, and hired A&E firms with respect to reasonableness of cost estimates, dwelling unit inspections, and other related matters. Overall, the NMHC Corporate Director will assume ultimate

responsibility for the efficient and proper administration of the CDBG-DR Homebuyer Program in accordance with federal and local statutory and regulatory requirements.

(e) With these policies and procedures, NMHC will strive to accomplish the following objectives:

(1) Provide for the efficient and effective administration of the CDBG-DR Program wherein eligible beneficiaries can avail the financial assistance provided for the construction of their principal residence, acquisition of their principal residence, or acquisition and repair of their principal residence;

(2) Foster positive working relationships among NMHC, homebuyers assisted with CDBG-DR monies, and Minority and Women-Owned Businesses (MBE/WBE); as well as, prospective developers;

(3) Enforce the 2018 International Building Code (IBC) enacted by law and any updates approved by regulations by the CNMI Department of Public Works; and HUD-prescribed residential building standards; and

(4) Preserve and improve the general housing stock of the CNMI.

(f) These policies and procedures shall govern; however, in situations in which these policies and procedures are silent, the HOME Program federal regulations shall apply followed by NMHC's general standard loans policies/procedures to address these situations in the administration of the CDBG-DR Homebuyer Program.

§ 100-100.3-005 Public Announcement

(a) Publicity.

(1) Upon notification from HUD of the approval of the grant agreement, NMHC shall publish such approval within thirty calendar days from the date of the approval. General information of the CDBG-DR Homebuyer Program shall be published in the print media of the widest local circulation and other suitable means available (social media, CDBG-DR website, etc). CDBG-DR Homebuyer Program information shall also be posted in public and private bulletin boards where announcements are commonly posted. Loan applications may be submitted on or after a specified date to be stated in the public notice.

(2) Note: When it is determined that CDBG-DR funds have been exhausted, the application intake may be closed until funding is once again available. Those applicants who did not submit their loan applications when funds were available

may do so once NMHC is notified by HUD of the availability of funds and after such notice is published.

(b) Contents. Program announcements shall inform interested applicants on how and where they may obtain an application and additional information on the type of CDBG-DR Homebuyer Program activity being administered in the CNMI. Such announcements shall further contain the following information:

(1) Brief overview of the Homebuyer program;

(2) General list of eligible activities available;

(3) Amount of funds available;

(4) General eligibility requirements to qualify for financial assistance;

(5) Homebuyer selection process;

(6) Fair Housing logo and Equal Opportunity language;

(7) Opening date for acceptance of applications;

(c) Affirmative Marketing. To ensure that all persons are effectively and adequately informed about the CDBG-DR Homebuyer Program and the availability of funds, brochures or program information notices shall be provided and distributed or posted in the following locations and shall contain the information described in subsection (b). Brochures and/or program information notices shall be made available at the following public and private areas:

(1) U.S. Post Offices;
(2) Major shopping centers;
(3) Public health centers;
(4) Places of worship;
(5) Government office buildings;
(6) The Nutrition Assistance Program (Food Stamp) office(s); and
(7) U.S. Social Security Administration office(s).

Part 100 - Application

§ 100-100.3-101 Formal Application

Upon initial determination of eligibility after completion of the pre-qualification process, applicants may obtain a Uniform Residential Loan Application form along with a checklist of required documents in order to complete the application submission. Such application form shall

be in accordance with loan applications widely used by financial lending institutions. Those applicants who are initially determined eligible shall be notified to provide additional documents to further process their applications. Proper completion of the formal application and submission of supplemental information shall be in accordance with CDBG-DR Homebuyer Program and NMHC loan processing procedures. Loan applications shall be completed and signed by applicant(s) requesting assistance and such signature(s) shall certify to the truth of all statements contained therein.

§ 100-100.3-105 Supplemental Information

(a) Completed applications shall be submitted together with the following supporting information which shall be used solely for the purpose of determining applicant eligibility for financial assistance:

(1) Prior year's income tax return and/or W-2 Tax Form;

(2) Recent check stubs for the past two months prior to applying for CDBG-DR program financial assistance of all household members that are 18 years old or older;

(3) Other forms of documentation of income (i.e., Social Security payments, SSI, retirement income, etc.), if any;

(4) Proof of land ownership or lease agreement for principal residence;

(5) Property map for principal residence;

(6) Preliminary Title Report (PTR) showing clear title to property;

(7) Savings and checking account(s) information, if any; and

(8) Private life insurance policies, if any.

(b) A checklist of the above-described supplemental information shall be provided with each formal application obtained. Additional information may be requested if deemed necessary by NMHC to ensure the eligibility of each applicant. NMHC must complete the Borrower's income eligibility within six months before the homebuyer(s) acquires the property.

(c) To substantiate eligibility, supplemental information submitted with each loan application shall be verified in writing, from a reliable third party and such verification shall be considered valid for a period of one hundred eighty calendar days from the date the verification was completed. Prior to verifying any applicant information, NMHC shall obtain written authorization from the applicants.

(d) If a written third party verification is not used, notarized statements or signed affidavits by the applicants shall be an acceptable form of verification, but only in situations where a more acceptable form of verification cannot be obtained.

Part 200 - Eligibility

§ 100-100.3-201 Eligibility Requirements

(a) Must be a U.S. Citizen or green card holder.

(b) Must be a first-time homebuyer. A **first-time homebuyer** is an individual who has had no ownership in a principal residence during the 3-year period ending on the date of purchase of the property or new home construction completion. This includes a spouse (if either meets the above test, they are considered **first-time homebuyers)**.

(c) Must be a resident of the CNMI for at least three (3) years.

(d) Household Income.

(1) Homebuyer(s) must qualify as a low-income household as defined in the HOME program. Income eligibility is determined based on annual income. Combined anticipated gross household income of adults 18 years old or older, must not exceed 80% of the median income for the area (adjusted for family size), as prescribed by HUD (see § 100-100.3201(a)(2)). However, household income of adults 18 years old or older exceeding 80% of the median income for the area but not greater than 120% will also be eligible for assistance.

(2) NMHC shall use HUD's Section 8 of Part 5 Technical Guidelines as the basis in calculating annual gross household income. NMHC will verify their income using at least two months of source documentation such as wage statements, interest statements, and SSI documents to determine if program applicants are income-eligible.

(3) CDBG-DR Homebuyer Program Underwriting Guidelines and Subsidy Layering is further outlined herein under Part 1200, § 100-100.3-1201

(e) Determination of Repayment Ability

(1) NMHC shall use **forty-five percent** (45%) (or most current ratio) of the gross monthly income of both applicant and co-applicant (homebuyers) combined, to determine the amount of available debt-service or repayment ability. Any remaining debt-service or repayment ability after existing monthly obligations (long- and short-term combined) is/are subtracted from the total available debt-service (not to exceed **thirty-five percent (35%)** of gross monthly income for loan

mortgage payment), shall be used to determine if homebuyers/applicants can afford to repay the entire loan amount needed.

(2) On a case-by-case basis, NMHC may provide an exception to exceed the **45%** debt-to-income ratio, but not more than **55%**, upon NMHC's determination that the applicant(s) can meet repayment responsibilities. This provision is also applicable in determining and providing financial hardship assistance.

(f) Property Ownership. Interested applicants must provide proof of ownership such as fee simple title to the property. Ownership also includes leases of 40 years or more provided that the applicant must have at least a minimum of thirty (30) years leasehold interest remaining on the property to be improved, or ownership of a condominium.

(g) Principal Residence and Annual Recertification.

(1) Homebuyers/Applicants approved to receive financial assistance must occupy the property as their principal/primary residence immediately upon completion of all CDBG-DR Homebuyer funded activities. An annual recertification for principal residency notice and form shall be sent to homebuyers/borrowers to complete, sign, and submit to NMHC in order to confirm and have on file that they are continually occupying the mortgaged property and housing. The following stipulations apply for a principal residence:

(i) A deed restriction or covenant running with the land shall incorporate this requirement;

(ii) The loan documents between the homeowner and NMHC shall also incorporate this requirement;

(iii) Temporary subleases are not allowed.

(2) Annual recertifications shall be required for all CDBG-DR homebuyer-assisted borrowers. This is conducted in order for homeowners to maintain compliance with the affordability restrictions.

(3) Annual recertifications through field visits may be conducted if the required completed form has not been provided, or if the account status is pending probate, or the account has been accelerated to the collection attorney for foreclosure proceedings. The Loan Specialist shall verify the borrower(s) principal residence and, as necessary, to take photos and document the status of the residential unit.

(h) Loan Cancellation. NMHC reserves the right to cancel any loan if in its opinion the homebuyer(s)/applicant(s) have not substantially complied with all the terms and conditions herein.

Part 300 - Affordability Restrictions

§ 100-100.3-301 Long Term Affordability

(a) HOME rules require that assisted properties remain affordable for a specific period of time, depending on the level of HOME funds invested in the property and the nature of the activity funded. The CDBG-DR Homebuyer program will abide by these rules.

(b) For interest bearing loans, non-interest bearing loans, and repayable deferred loans, the affordability schedule is as follows;

CDBG-DR Funds Invested per Unit	Minimum Length of the Affordability Period
Less than $15,000	5 years
$15,000-$40,000	10 years
More than $40,000	15 years

(c) For forgivable deferred loans, which are CDBG-DR-funded loans that fall within the 35% loan payment ratio or payment-to-income (PTI) ratio, the affordability schedule is as follows:

CDBG-DR Funds Invested per Unit	Minimum Length of the Affordability Period
Less than $15,000	10 years
$15,000-$30,000	15 years
More than $30,000 to Maximum Loan Limit	20 years

(d) Additional subsidies used to supplement excess costs associated with the construction, purchase, or the acquisition and repair of a principal residence and exceeds the 35% loan payment ratio, shall incur additional years/time to the affordability period as indicated by the following schedule:

Supplemental HOME Subsidies	**Additional Years Added to the Affordability Period**
$1.00 - $50,000	**5 years**
More than $50,000	**10 years**

(e) The affordability requirements are to be imposed by deed restrictions, covenants running with the land, or other mechanisms approved by HUD, except that the affordability restrictions may terminate upon transfer in lieu of foreclosure. NMHC may use its right of first refusal, as set forth in the loan documents, to purchase the housing before the transfer in lieu of foreclosure to preserve affordability.

(f) The affordability restrictions shall be revived according to the original terms if, during the original affordability period, the owner of record before the termination event, or any entity that includes the former owner or those whom, the former owner has or had family or business ties, obtains an ownership interest in the project or property. If a home purchased with CDBG-DR assistance is sold during the affordability period, recapture provisions apply to ensure the continued provision of affordable homeownership. Loan payoffs do not end the affordability period.

§ 100-100.3-305 Right of First Refusal

During the affordability period, the homeowner(s) agrees not to sell or assign the residence hereby built or purchased to any persons or persons unless and until homeowner(s) proposes to sell same to NMHC, its successors or assigns, on terms consistent with preserving affordability and allows then sixty (60) days time within which to purchase said residence.

§ 100-100.3-310 Resale

[Reserved]

§ 100-100.3-315 Recapture

(a) Recapture. NMHC will ensure that it recoups all or a portion of the CDBG-DR loan assistance provided to the homebuyer(s), if the housing unit ceases to be the principal residence of the homebuyer(s) for the duration of the period of affordability. All subsidy amounts (in the form of loans) that directly benefited the property owner (i.e., through down payment and/or closing cost assistance, deferred payment loans, interest rate buydowns, property discount, etc.) are also subject to recapture. Recapture is capped at what is available out of net proceeds for agreements after November 2004. Net proceeds are defined as the sales price less superior non CDBG-DR debt (if any) less closing costs. NMHC will utilize the following recapture options:

(1) Recapture entire amount. NMHC may recapture the entire amount of the loan and/or subsidy from the homebuyer(s) if the sale of the property occurs within halfway into the given affordability period. For example, a homebuyer was approved for a $50,000 CDBG-DR loan to construct a home. The affordability period is therefore, fifteen years. On the seventh year, the borrower sells the house for $60,000. Since the borrower failed to comply with the minimum seven and one half (7 ½) years of the fifteen-year affordability period, the recaptured amount is $50,000.

(2) Forgiveness. NMHC may reduce the loan amount and/or subsidy to be recaptured on a pro rata basis for the period the homebuyer(s) has/have owned and occupied the housing unit measured against the required affordability period; however, homebuyer(s) must occupy the housing unit at a minimum of ten years or at least halfway into the affordability period, whichever is greater, in order to qualify for

this recapture option. For example, if the CDBG-DR subsidy is $60,000 with 15-year affordability and the owner sells the property in the 12th year of ownership the recapture amount will equal $12,000. ($60,000/15 years affordability period x 3 years remaining = $12,000 recapture.)

(3) Buyer's recovery of initial investment. The homebuyer(s) investment (down payment and capital improvements made by the owner since purchase) may be repaid in full before any CDBG-DR funds are recaptured, provided that the homebuyer(s) occupied the housing unit at a minimum of ten years before the sale of the property and the homebuyer's household income level is at or below 50% of the area median income in order to qualify for this recapture option.

(4) Shared appreciation. In the case where net proceeds exceed the amount necessary to repay both the homebuyer(s)' investment and the CDBG-DR assistance, the excess proceeds may be shared proportionately (i.e., percentage of investment provided) by both parties.

(b) When the recapture requirement is triggered due to a voluntary or involuntary sale during the period of affordability and there are no net proceeds or the net proceeds are insufficient to repay the HOME investment due, NMHC may recapture an amount less than or equal to the net proceeds available.

(c) Circumstances Under Which Recapture Will Apply. Recapture restrictions must be used in cases where interest bearing loans or advances, non-interest bearing loans or advances, deferred loans (repayable), interest subsidies, or loan guarantees were provided to the homebuyer(s) in order to subsidize the purchase of the property to cover the down payment or closing costs.

(d) Legal Instrument to Enforce Recapture. NMHC must use deed restrictions, land covenants, or other similar legal documents to enforce these recapture restrictions.

Part 400 - Homebuyer Costs

§ 100-100.3-401 Eligible Costs

(a) Hard costs include:
(1) Acquisition of land and existing structures;
(2) Site preparation or improvement, including demolition;
(3) Securing buildings; and
(4) Construction materials and labor.

(b) Soft costs include:
(1) Credit reports;
(2) Title binders and insurance;
(3) Recordation fees;

(4) Legal & accounting fees;
(5) Appraisals;
(6) Architectural/engineering fees, including specifications and job progress inspections;
(7) Environmental investigations, which shall be addressed in the commitment letter as a condition before any Homebuyer activity is to be committed or funded;
(8) Builders' or developers' fees;
(9) Affirmative marketing and marketing costs where applicable and as indicated in NMHC's impending affirmative marketing plan; absent of this affirmative marketing plan, NMHC shall defer to its Section 8 Administrative Plan where applicable;
(10) Homebuyer counseling provided to purchasers of CDBG-DR-assisted housing;
(11) Management fees; and
(12) Direct project costs incurred by the PJ.

(c) Relocation costs include:
(1) Replacement housing, moving costs, and out-of-pocket expenses;
(2) Advisory services; and
(3) Staff and overhead related to relocation assistance and services.

(d) **Loan closing fees and related costs:**
NMHC shall charge $3,914.00 (more or less, depending on current costs) to the borrower(s) for certain loan closing fees and other related costs such as but not limited to the following:

a. $14.00 ---- Credit Report
b. $200.00 ---- Preliminary Title Report (PTR)
c. $600.00 ---- Appraisal Report
d. $150.00 ---- Recordation of Mortgage Documents
e. $1,050.00 ---- First Annual Premium for Hazard Insurance
f. $500.00 ---- Initial Utility Connection
g. $1,400.00 ---- Title Policy

$3,914.00 Total

Loan closing fees and associated hard and soft costs may be bundled into the total approved loan amount. In essence, a borrower who is approved for a $120,000 loan may use a portion of the loan to pay for the loan closing costs and soft costs. In this case, the $3,914.00 incurred closing costs shall be subtracted from the total approved loan of $120,000 and the resulting net amount of $116,086.00 shall then be used for the construction, purchase and/or rehabilitation of their principal residence.

CUC utility connection: Borrower(s) are responsible for ensuring that there are no outstanding issues with CUC and resolving any such issues. Any costs not related to initially connecting to CUC utilities are not loan closing fees and related costs and none of the approved loan amount will be used to resolve such issues.

(e) If the homebuyer(s) opt to have a private inspector perform unit inspection, the first/initial unit inspection fee may be covered by NMHC, subject to any conditions set by NMHC. Any cost associated with any subsequent inspection shall be the responsibility of the homebuyer client(s).

Part 500 - Notification to Applicants

§ 100-100.3-501 Notification of Eligibility or Ineligibility

(a) Eligible Applicants. NMHC shall send written notifications to all applicants determined eligible for financial assistance. Such notification shall be mailed no later than five working days after the determination, and shall contain a listing of additional information to be submitted for completion of loan file. Eligible applicant(s) shall be given thirty calendar days to submit the additional information requested. Applicant(s) that do not submit all pending information before the thirty (30) calendar day deadline, shall have their applications file placed in the inactive files. Extensions may be granted.

(b) Ineligible Homebuyers/Applicants. All ineligible applicants shall be notified in writing of their ineligibility. Such notification shall be mailed no later than five working days after the determination of ineligibility and shall include a description/reason of such determination.

Part 600 - Loan Processing

§ 100-100.3-601 Selection

(a) Financial assistance shall be based on available CDBG-DR Program funds and such assistance shall be awarded to eligible applicants on a first-come, first-serve basis. The application will have the date and time stamped when received; however, to be considered received, the application must be completely filled-out and the applicant has submitted all additional information requested by NMHC to perform an eligibility review.

(b) Potential homebuyers displaced by the storms and can show that they are mortgage ready (completed application form along with all necessary documents) and their incomes do not exceed 80% of AMI will be prioritized. No less than 80% of the funding will be reserved for those applicants at or below 80% AMI.

(c) The elderly and/or the disabled applicants who were displaced by the storms are prioritized over non-elderly and non-disabled applicants. However, eligible applicants that are mortgage ready will also be prioritized on a first come, first serve basis over the elderly and/or disabled applicants who are not mortgage ready.

(d) In the event that there are more applicants than available funds, NMHC shall establish and maintain an applicant waiting list. Applicants placed on the waiting list shall be assisted in the event that funds available are not entirely used up or committed by the homebuyers/applicants initially awarded financial assistance. Those applicants unable to be assisted with remaining funds shall be given first priority if and when additional funds are available.

§ 100-100.3-605 Administration; Approval; Appeals Process

(a) Program Administration.

(1) The CDBG-DR Housing Administrator with the assistance of NMHC's MCD Manager shall be responsible for the CDBG-DR Homebuyer program implementation and management of related asks. The CDBG-DR Housing Administrator shall supervise division staff in loan and grant origination, underwriting and closings under the CDBG-DR Homebuyer program. However, the duplication of benefits analysis must be conducted by the CDBG-DR Compliance Manager to determine net financial assistance to be provided to the homebuyer applicant.

(2) The CDBG-DR Housing Administrator and MCD Manager shall review each submitted application, ensure all supporting documentation is in place and make any necessary recommendations to the Corporate Director prior to the Corporate Director making the final decision on the loan or grant application.

(b) Loan Review and Approval

(1) Under the direction of the CDBG-DR Housing Administrator, a CDBG-DR Loan Supervisor and/or a Loan Specialist shall review and verify all applicants' credit, income, assets, liabilities, title reports, and any other requested reports and documentation. Upon completion of the review process, the Loan Specialist shall prepare a loan write-up containing his/her recommendations.

(2) In the interim, after the CDBG-DR Housing Administrator review, the MCD Manager shall review the loan write-up for concurrence before submitting the same to the Corporate Director for a final decision. Final approval or denial of any CDBG-DR loan or grant shall be made by the Corporate Director except as follows:

(i) If the Corporate Director is off-island or on extended leave at the time the loan or grant is submitted to him/her for a final decision, then the Deputy Corporate Director may make the final decision to approve or deny the HOME loan or grant; or

(ii) If the Corporate Director and Deputy Corporate Director are both simultaneously off-island or on extended leave at the time the loan or grant is submitted for a final decision, then the Acting Corporate Director may make the final decision to approve or deny the CDBG-DR loan or grant.

(3) For purpose of these policies, off-island or extended leave shall be defined as an absence or leave that extends for more than three working days after the loan or grant is submitted to the Corporate Director for his or her final decision.
(4) A written notice of the final decision shall be provided to the applicant.

(c) Loan Grant/Denial Appeals Process.

(1) Applicants denied assistance under the CDBG-DR Homebuyer program may appeal the final decision to the NMHC Board of Directors by submitting their appeal in writing to the Corporate Director within ten (10) working days of the written notice of the final decision.

(2) Any appeal submitted must indicate the basis for the appeal and include any supporting documents. Upon receipt of an appeal, the Corporate Director shall submit the same to the Board of Directors for review and action at the next scheduled Board meeting. A decision must be rendered within thirty (30) days from the date of receipt of the appeal letter.

Part 700 - Terms and Conditions of Loan

§ 100-100.3-701 Maximum Homebuyer Programs Loan Amount

(a) The amount of CDBG-DR Homebuyer loan funds that may be used for a new construction, purchase, or for an acquisition and repair shall be based on the borrower(s) ability to repay the loan as determined by the program underwriting standards, for which, not to exceed the debt-to-income (DTI) ratio of forty-five percent (45%); as well as, not to exceed the payment-to-income (PTI) ratio of thirty-five percent (35%) as per *Section 100-100.3-201 (b), Determination of Repayment Ability.*

Notwithstanding the borrower(s) ability to repay the loan, the maximum CDBG-DR assistance as per HOME regulations is capped at the HOME maximum per unit subsidy limit.

Moreover, the value of a CDBG-DR-assisted housing cannot exceed the most current 95% Area Median Sales Price Limits or the HOME maximum value limits for existing or new homes as published annually by HUD.

(b) For NMHC-owned properties, NMHC may sell the property directly to the CDBG-DR Homebuyer-approved applicant(s) but only after the property has been publicly auctioned at least once and resulted in an unsuccessful bid.

§ 100-100.3-705 Minimum and Maximum CDBG-DR Homebuyer Program Loan/Deferred Loan Amount

The minimum loan/deferred loan amount shall not be less than $1,000.00.

The maximum loan/deferred loan amount shall not exceed $250,000.00.
Provided that circumstances, where additional costs may be incurred, will be reviewed against cost reasonableness guidelines and to meet reasonable accommodations and accessibility requirements. However, the sales price must not exceed HUD's existing or new homes HOME purchase price limits (§ 92.254(a)(2)(iii)).

§ 100-100.3-710 Non-Interest Bearing Loans

These loans are zero percent interest loans. Repayment is expected on a regular basis, usually monthly, so that over a fixed period of time, all of the principal is repaid:

(a) If the applicant(s)' annual household income is between 80.01% and 120% of the HUD income Limits, 75% of the loan at zero percent interest (0%) shall apply throughout the term of the loan. If there are no missed payments during the affordability period, any remaining principal balance may be forgiven.

(b) If the applicant(s)' annual household income is between 50.01% and 80% of the HUD income Limits, 50% of the loan at zero percent interest (0%) shall apply throughout the term of the loan. If there are no missed payments during the affordability period, any remaining principal balance may be forgiven.

(c) If the applicant(s)' annual household income is between 30.01% and 50% of the HUD Income Limits, 25% of the loan at zero percent interest (0%) shall apply throughout the term of the loan. If there are no missed payments during the affordability period, any remaining principal balance may be forgiven.

§ 100-100.3-715 Deferred Loans: Forgivable or Repayable

(a) These loans are not fully amortized. Instead, some, or even all of the principal payments are deferred to some point in the future. Deferred payment loans can be forgivable or repayable.

(b) The forgiveness may be forgiven incrementally based on the affordability period. In order to qualify for deferred forgivable loans, the applicant(s)' annual household income must be at or below 30% of the HUD Income Limits. Priority in processing applications are given to homebuyer(s)/applicant(s) who are 62 years of age or older or, disabled and unable to be gainfully employed. A disabled family is a family whose head of household, spouse, or sole member is a person with a disability.

(c) Persons with a disability:

(1) Means a person who:

(iii) Has a disability, as defined in 42 U.S.C. § 423;

(iv) Is determined, pursuant to HUD regulations, to have a physical, mental, or emotional impairment that:

(a) Is expected to be of long-continued and indefinite duration;

(b) Substantially impedes his or her ability to live independently, and

(c) Is of such a nature that the ability to live independently could be improved by more suitable housing conditions; or

(v) Has a developmental disability as defined in 42 U.S.C. § 6001.

(2) Does not exclude persons who have the disease of acquired immunodeficiency syndrome or any conditions arising from the etiologic agent for acquired immunodeficiency syndrome; and

(3) Does not include a person whose disability is based solely on any drug or alcohol dependence.

(d) The applicant's physician must complete the Homebuyer/Homeowner Program Disability Eligibility Verification to certify the borrower's disability. As appropriate, NMHC shall require a court legal guardianship in cases where the physician certification indicates that the applicant is incapacitated or incompetent to enter into a legal and binding agreement such as a mortgage. The legal guardian shall be included as a co-borrower in the mortgage or the CDBG-DR-assistance that is provided.

Table 2

CDBG-DR Program Income Limits for the CNMI	Interest Rate	Type of Assistance
0% - 30%	0%	Deferred Loan†
30.01% - 50%	0%	75% Deferred Loan and 25% Non-Interest Bearing Loan
50.01% - 80%	0%	50% Deferred Loan and 50% Non-Interest Bearing Loan
80.01% - 120%	0%	25% Deferred Loan and 75% Non-Interest Bearing Loan

†—Priority given to qualified elderly or disabled household applicants.

(e) Full repayment will be required at the sale, transfer, or the property being no longer the principal residence less than halfway into the affordability period. The deferred loan will be structured to begin incremental forgiveness when the homebuyer is more than halfway into the affordability period.

(f) For example, a homebuyer acquires a CDBG-DR assisted property that has a HOME subsidy of $50,000. The affordability period is therefore 20 years. The homebuyer would have to live in the CDBG-DR assisted property for ten years before forgiveness will begin. Beginning with the 121st month of the affordability period, NMHC will forgive principal and interest for each month thereafter **on a pro-rata** basis that homebuyer principally resides in the CDBG-DR-assisted property.

§ 100-100.3-720 Interest Subsidies

[Reserved]

§ 100-100.3-725 Loan Guarantees

[Reserved]

§ 100-100.3-730 Repayment Period

The maximum repayment term shall not exceed 360 months or the affordability period, whichever is greater, unless the repayment term is amended or revised and approved by the Corporate Director to accommodate requests for relief from borrowers who have been determined not able to repay their obligations, with the amended or revised repayment terms not to exceed an additional 60 months.

§ 100-100.3-735 After-Construction Property Value, After-Rehabilitation Property Value, or Property Value at Initial Purchase (if Acquisition Only).

The projected after-construction value, **after-rehabilitation value, or property value at initial purchase (if acquisition only) of each homebuyer property to be assisted with CDBG-DR funds must not exceed the most current 95 percent of the area median purchase price for single family housing, as determined by HUD.** NMHC will request for a real estate appraisal from a licensed real estate appraiser, prior to loan closing to determine such value.

§ 100-100.3-740 Security

(a) To insure borrowed CDBG-DR funds, NMHC shall secure a mortgage on the property. The mortgage shall be maintained for no less than the term of each approved loan or the affordability period, whichever is greater.

(b) NMHC will execute a written agreement with the homebuyer that will specify the use of CDBG-DR funds, description of the project, roles and responsibilities, compliance with affordability period requirements, qualifications for affordable homeowner housing, monitoring, the purchase price, date by which housing must be acquired, address or legal description of the property, and duration of the agreement. Additionally, the purchase price, date by which housing must be acquired, address or legal description of the property must be indicated in the applicable written agreement.

(c) During the term of the loan, homebuyer shall also be required to maintain, at their expense, property insurance on the mortgaged property for fire, earthquake, typhoon, and flood damage (if applicable) covering the replacement value of all properties at a minimum equal to the loan amount. Financial hardships will be reviewed on a case-by-case basis.

(d) NMHC will require the homebuyer to execute and file for record a deed or deeds of restriction, land covenant or similar legal documents approved by HUD that will assure compliance with the principal residency and affordability period requirements and enforce CDBG-DR restrictions.

§ 100-100.3-745 Late Charge

For interest-bearing loans, a fixed one percent late installment charge of the missed monthly principal and interest (P & I) payment shall be assessed for every monthly payment that is over fifteen calendar days late or past due.

For non-interest-bearing loans, a fixed one percent late installment charge of the missed monthly principal payment shall be assessed for every monthly payment that is over fifteen calendar days late or past due.

§ 100-100.3-750 Prepayment of Loan

There shall be no prepayment penalties for loans that are paid-off prior to the completion of the term of the loan. The affordability period provision is still applicable to loans that are paid-off.

Part 800 - Distressed Homebuyer(s)

§ 100-100.3-801 Distressed Homebuyer(s)

Distressed homebuyer(s) are those who are having a difficult time meeting their monthly loan payments due to external circumstances beyond their control. These circumstances include:

(a) Reduction-in-force;

(b) Reduction in pay;

(c) Family medical emergency (including death of an immediate family member: parents, siblings, child(ren), spouse, and in-laws);

(d) Medical condition (including career-ending injury) that causes homebuyer to discontinue employment. The borrower's physician must complete the Homebuyer/Homeowner Program Disability Eligibility Verification to certify the borrower's medical condition; and

(e) Natural disaster.

Part 900 - Assistance

§ 100-100.3-901 Types of Assistance

(a) NMHC may offer the following types of assistance depending on the circumstances mentioned above:

(1) Reduction-in-force. Monthly loan payments may be deferred for a period of up to twelve months. Late charges would not accrue. If this approach is still deemed unaffordable, the current term may be extended and reamortized with an additional sixty (60) months.

(2) Reduction in pay. Monthly loan payments may be deferred for a period of up to twelve months. If this approach is still deemed unaffordable, the current term may be extended and reamortized with an additional sixty (60) months.

(3) Family medical emergency. Monthly loan payments may be deferred for a period of up to twenty-four (24) months. Late charges would not accrue. The current term may be extended and reamortized with an additional sixty (60) months.

(4) Medical condition that causes borrower to discontinue employment – Principal amount may be forgiven incrementally (based on term).

(5) Natural Disaster. Monthly loan payments may be deferred for a period of up to six (6) months in the event of a natural disaster, such as fire, typhoon, earthquake, flood, and local or pandemic spread of disease. Final decisions regarding requested deferments shall be made by the Corporate Director. Late charges shall not accrue during deferment. Borrowers may be eligible for a deferment upon written request accompanied by acceptable evidence of negative impact caused by the natural disaster. Further, in order to qualify for a deferment, the Borrower's loan and hazard insurance must be up to date.

(6) Other Hardships. Any other claimed financial hardship outside of the aforementioned five listed hardships shall be brought to the **Corporate Director** for review and decision.

(7) Denial of assistance may be appealed to the NMHC Board.

(b) In addition, NMHC may offer the following types of assistance:

(1) Penalty Waiver. Accrued penalty fees for delinquent borrowers may be waived to assist them in making their accounts current.

(2) Loan Assumption

(i) Death of a homebuyer/borrower: Upon the death of the borrower which occurs within the affordability period, the entire unpaid balance of the loan shall be immediately due and payable. Title transfer without sale triggers the CDBG-DR recapture agreement enforceable through the restrictive deed or land covenant. The Corporate Director may allow assumption of the loan by the heirs of the borrower if a final decree in the probate of the borrower identifies the heirs and approves distribution to them of the improved property and the loan, and if the heirs themselves would qualify as a new applicant for the loan.

(ii) At the sole discretion of the NMHC Board, the loan may be assumed by a legal heir of a deceased borrower(s) of the CDBG-DR-assisted unit. This assumption exception is permitted where transfer of title is through the laws of descent provided that the heir is of legal age, meets all CDBG-DR Program eligibility requirements and has a full, undivided interest in the real property. The heir will be required to fill out an application and will be subject to credit, income, and asset verification.

(5) Foreclosure Prevention. In situations where a foreclosure is imminent, the Corporate Director may allow a borrower to have a CDBG-DR eligible immediate relative (i.e., mother, father, brother, sister, son, daughter) assume the loan, all for the purpose of preserving the affordability period. The total outstanding balance thereof shall be fully amortized at the original interest rate and terms to produce equal monthly payments. If, however, the CDBG-DR eligible immediate relative assuming the loan cannot afford the repayment of the loan at its original rate and terms, the NMHC Board may extend the term up to a period of sixty months. Should this accommodation still prove unaffordable, the property will go through the foreclosure process.

(6) Foreclosure. NMHC may use its right of first refusal, as set forth in the loan documents, written agreement with homebuyer, and restrictive deed or land covenant, to purchase the housing before foreclosure or deed in lieu of foreclosure to preserve affordability. Foreclosure triggers the CDBG-DR recapture agreement enforceable through the restrictive deed or land covenant.

(7) Foreclosure and Recapture. If the CDBG-DR assisted property is subject to recapture terms, NMHC has two options:

(i) Recapture Option 1: NMHC will recapture and pay to the CNMI CDBGCR account the net proceeds from the foreclosure sale of the property in accordance with the recapture terms; or

(ii) Recapture Option 2: NMHC may purchase the CDBG-DR assisted property at foreclosure sale and additional CDBG-DR funds may be spent. However, the total amount of the original and additional CDBG-

DR funds spent may not exceed the maximum per unit subsidy amount.

(c) If NMHC forecloses on its own loan, NMHC cannot spend any additional CDBG-DR funds to acquire the property.

Part 1000 - Mitigation to Foreclosure

§ 100-100.3-1001 Items Needed to Cancel Foreclosure and Reinstate Account

To cancel foreclosure and reinstate account, the Borrower shall:

(a) In accordance with 2 CMC § 4536(a), pay the entire amount then due under the terms of the mortgage other than such portion of principal as would not then be due had no default occurred, and reasonable attorney's fees actually incurred.

(b) Pay delinquent account current inclusive of one month advance payment.

(c) Have the homebuyer(s) submit a written proposal on how he/she will maintain the account in good standing.

(d) Submit paid in full receipt of homebuyer(s)' insurance coverage for fire and earthquake.

(e) Submit 2-3 recent check stubs and/or verification of benefits

Part 1100 - Performing New Construction Work

§ 100-100.3-1101 Performing New Construction Work

(a) Contractor Cost Estimates: The homebuyer(s)/applicant(s) shall be responsible in obtaining a minimum of three written construction cost estimates from at least three NMHC approved contractors, and each cost estimate submitted must include, at a minimum, the following information: bid price, cost breakdown of materials and labor charges, and schedule for completion of work. If for any reason that a construction cost estimate is unattainable, then a justification letter from the borrower and/or contractor may be accepted in lieu of this requirement.

(b) Selection of Contractor/Contract Award: The homebuyer(s) shall have the right to select whichever contractor to perform the construction work, provided that NMHC has assessed the sources and uses of funds and determined that the costs are reasonable, provided that the contractor's quotation and the appraiser's after-construction estimated value does not exceed the approved loan amount and the most current HUD-approved value limits, and provided that the contractor is an NMHC-approved contractor. Should it exceed the loan amount, the homeowner shall choose to either deposit the difference or negotiate with contractor in reducing the contract amount. Should the borrower not be able to deposit the

difference or the contractor unwilling to lower the contract amount, then the borrower shall select his/her/their next choice. The homebuyer(s) shall submit a contractor selection notice notifying NMHC of his/her/their selection. NMHC may, at its own discretion, select the appropriate contractor for the applicant if the homebuyer project is deeply subsidized using additional CDBG-DR funds. Deeply subsidized means additional funding assistance on top of the underwritten funding assistance.

(c) Construction Contract: The construction contract is a binding agreement strictly between the homebuyer(s) and the contractor whereby the contractor will provide the construction or repair work for a specified and agreed upon price. As NMHC's role is to finance the construction of the project, it is not a party to the construction contract. However, at any time the contractual provisions are not followed, NMHC shall have the right to withhold any progress payment until the contractor has complied with such provisions. The construction contract shall include, but is not limited to, the following provisions:

(1) Contractor's name and mailing address;

(2) Homeowner(s) name and mailing address;

(3) Date of the contract, the contract amount, and payment schedule for each incremental billing;

(4) Calendar days to complete the work (includes Saturdays, Sundays, and holidays);

(5) Contractor will provide the performance bond, and labor and material payment bond up to the contract amount, as well as a builder's risk policy for the project;

(6) The contractor will provide all the construction plans and permits necessary to comply with applicable local and federal laws;

(7) Issuance of the notice to proceed or the commencement of the project;

(8) Contractor will provide a one-year warranty on all work completed;

(9) NMHC's right to inspect the progress of the project and right to withhold progress payments;

(10) Change order procedures, if any; and

(11) A provision for liquidated damages must be included in the construction contract which shall be negotiated between the borrower(s)/homebuyer(s) and the contractor.

(12) Description of the work to be performed so that inspections can be conducted and, for rehabilitation, so that housing will meet NMHC's rehabilitation standards.

(d) Contractor Notification and Pre-Construction Requirements: Once NMHC is in receipt of the borrower(s)/homebuyer(s) contractor selection notice, NMHC shall notify the contractor of the borrower(s) selection of their company. NMHC shall inform the contractor of the scheduled pre-construction conference and shall likewise inform the contractor of the required construction documents for submission as listed below:

(1) Building permit (if applicable)
(2) Earthmoving and erosion control permit (if applicable)
(3) Construction contract
(4) Performance and payment bonds
(5) Plans and specification approved by DPW
(6) Private inspector's contract (if applicable)
(7) Notice that an environmental review and clearance has been conducted.

(e) Project Duration: Construction must start within 12 months of NMHC's execution of the CDBG-DR written agreement with the homebuyer(s).

(1) Progress payment requests shall be submitted to NMHC by the contractor incrementally as specified in the payment schedule. NMHC shall ensure that all work description indicated on the payment schedule is completed prior to releasing contractor's payment. An original and a copy of the requests must be submitted to NMHC. The contractor shall freely use his/her/their company's billing form when submitting a payment request. The payment request shall be accompanied with the following whenever applicable: inspection reports (DPW and/or private inspector), geotesting results, termite treatment certification and/or warranty, builder's warranty, and borrower/homebuyer's acceptance of the project. In addition, each billing submitted must include pictures of the progress of the project and a copy of the payment schedule.

(2) Payment schedule shall be as follows:
(i) Payment request number 1 shall not be more than 10% of the contract amount. This shall include the installation of the project sign board accompanied with a picture, the delivery of materials to the construction site, and commencement of the project.

(ii) Payment request number 2 shall not be more than 25% of the contract amount.

(iii) Payment request number 3 shall not be more than 25% of the contract amount.

(iv) Payment request number 4 shall not be more than 25% of the contract amount.

(v) Payment request number 5 shall be the 15% retainage request when all work is completed. The final payment request shall be accompanied with the

certificate of occupancy from the Commonwealth Building Safety Office, builder's warranty, window warranty if subcontracted, termite treatment warranty, final inspection report from the DPW and if applicable, the private inspector's, certificate of acceptance from the homeowners, geotesting results if applicable, pictures of project interior and exterior, and DEQ certificate of use (sewage disposal system), if applicable.

(3) Change Order Procedures. From time to time, the homebuyer(s) may request for changes in the plans and specifications. In the event that this should occur, the following steps must be taken to address such request:

(i) The borrower/homebuyer must notify contractor in written form of the proposed changes and provide NMHC a copy of the notification.

(ii) Upon receipt of the notification, the contractor must cease work at the project site and obtain NMHC's approval of the change order request. Upon approval the contractor shall then provide NMHC a revised plan and specifications, including a revised payment schedule (if scheduled payments will be altered by the proposed changes). The contractor must obtain NMHC's approval of the change order request.

(iii) Once the change order request is approved, the homeowner will be required to deposit the additional money needed to NMHC (if applicable) to carry out the change order. The contractor will be required to submit the revised plans and specifications to DPW for approval.

(iv) Should the change order request be denied, then the contractor shall resume work to ensure timely completion of the project. The contractor may not be able to complete the project on time because of the delays the change order request may have caused. Therefore, the homebuyer(s) shall give the contractor additional days equal to the time the work was ceased up until the time the change order request was denied to complete the project. The homebuyer shall not charge the contractor liquidated damages during this period.

(4) Once the contractor has obtained the DPW's approval of the plans and specifications, then it shall provide NMHC with the same copy. The contractor shall proceed in carrying out the change order and completing the project.

(f) Inspections: NMHC shall have the right, during the construction or improvement of the building, to inspect the same and to reject and to require to be replaced, any material or workmanship that does not comply with the plans and specifications, without any liability on the part of NMHC, as to workmanship or materials therein. Such inspection is solely for financing purposes and for the disbursement of funds, and any inspection or approval of any construction phase or increments of said dwelling shall not be deemed as a warranty by NMHC of the workmanship and material therein.

(i) Homebuyer(s), through their contractors, must ensure that they are familiar with these requirements. PJs using MPS may rely on inspections performed by a qualified person. If using CDBG-DR funds solely for acquisition, the property must also meet the minimum property standards mentioned above or HUD's Uniform Physical Condition Standards (UPCS). The contractor will provide all the construction plans and permits necessary to comply with applicable local and federal laws.

(j) Project Completion:

(1) Project shall be completed within 4 years of the date of the CDBG-DR written agreement (the date the CDBG-DR funds were committed to the project). [24 CFR 92.205(e)(2)]

(2) Project completion information shall be entered in the Disaster Recovery Grant Reporting (DRGR) System within 120 days of the final project draw.

certificate of occupancy from the Commonwealth Building Safety Office, builder's warranty, window warranty if subcontracted, termite treatment warranty, final inspection report from the DPW and if applicable, the private inspector's, certificate of acceptance from the homeowners, geotesting results if applicable, pictures of project interior and exterior, and DEQ certificate of use (sewage disposal system), if applicable.

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(i) The borrower/homebuyer must notify contractor in written form of the proposed changes and provide NMHC a copy of the notification.

(ii) Upon receipt of the notification, the contractor must cease work at the project site and obtain NMHC's approval of the change order request. Upon approval the contractor shall then provide NMHC a revised plan and specifications, including a revised payment schedule (if scheduled payments will be altered by the proposed changes). The contractor must obtain NMHC's approval of the change order request.

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(4) Once the contractor has obtained the DPW's approval of the plans and specifications, then it shall provide NMHC with the same copy. The contractor shall proceed in carrying out the change order and completing the project.

(f) Inspections: NMHC shall have the right, during the construction or improvement of the building, to inspect the same and to reject and to require to be replaced, any material or workmanship that does not comply with the plans and specifications, without any liability on the part of NMHC, as to workmanship or materials therein. Such inspection is solely for financing purposes and for the disbursement of funds, and any inspection or approval of any construction phase or increments of said dwelling shall not be deemed as a warranty by NMHC of the workmanship and material therein.

(g) Inspector: Upon completion, the building is subject to inspection by the Building Safety Office of the Department of Public Works (DPW) prior to the issuance of an occupancy permit or other permits as provided in the Building Safety Code codified in 3 CMC § 7101 et seq. Applicant(s) may have a private inspector, (i.e., a qualified licensed engineer or a qualified licensed architect), conduct inspection with the costs with such inspection to be handled in accordance with § 100-100.2-240.

(h) Minimum Property Standards (MPS): For new construction of housing and acquisition rehabilitation of housing, the 2018 International Building Code enacted by law and any updates approved by regulation by the Department of Public Works Building Safety Office and zoning laws (if applicable for Tinian and Rota), International Energy Conservation Code, NMHC written design standards for single family housing new/rehabilitation, and accessibility requirements (where applicable) must be adhered to.

(1) Further adherence to CDBG-DR acquisition and repair standards, which details the methods, materials, and other requirements that the housing must meet upon completion, including each of the following:

(i) Health and Safety [24 CFR 92.251(b)(1)(i)]
(ii) Major systems that were rehabilitated or replaced as part of the rehabilitation [24 CFR 92.251(b)(1)(ii)]
(iii) Lead-based paint [24 CFR 92.251(b)(1)(iii)]
(iv) Disaster mitigation, if applicable [24 CFR 92.251(b)(1)(vi)]
(v) State and local codes, ordinances and zoning requirements [24 CFR 92.251(b)(1)(vii)]
(vi) Minimum deficiencies that must be corrected based on inspectable items and areas in HUD's Uniform Physical Condition Standards [24 CFR 92.251(b)(1)(viii)]

(i) Homebuyer(s), through their contractors, must ensure that they are familiar with these requirements. PJs using MPS may rely on inspections performed by a qualified person. If using CDBG-DR funds solely for acquisition, the property must also meet the minimum property standards mentioned above or HUD's Uniform Physical Condition Standards (UPCS). The contractor will provide all the construction plans and permits necessary to comply with applicable local and federal laws.

(j) Project Completion:

(1) Project shall be completed within 4 years of the date of the CDBG-DR written agreement (the date the CDBG-DR funds were committed to the project). [24 CFR 92.205(e)(2)]

(2) Project completion information shall be entered in the Disaster Recovery Grant Reporting (DRGR) System within 120 days of the final project draw.

(k) Record Retention:

(1) NMHC shall retain CDBG-DR homebuyer project records for five years after project completion. [24 CFR 92.508(c)(2)]

(2) NMHC shall retain documents imposing recapture provisions for five years after the period of affordability terminates. [24 CFR 92.508(c)(2)]

(3) NMHC shall retain CDBG-DR homebuyer project written agreement records for five years after the agreement terminates. [24 CFR 92.508(c)(4)]

Part 1200 - Homebuyer Underwriting

§ 100-100.3-1201 Guidelines and Referenced Sections

In order to determine the specific amount of CDBG-DR assistance needed to ensure that the unit is affordable and sustainable over the long-term, NMHC's CDBG-DR Homebuyer Program design reflects and incorporates underwriting standards that the HOME regulations at § 92.254(f) has set forth; and further examines the following for each homebuyer:

(a) Program Eligibility and income;
(b) Housing and overall debt;
(c) Monthly expenses;
(d) Assets or cash reserve, as applicable; and
(e) Appropriateness of the amount of assistance

In addition to the underwriting provisions of these regulations, the following applies to Homebuyer activities:

(a) Determining how much of a loan an applicant would be eligible for or if a loan can be extended is determined by the applicant(s) gross annual income, repayment ability, and credit worthiness. These could be found in § 100-100.3-201.

(1) The NMHC CDBG-DR Homebuyer Program methodology for determining income-eligibility, income as a component of underwriting, income verification and required source documentations, treatment and the calculation of assets are derived from the HUD *Part 5 Technical Guidelines* as herein stated

(i) To receive CDBG-DR assistance, households must have incomes at or below 80 percent of the area median household income, adjusted for household size, and determined annually by HUD. Households with incomes at or below 120 percent of the area median household income, adjusted for household size, are also eligible for assistance.

(ii) CDBG-DR Homebuyer Program regulations require that income of all family members be included in the determination of income for the purpose of eligibility. The HOME regulations at 24 CFR 92.203 (d) require that a PJ

must project a household's income for the next 12 months. Chapter Two of the Part 5 Technical Guide reviews this in detail. The NMHC CDBG-DR Homebuyer Program shall also use the same methodology of projecting income for the purpose of underwriting.

(iii) The Part 5 definition of annual income provides specific guidance pertaining to whose income in a household must be included in that calculation. Chapter Three reviews this in detail.

(iv) Gross amount. NMHC uses the monthly gross amounts, before any deductions have been taken, for those types of income counted. Adjusted income is not required for CDBG-DR-funded homebuyer or for owner-occupied rehabilitation as per the Part 5 Technical Guide.

(v) For the purpose of underwriting and in determining loan repayment ability, the ratios loan payment-to-income (PTI) and the debt-to-income (DTI), NMHC shall use income and debt obligations from the loan applicant(s)/borrower(s). Any household member to be included in the mortgage must be underwritten accordingly by examining and factoring-in their income, debt, assets, credit information/analysis and any other information that is deemed applicable in the underwriting process.

(vi) The HOME regulations at 24 CFR 92.203(a) require that PJs determine income eligibility of HOME (and adopted for CDBG-DR) applicants by examining source documents, such as wage statements or interest statements, as evidence of annual income. NMHC requires additional supporting information to confirm eligibility and for purposes of underwriting. This is specified in §100-100.3-105, Supplemental Information. Review of documents and third-party verification is further reviewed in detail in Chapter Two of the Part 5 Technical Guide.

(vii) What to include as an Asset. There is no asset limitation for participation in the CDBG-DR Homebuyer Program. In essence, eligible families are not required to "spend down" assets before they can participate in the Program. Income from assets is, however, recognized as part of annual income under the Part 5 definition.

(viii) In general terms, an asset is a cash or non-cash item that can be converted to cash. Income that is earned, such as interest on a savings or checking account, is counted or factored into annual income. Chapter Three of the Part 5 Technical Guide explains in detail the treatment of assets and considers what is to be included as an asset, as well as, explains actual income from assets.

(2) Assessment of a homebuyer's debt is made by calculating two key ratios:

(i) The loan Payment-to-Income Ratio is determined by taking the expected monthly payment of the loan, which is the principal and interest, and dividing it by the total combined monthly gross income. For the NMHC CDBG-DR Homebuyer Program, this ratio should not exceed thirty-five percent of the homebuyer's gross monthly income.

Note on Insurance Premiums: Estimated monthly premium shall be factored into the ratio calculation and must not exceed the ratio threshold of thirty-five percent for approval.

(ii) The Debt-to-Income Ratio, or DTI, is determined by factoring all related debts, including the monthly loan payment and estimated insurance premium; plus, all recurring consumer debt, such as auto loan, credit card, student loan payments, and other installment and revolving debt that appears on the credit report. For the NMHC CDBG-DR Homebuyer Program, a homebuyer's DTI ratio should not exceed forty-five percent of their gross annual income. However, on a case-by-case basis, the debt ratio could be up to fifty-five percent provided that the applicant could still meet payment responsibilities.

(iii) Recurring monthly expenses, or those that are considered fixed monthly living expenses such as utilities and transportation costs are not factored in the DTI ratio but these type of expenses should be considered in the underwriting process and must be carefully budgeted and monitored by the homebuyer. The housing counseling shall address these types of essential expenses so that it does not decrease residual income and affect the homebuyer's ability to sustain the mortgage. A careful analysis of the overall debt obligations, housing costs, and recurring monthly living expenses shall be performed in determining the appropriate amount of CDBG-DR assistance to provide.

(b) The minimum and maximum loan assistance including the type to be extended to an applicant(s) are further explained in Part 700.

(c) The affordability restrictions that will be imposed on the property, a loan will only be extended to applicant(s) who will make their home assisted unit their primary residence (see § 100-100.3-201(d)).

§ 100-100.3-1205 Subsidy Layering

(a) NMHC may provide eligible homebuyers with additional locally-funded assistance to cover additional housing cost that is deemed to have exceeded the maximum CDBG-DR assistance limit.

(b) Homebuyer(s) that are approved for any additional, or supplemental assistance whether it be a CDBG-DR deferred loan or with NMHC's local funds, shall be required to choose from NMHC's house design and layouts. Such house layout and unit size is dependent on the household size, the original approved CDBG-DR assistance, as well as, the total estimated

costs to construct a new principal residence. This requirement is also applicable to eligible-homeowners who are approved for a CDBG-DR Rehab assistance for the reconstruction of a principal residential unit.

§ 100-100.3-1210 Acronyms Reference Section

[For Rehab & Homebuyer Policies and Procedures]

(a) AIA—American Institute of Architects

(b) AMI—Area Median Income

(c) CD—Corporate Director

(d) CFR—Code of Federal Regulations

(e) CNMI—Commonwealth of the Northern Mariana Islands

(f) CPSC—Consumer Product Safety Commission

(g) DCD—Deputy Corporate Director

(h) DEQ—Department of Environmental Quality

(i) DPW—Department of Public Works

(j) DTI—Debt-to-Income Ratio

(k) EA—Environmental Assessment

(l) GFE—Good Faith Estimate

(m) HOME Program—U.S. HUD Homeownership Investment Partnerships Program

(n) HQS—Housing Quality Standards

(o) MCD—Mortgage Credit Division

(p) MPS—Minimum Property Standards

(q) MPV—Maximum Property Value

(r) NAHA—National Affordable Housing Act

(s) NEPA—National Environmental Policy Act

(t) NMHC—Northern Marianas Housing Corporation

(u) NTP—Notice to Proceed

(v) PITI—Principal, Interest, Taxes, and Insurance

(w) PJ—Participating Jurisdiction

(x) PTI—Payment-to-Income Ratio

(y) PTR—Preliminary Title Report

(z) RER—Rehab Environmental Review

(aa) RESPA—Real Estate Settlement Procedures Act

(bb) SCRA—Service members Civil Relief Act

(cc) SSI—Supplemental Security Income [Social Security]

(dd) TCD—Time Certificates of Deposits

(ee) TILA—Truth in Lending Act

(ff) U.S. HUD—United States Department of Housing and Urban Development

(gg) USDA RD—United States Department of Agriculture Rural Development

(hh) USPAP—Uniform Standard of Professional Appraisal Practice

(ii) VOE—Verification of Employment

APPENDIX A.1: Crosscutting Requirements

1.1 Crosscutting Requirements

1.2 Fair Housing

The Fair Housing Act requires all grantees, subrecipients, and/or developers funded in whole or in part with HUD financial assistance to certify that no person was excluded from participation in, denied the benefit of, or subjected to discrimination in any housing program or activity because of their age, race, color, creed, religion, familial status, national origin, sexual orientation, military status, sex, disability or marital status. The Program complies with and enforces the Civil Rights requirements of Title I of the Housing and Community Development Act (HCDA) and the Fair Housing Law.

Projects must also assess how planning decisions may affect members of protected classes, racially and ethnically concentrated areas, as well as concentrated areas of poverty; will promote the availability of affordable housing in low-poverty, non-minority areas where appropriate; and will respond to natural hazard-related impacts. Program staff will use demographic, geographic, and social vulnerability analyses to determine any positive or negative impacts to protected classes. Should a project present negative impacts, project scope or design will be re-assessed to mitigate such impacts.

1.3 Environmental Review

Early environmental coordination must be completed to ensure effective implementation of all CDBG-DR Programs. CDBG-DR funding is contingent upon compliance with both local and federal environmental regulations. This includes compliance with NEPA and related environmental and historic preservation legislation and executive orders. In general, NMHC serves as the lead agency for purposes of NEPA.

HUD's Environmental Review process allows grantees to serve as the "Responsible Entity" to assume environmental review responsibilities under NEPA. As the grantee, NMHC serves as the Responsible Entity (through authorization from the Governor) as it relates to environmental review responsibilities under NEPA. Within NMHC, Environmental Review Staff will be responsible for performing environmental reviews and compiling the Environmental Review Records (ERR). Reviews are conducted either directly or using qualified environmental service contractors. NMHC 's Corporate Director, as the Certifying Officer, is ultimately responsible with certifying that NMHC's environmental reviews follow NEPA and HUD environmental regulations.

Federal Register Notice FR-6182-N-01 authorizes recipients of CDBG-DR funds under the Appropriations Act to adopt any environmental review, approval, or permit performed by a Federal agency for the same project to satisfy responsibilities with respect to environmental review, approval, or permit. NMHC will notify HUD in writing of its decision to adopt another

agency's environmental review. NMHC will also retain a copy of the review in its environmental records. Further information concerning the environmental review process is set forth in the Environmental Policies and Procedures.

1.4 Labor Standards

The Davis-Bacon and Related Acts (DBRA) applies to all federally-funded or assisted construction contracts in excess of $2,000. This may apply to projects that are fully or partially funded with CDBG-DR, including FEMA or FHWA match programs. In matched projects, only the scope of the CDBG-DR portion of the project are subject to crosscutting requirements DBRA requires all workers employed by contractors or subcontractors on CDBG-DR programs, be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with DBRA, as amended. DBRA also requires that workers on federally-assisted projects are paid not less than weekly.

Wage information for labor under CDBG-DR programs will be tracked in detail by both NMHC and relevant Implementing Partners and subrecipients throughout the life of the Program. Compliance for this requirement may be tracked in the following ways:

(1) Additional NMHC Program staff hired to track wages and verify contractor and agency compliance
(2) External contractor hired by NMHC to track DBRA compliance
(3) Enhanced TA provided to Implementing Partners to track DBRA compliance

Procedures for this process are currently under development and will be incorporated in a future update to this document.

For prime contracts in excess of $100,000, contractors and subcontractors must also, under the provisions of the Contract Work Hours and Safety Standards Act, as amended, pay laborers and mechanics, including guards and watchmen, at least one and one-half times their regular pay for all hours worked over 40 in a work week. Additionally, NMHC must follow the reporting requirements per HUD and U.S. Department of Labor (DOL) regulations. This requirement also extends to NMHC subrecipients, Implementing Partners, and contractors.

The Fair Labor Standards Act of 1938 (FLSA), as amended, establishes the basic minimum wage levels for all work and requires the payment of overtime at the rate of at least one and one-half times the basic hourly rate of pay for hours worked in excess of 40 per week. These labor standards are applicable to the entire construction contract whether or not CDBG-DR funds finance only a portion of the project.

1.5 Limited English Proficiency

Federal Executive Order 13166 requires NMHC and all satellite offices, programs, subrecipients, contractors, subcontractors, and/or developers funded whole or in part with CDBG-DR financial assistance to ensure fair and meaningful access to programs and services for families and individuals with Limited English Proficiency (LEP) and/or deaf/hard of hearing. Compliance with this requirement is detailed in NMHC's Language Action Plan (LAP) and will be coordinated and

tracked by the Monitoring and Compliance division at VIHFA. Depending on the program, NMHC, Implementing Partners, sub-recipients, and subcontractors will share the following expectations to comply with this Executive Order:

(1) Document Translation: All documents defined as "vital documents" will be translated into Chamorro or Carolinian by NMHC, Implementing Partners, and sub-recipients. A "vital document" is defined as a document that includes information regarding eligibility requirements, applications and instructions, program eligibility determinations, and appeals procedures. NMHC may aid to ensure this requirement is met.
(2) Where required, seek feedback from the community the project serves (advocacy groups serve vital role).

Language maps provided in the Language Action Plan will be used to determine the project's location and subsequent language context and if proactive LEP outreach will be required. These maps will be included as part of the Project Assessment Form used by NMHC to review the eligibility, priority level, and impacts of a potential project.

1.6 Minority and/or Women-Owned Business Enterprises

The Federal Executive Order 12432 guidelines require selected federal agencies to promote and increase the utilization of Minority-Owned and Women-Owned Business Enterprises (M/WBEs). Following procurement guidelines under 2 CFR 200.321, NMHC must make efforts to ensure that all subrecipients, contractors, subcontractors, and/or developers funded in whole or in part with HUD CDBG-DR financial assistance encourage participation in contracts and other economic opportunities by small and minority firms, women-owned business enterprises (WBEs), and labor surplus area firms whenever possible. NMHC will accept a MWBE certification from another state, local or regional, DPW, SBA HUB Zone, SBA 8-A certification (economically disadvantaged and 51% locally-owned), and other eligible certification processes. Documentation and goals regarding M/WBE percentages and reporting will be determined in the contracting agreements.

1.7 Section 3 Economic Opportunities

Section 3 is triggered when the award of CDBG-DR funds for new construction and rehabilitation projects creates the need for new employment, contracting, or training opportunities.

Section 3 of the Housing and Urban Development Act of 1968 is to "ensure that employment and other economic opportunities generated by certain U.S. Department of Housing and Urban Development (HUD) financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed to low and very low income individuals, especially recipients of government assistance for housing and to businesses which provide economic opportunities to low and very low income individuals."

The Section 3 program requires that recipients of HUD CDBG-DR funds, to the greatest extent

feasible, provide (a) employment and training, and (b) contracting opportunities for low- or very-low income residents in connection with construction projects in their neighborhoods.

It also specifically encourages economic opportunities for households who are recipients of government assistance for housing. NMHC and all administering entities will follow and require relevant contractors to follow Section 3 requirements in contracting.

Section 3 applies to the CNMI, as recipient of HUD funding, as well as to subrecipients or Implementing Partners/Sub-recipients receiving HUD funding exceeding $200,000. Whenever any portion of HUD funding is invested into projects involving housing construction, demolition or rehabilitation, commercial/private improvements for economic development, or other public construction (e.g., roads, sewers, community centers, and public facilities), the requirements of Section 3 apply.

In conjunction with construction activity, Section 3 applies to projects that are fully or partially funded with CDBG-DR assistance, including projects that are financed in conjunction with territory, local, or private matching or leveraged funds, provided that the Section 3 monetary threshold requirements are met. In particular:

- In conjunction with construction activities, Section 3 applies to contractors or subcontractors that receive contracts more than $100,000 for Section 3-covered projects/activities. Once it is determined that Section 3 applies to a project, the requirements apply to all contracts for construction work arising in connection with that project exceeding $100,000, including those not funded with CDBG-DR assistance. Contractors or subcontractors are required to comply with the Section 3 regulations in the same manner as the Commonwealth; and
- "Section 3-covered contract" includes professional service contracts, provided that the work to be performed is generated by the expenditure of funds in furtherance of Section 3 covered work (e.g., housing construction, housing rehabilitation, and other public construction), arising relating to construction projects. Professional service contracts that may constitute Section 3-covered contracts include construction contract oversight, engineering, architectural, environmental and property evaluation, construction progress and draw inspections, and prevailing wage labor compliance.

The regulations pertain to new hires required to complete Section 3-covered projects and activities. If the expenditure of funding for an otherwise covered project and activity does not result in new employment, contracting, or training opportunities, Section 3 reporting will still be required.

When NMHC awards CDBG-DR funds to other governmental departments, nonprofit organizations, subrecipients or other funded entities, NMHC will require they document how reasonable attempts were made to reach numerical goals set forth at 24 CFR Part 135.30. NMHC will inform its Implementing Partners and other funded entities of the requirements of Section 3, including the language required to be inserted into all construction-related contracts, assist them and their contractors with achieving compliance, and monitor their performance with respect to the Section 3 objectives and requirements.

Implementing Partners/Sub-recipients will receive training on this requirement and methods of compliance, technical assistance from Program staff, and continual monitoring from NMHC. Currently, a Section 3 Plan is under development, the details of which will be included in an update to this manual.

1.8 System for Award Management (SAMs)

SAM is the federal System for Award Management and is a requirement for doing business with the U.S. government. All vendors are required to register in SAM in order to be awarded contracts under the CDBG-DR program. Vendors are required to complete a one-time registration to provide basic information relevant to procurement and financial transactions. Vendors must update or renew their registration annually to maintain an active status.

1.9 Uniform Relocation and Real Property Acquisition Act (49 CFR 24)

The Uniform Relocation Assistance and Real Property Acquisition Act (URA), is a federal law that establishes minimum standards for federally funded programs and projects that require the acquisition of real property (real estate) or displace persons from their homes, businesses, or farms. The URA's protections and assistance apply to the acquisition, rehabilitation, or demolition of real property for federal or federally funded projects. The phrase "program or project" is defined in 49 CFR Part 24 as, "any activity or series of activities undertaken by a federal agency or with federal financial assistance received or anticipated in any phase of an undertaking in accordance with the federal funding agency guidelines."

The objectives of the URA are:

- To provide uniform, fair and equitable treatment of persons whose real property is acquired or who are displaced in connection with federally funded projects;
- To ensure relocation assistance is provided to displaced persons to lessen the emotional and financial impact of displacement;
- To ensure that no individual or family is displaced unless decent, safe, and sanitary (DSS) housing is available within the displaced person's financial means;
- To help improve the housing conditions of displaced persons living in substandard housing; and,
- To encourage and expedite acquisition by agreement and without coercion.

49 CFR 24.101(c)(1) provides that the subpart B requirements also apply to the acquisition of permanent and/or temporary easements necessary for the project. However, 49 CFR 24.101(c)(2) provides an exception for the acquisition of temporary easements which exclusively benefit the property owner.

Demonstrable Hardship - A demonstrable hardship is a substantial change in an applicant's financial situation that will prohibit or severely affect their ability to provide a minimal standard of living or the basic necessities of life including food, housing, clothing and transportation without causing economic distress well beyond mere inconvenience as shown by objective evidence. A demonstrable hardship must be occurring after the named storms. The demonstrable hardship must be of a severe, involuntary and unexpected nature. It must not be one that is generally shared by

other applicants affected by the named storms. Examples of demonstrable hardships may include job loss, failure of a business, divorce, severe medical illness, injury, death of a family member or spouse, unexpected and extraordinary medical bills, disability, substantial income reduction, unusual and excessive amount of debt due to a natural disaster, etc. None of the listed examples above, individually or taken together, automatically establish a demonstrable hardship nor is the listing above exhaustive as there may be other factors relevant to the issue of demonstrable hardship in a particular case. If an applicant believes that they are in the state of demonstrable hardship and that the demonstrable hardship causes them to not comply with any of the program policies, they may present their existence of a demonstrable hardship to their case worker (housing or loan specialist) and the Program will evaluate on a case-by-case basis after review of all of the circumstances. Applicants claiming a Demonstrable Hardship shall be required to provide evidence of such claimed Demonstrable Hardship to the case worker.

Not Suitable for Rehabilitation – properties where the cost of rehabilitation exceeds the after rehab appraisal and there is not a compelling historical or community justification to save the property.

APPENDIX A.2: HOMEBUYER APPLICATION CHECKLIST



NORTHERN MARIANAS HOUSING CORPORATION

P.O. BOX 500514, Saipan, MP 96950-0514

Counseling Session Time Tracking:

Start Time:	
End Time:	
Total hrs/mn last:	

Homebuyer Application Checklist

Tel. (670) 234-6866
234-9447
234-7689
234-7670
Fax: (670) 234-9021

Client (s) Name _____ & _____ Date _____

In order to complete your application for assistance, we need the following items as checked below:

- ☐ Eligibility Release Form (each adult member of the household must sign, date & initial)
- ☐ Use of Funds Certification (both Applicant and Co-Applicant must sign)
- ☐ Disability Eligibility Verification (Doctor/Physician must complete this Form)
- ☐ Verification of Employment (employee's employer must complete this form)
- ☐ Statement of Unemployment (each adult member of the household who's unemployed must complete this Form)
- ☐ Social Security - Consent to Release Information (Must be completed for each household member)
- ☐ Check Stubs (six most current)
- ☐ 1040 Tax Form previous two years (2018 & 2019)
- ☐ Tax & Revenue - Certification of Compliance (for both Applicant and Co-Applicant)
- ☐ Loan Payment Record(s), If any
- ☐ Verification of Deposit(s), If any
- ☐ Checking account statement (six most current statements)
- ☐ Savings account statement (most current statement)
- ☐ Assets - Retirement 401 (a)(k), Supplemental Life etc. (most recent statement with cash value)
- ☐ Divorce Decree, Judgment(s) etc.. If applicable
- ☐ Certification of Title, Deed, or Residential Homestead Permit, etc
- ☐ Property Map
- ☐ Photo I.D. - Driver's Licenses, MOS, Passport (for applicant only) and Birth Certificate (for each member of the household)
- ☐ Documentations for any federal assistance such as WIC, MEDICAID, MEDICARE, LIHEAP, NAP, CHILDCARE ASSISTANCE, etc.
- ☐ Utility bill (most current)
- ☐ If a bankruptcy has been filed, a copy of your discharge letter (we cannot proceed without the letter)
- ☐ Affidavit of Construction
- ☐ Uniform Residential Loan Application

Due to the fact that many families are in the same position as you, and the high demand for our services we ask that you notify us <u>One (1) day prior</u> to your appointment if you are unable to attend. If you are unable to bring <u>ALL</u> the necessary photocopied documents to your appointment, your eligibility assistance may be delayed.

Please read carefully:

As head of household I declare that members of my household have no ownership, in full or part, of any assets other than those identified above, the value of which have been disclosed. Please sign below.

_____ BORROWER

_____ CO-BORROWER

_____ LOAN SPECIALIST

"NMHC is a fair housing agency and an equal opportunity, lender and employer"

Rota Field Office: Tel: (670) 532-9410
Fax: (670) 532-9441

Tinian Field Office: Tel: (670) 433-9213
Fax: (670) 433-3690

SUBCHAPTER 100-100.4
POLICIES AND PROCEDURES FOR CDBG-DR HOMEOWNER REHABILITATION AND RECONSTRUCTION

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Part 001 - General Provisions

§ 100-100.4-001 Introduction

As a result of the 2018 storms, namely Typhoon Mangkhut and Super Typhoon Yutu, the Commonwealth of the Northern Mariana Islands (CNMI) received an allocation of Community Development Block Grant Disaster Recovery (CDBG-DR) funds which will be administered by the Northern Marianas Housing Corporation (NMHC). NMHC has developed the Homeowner Rehabilitation and Reconstruction Program to cover the eligible costs to rehabilitate or reconstruct storm-related damaged properties in order to restore them back to decent, safe, and sanitary conditions. The governor of the CNMI has placed housing as the highest recovery priority. The total allocation amount at this time under this Program is $36,120,667.

Due to the limited availability of CDBG-DR funds allocated to the CNMI from the U.S. Department of Housing and Urban Development (HUD), financial assistance will be prioritized for the elderly or disabled extremely low-income families and then to low- to very low-income homeowners subject to HOME program income limits for the area adjusted for household size in accordance with HOME regulations at 24 CFR 92. NMHC has recognized these target groups to assist under the CDBG-DR program. Funds will be made available for eligible homeowner rehabilitation and reconstruction activities through deferred loans, combination of deferred loans and loans (non-interest and interest-bearing loans), and low interest loans to assist in the rehabilitation and reconstruction of their principal place of residence. The Program is designed to create a habitable living environment for homeowners with the most serious and significant damaged homes, and to serve as many impacted households as possible. As such, the Program requires the use of standard building materials, which may not restore some damaged homes to pre-storm conditions if luxury materials were damaged in the storm. To ensure the funding will assist the maximum number of households, rehabilitation and/or reconstruction work and materials will be limited to those items necessary to make the home livable.

Homeowner rehabilitation activities include those items identified at the initial inspection which are necessary in bringing the home in compliance with the 2018 International Building Code enacted by law and any updates approved by regulation by the CNMI Department of Public Works Building Safety Office and zoning laws (if applicable for Tinian and Rota), International Energy Conservation Code as adopted by the CNMI government, NMHC written design standards for single family housing new/rehabilitation, and accessibility requirements (where applicable) including the reduction of lead-based paint hazards and the remediation of other home health hazards.

The NMHC, on behalf of the CNMI, has been designated as the responsible entity in implementing and carrying out the objectives of the program. The Office of Housing under the CDBG-DR Program, Planning Division, will be responsible for the day-to-day operations of the Homeowner Rehabilitation and Reconstruction Program. Services include program outreach to potential eligible

homeowners, application intake, program eligibility verification (both for the household and property), Duplication of Benefits review, Verification of Benefits analysis, award calculation, and documentation execution. Support services will be provided by NMHC's Mortgage and Credit Division and Fiscal Division with respect to underwriting, disbursement of and collection of payments, accounting, and maintenance of financial records. Overall, the NMHC Corporate Director will assume ultimate responsibility for the efficient and proper administration of this program in accordance with statutory and regulatory requirements. Through these policies and procedures and by imposing NMHC and HUD-prescribed residential rehabilitation standards, NMHC will preserve and improve the quality of the general housing stock of the CNMI.

§ 100-100.4-002 Public Announcement

(a) Publicity.

(1) Upon notification from HUD of the approval of the grant agreement, NMHC shall publish such approval within thirty (30) calendar days from the date of the approval. General information of the Homeowner Rehabilitation and Reconstruction Program shall be published in the print media of the widest local circulation, on the NMHC website, and other suitable means available. The program information shall also be posted in public and private bulletin boards where announcements are commonly posted. Loan applications may be submitted on or after a specified date to be stated in the public notice.

(2) Note: When it is determined that funds have been exhausted, the application intake may be closed until funding is once again available. Those applicants who did not submit their loan applications when the funds were available may do so once NMHC is notified by HUD of the availability of funds and after such notice is published.

(b) Contents. Program announcements shall inform interested applicants on how and where they may obtain an application and additional information on the types of homeowner program activities being administered in the CNMI. Such announcements shall further contain the following information:

(1) Brief overview of the Homeowner Rehabilitation and Reconstruction Program;
(2) General list of eligible activities available;
(3) Amount of funding available;
(4) General eligibility requirements to qualify for financial assistance;
(5) Homeowner selection process;
(6) Fair Housing logo and Equal Opportunity language; and
(7) Opening date for acceptance of applications.

(c) Affirmative Marketing. To ensure that all persons are effectively and adequately informed about the rehabilitation and reconstruction program and the availability of funds, especially to those least likely to apply without regard to race, color, national origin, sex, religion, familial status, and disability, a marketing strategy such as brochures or information notices shall be

provided and distributed or posted in the following locations and shall contain the information described in subsection (b). NMHC shall maintain records of actions taken to affirmatively market the program, and maintain records to assess the results of those actions. Brochures and/or program information notices shall be made available at the following public and private areas:

(1) U.S. Post Offices;
(2) Major shopping centers;
(3) Public health centers;
(4) Places of worship;
(5) Government office buildings;
(6) The Nutrition Assistance Program (Food Stamp) office(s); and
(7) U.S. Social Security Administration office(s).

Part 100 - Purpose and Requirements

§ 100-100.4-101 Purpose of the Program

The purpose of the program is to provide no cost or low-cost financing assistance to extremely low, very low and low-income families for the rehabilitation or reconstruction of their principal residence. The rehabilitation goal is to increase the economic life of the existing dwelling, provide energy efficiency, and ensure a safe, decent, and healthy living environment for assisted families.

The rehabilitation component will be available to serve homeowners whose homes received Major or Severe damage but do not meet the definition of destroyed or substantially damaged. NMHC will use the services of A&E firms to provide construction management which includes conducting damage assessments, design services, developing scopes of work and costs estimates, progress inspections, and contractor assessments. The construction managers will work closely with the Office of Housing staff, contractors, and homeowners throughout the rehabilitation or reconstruction process.

The reconstruction component will be available to serve homeowners whose homes were destroyed or substantially damaged. Applicants that have already demolished their storm-damaged homes must also provide documentation evidencing the pre-storm structure type, total square footage, and that the damage to the home was caused by the storm. Applicants must also provide notices of condemnation, substantial damage notifications, or other notices requiring the property be demolished.

§100-100.4-102 Ineligible Activities

The following activities are *ineligible* and CDBG-DR grant funds *cannot* be used for any portion:

- Assistance for homeowners whose home was in a flood hazard zone and

previously received federal flood disaster assistance and failed to maintain the required flood insurance;

- Assistance for homeowners for which (a) the combined household income is greater than 120% AMI of the national median, (b) whose property sustained damage in the typhoons and was located in a floodplain at the time of the disaster, **and** (c) the owner did not maintain flood insurance on the damaged property, even if the property owner was not required to obtain and maintain such flood insurance (see Section 4.4 below);
- Forced mortgage payoffs;
- SBA home/business loan payoffs;
- Funding for units occupied by any households except the owner household (no rental or lease properties are allowed);
- Funding for second homes; or
- Compensation payments.

§ 100-100.4-103 General Requirements

To qualify for rehabilitation assistance, the applicant(s) must meet the following:

(a) Qualify as Low Moderate-Income family as defined by HUD including applicants who are above the 80% but less than 120% of AMI;

(b) The dwelling must be the applicant's primary residence prior to the storms and prior to applying for rehabilitation or reconstruction assistance;

(c) Must occupy and continue to occupy residence after the completion of such repairs and/or renovation;

(d) Own the property under an approved form of ownership as set forth in 24 CFR § 92.254(c), and as specified below:

(1) Has fee simple title to the property;
(2) Maintains a 40-year leasehold interest in the property;
(3) Owns a condominium fee simple or maintains a 40-year leasehold interest in the property;
(4) Owns or has a membership in a cooperative or mutual housing project that constitutes homeownership under state law; or
(5) Maintains an equivalent form of ownership approved by HUD.
(6) Undergo duplication of benefits analysis.

(e) Applicants not meeting any one of the above, do not qualify for assistance under this program.

Title 18, Section I 00 I, et seq. of the United States Code, the general false statement statute, outlaws making materially false statements, intentional or negligent misrepresentations in matters within the jurisdiction of a federal agency or department, such as federal disaster relief funding. Civil or criminal penalties, including but not limited to fine, imprisonment or both, as well as repayment of any assistance provided, may be pursued. Under Section 100I, a statement is a crime if it is false, regardless of whether it is made under oath. Failure to disclose accurate and complete information may affect eligibility requirements. Some of the information submitted by applicants will be validated through third-party sources during the eligibility process.

Part 200 - Loan Specifications

§ 100-100.4-201 Loan Amount

(a) Minimum and Maximum Loans: The minimum loan amount allowable under this program is ten thousand dollars to maximum HOME per-unit subsidy limits that apply to the jurisdiction provided by HUD. The maximum assistance amount cannot exceed the HUD HOME maximum per-unit subsidy limit. NMHC will assess the house and the proposed rehab to determine that when completed the after-rehab value of the house will not exceed the HOME 95% value limits for the CNMI published by HUD. NMHC will need to examine the sources and uses of funds for the project and determine that the costs are reasonable and that NMHC is not investing any more CDBG-DR funds, alone or in combination with other governmental assistance, than is necessary. . Please see **published value limits which is set at 95% of the area median purchase price for "Existing Homes" [see TABLE 1] for rehabilitation projects.**

(1) **The amount of Homeowner Rehab loan that may be used to rehabilitate an existing principal residence shall be based on the borrower(s) ability to repay the loan as determined by the program underwriting standards, for which, not to exceed the debt-to-income (DTI) ratio of forty-five percent (45%); as well as, not to exceed the payment-to-income (PTI) ratio of thirty-five percent (35%)**

(2) **Borrower(s) who are determined to exceed the 35% loan payment ratio, or PTI, may be approved for additional Rehab funds to supplement excess costs associated with the rehabilitation of a principal residence. This assistance shall be a forgivable deferred loan with additional years/time added to the affordability period as indicated in § 100-100.4-601 NMHC Affordability Restrictions.**

(3) **Homeowner(s) who are eligible for 100% deferred loan assistance may be approved for a loan amount up to the full cost to rehabilitate or reconstruct an existing principal residence provided that the rehabilitation (but not the reconstruction) cost estimate does not exceed that of the maximum Rehab loan amount; or 80% of the most current HUD HOME maximum per-unit subsidy limits.**

TABLE 1:

(Data through June 2019; New limits effective April 1, 2020)										
	Existing Homes HOME Purchase Price Limit					New Homes HOME Purchase Price Limit				
Metro FMR	1-Unit	2-unit	3-unit	4-unit	Unadjusted Median Value	1-Unit	2-unit	3-unit	4-unit	Unadjusted Median Value
Northern Mariana Is.	$157,000	$201,000	$243,000	$301,000	$164,900	$238,000	$304,000	$368,000	$456,000	$250,000

§ 100-100.4-205 Target Group

Because of the limited funding allocated to the CNMI, NMHC has recognized the need to prioritize the level of assistance to qualified families. In the event that there are more applicants than available funds, NMHC shall establish and maintain an applicant waiting list. All applicants being assisted, as well as those placed on the waiting list shall be processed on a first come, first serve basis.

NMHC will categorize the target groups based on income levels as follows:

(a) 0% to 30%

(1) Priority given to elderly or disabled families with incomes between 0%-30% of the area median income. Elderly or disabled household applicants may receive 100% forgivable loan assistance with an affordability period of 20 years on a 30-year term

(i) An elderly family is a family whose head of household, spouse, or sole member is age 62 or older

(ii) A disabled family is a family whose head of household, spouse, or sole member is a person with a disability. Person with a disability:

(I) Means a person who:

(a) Has a disability, as defined in 42 U.S.C. § 423;

(b) Is determined, pursuant to HUD regulations, to have a physical, mental, or emotional impairment that:

(i) Is expected to be of long-continued and indefinite duration;

(ii) Substantially impedes his or her ability to live independently, and

(iii)Is of such a nature that the ability to live independently could be improved by more suitable housing conditions; or

(c) Has a developmental disability as defined in 42 U.S.C. § 6001.

(II) Does not exclude persons who have the disease of acquired immunodeficiency syndrome or any conditions arising from the etiologic agent for acquired immunodeficiency syndrome; and

(III) Does not include a person whose disability is based solely on any drug or alcohol dependence.

The applicant's physician must complete the Homebuyer/Homeowner Program Disability Eligibility Verification to certify the borrower's disability. As appropriate, NMHC shall require a court legal guardianship in cases where the physician certification indicates that the applicant is incapacitated or incompetent to enter into a legal and binding agreement such as a mortgage.

(b) 30.01% to 50%: Extremely low- to very-low income families with limited financial resources; a combination of 25% non-interest loan and 75% forgivable loan assistance may be provided to extremely low- to very-low income applicants with an affordability period of 20 years on a 30-year term. If there are no missed payments during the affordability period, any remaining principal balance may be forgiven.80.01% to 120%: a 75% non-interest bearing loan and 25% forgivable loan shall apply throughout the term of the loan with an affordability period of 20 years on a 30-year term. If there are no missed payments during the affordability period, any remaining principal balance may be forgiven.

§ 100-100.4-210 Income Eligibility

NMHC shall use the HUD CPD Income Eligibility Calculator when determining income eligibility. NMHC shall also refer to the Technical Guide for Determining Income and Allowances for the HOME Program, Third Edition in verifying the household's assets and income which can be found in the HUD website. The NMHC shall adopt the guide and make use of the Part 5 income and asset calculation worksheets including any and all forms required in determining an applicant's annual and adjusted income. Information provided by the applicant shall be accompanied with proper documentations (i.e., check stubs, bank statements, 1040 tax forms, etc.). The anticipated gross annual household income and assets for the next twelve months is used in determining if an applicant(s) is/are eligible to participate in the program. NMHC shall calculate the weekly average income and assets and multiply it by 52 weeks. If the total household income falls within the 80% area median income as indicated in § 100-100.4-220(b), the applicant(s) is/are eligible to participate in the program. Households whose incomes are between 80% and 120% of the area median income are also eligible should a waiver be required and approved by HUD.

§ 100-100.4-215 Property Eligibility

(a) Property Ownership: Interested applicant(s) must provide proof of fee simple ownership or must have at least a 40-year leasehold interest in the property to be improved. In addition, the applicant must be present and have interest on the property on or before the presidential disaster

declaration date for Typhoon Mangkhut or Super Typhoon Yutu. The assisted unit must be located in the CNMI, more specifically, on Saipan, Rota, or Tinian.

(b) In the event of the death of an applicant that has been determined as eligible but prior to loan/grant execution, their heirs who are able to document they were occupants of the residence at the time of the disaster and can prove current ownership through heirship will be eligible to apply for Program assistance.

If an owner occupant of a property damaged by Typhoon Mangkhut and/or Super Typhoon Yutu has passed away, their heirs may apply for Program assistance, provided they are able to submit evidence the damaged property was also the heir's primary residence at the time of one of the storms.

Heirs who were not occupants at the time of either disaster event are not eligible for Program assistance.

(c) Conformance to Property Standards: All assisted properties that are rehabilitated with CDBG-DR assisted funds must meet the program's established rehabilitation standards (see APPENDIX A.2). The Rehabilitation Standards are the program's guidelines of acceptable construction methods and materials to be used when performing rehabilitation and the quality standards that the property must meet when all rehabilitation work is completed.

NMHC's HOME/CDBG-DR Written Rehabilitation Standards shall detail the methods, materials and requirements that the housing must meet upon completion of rehab, including all of the following:

(1) Health and Safety - identifying all life-threatening deficiencies that must be addressed immediately if the housing is occupied [24 CFR 92.251(b)(1)(i)];
(2) Major systems – requiring that, upon project completion, each major system, as defined in 24 CFR 92.251(b)(1)(ii), had a remaining useful life of a minimum of 5 years, or for a longer period as specified by the NMHC, or the major system was rehabilitated or replaced as part of the rehabilitation [24 CFR 92.251(b)(1)(ii)];
(3) Lead-based paint [24 CFR 92.251(b)(1)(iii)];
(4) Disaster mitigation (if applicable) – requiring the property meet the disaster mitigation requirements [24 CFR 92.251(b)(1)(vi)];
(5) State and local codes, ordinances and zoning requirements [24 CFR 92.251(b)(1)(vii)];
(6) Minimum deficiencies that must be corrected based on inspectable items and areas in HUD's Uniform Physical Condition Standards [24 CFR 92.251(b)(1)(viii)].

NMHC shall make the rehabilitation standards available to the Department of Public Works (DPW) inspectors and the inspectors shall use them as a guide to certify that completed work was done accordingly.

(d) Local/State, National, or International Codes: Upon completion of rehabilitation or reconstruction work, the CDBG-DR assisted owner-occupied rehabilitation property must meet the 2018 International Building Code (2018) enacted by law and updates approved by regulation by the CNMI Department of Public Works Building Safety Office, zoning laws, and International Energy Conservation Code as adopted by the CNMI government.

(e) Upon completion of rehabilitation work, the CDBG-DR assisted owner-occupied rehabilitation property must meet accessibility requirements, where applicable; and the homeowner must also maintain, at their own expense, property insurance on the mortgaged property covering fire, earthquake, typhoon, and if applicable, flood damage. An insurance waiver may be granted, in whole or in part, to homeowners who show financial hardship.

(f) Principal Residence and Annual Recertification:

(1) CDBG-DR rehab applicants approved to receive financial assistance must own the property and occupy the property as their principal residence at the time of application, upon completion of the CDBG-DR-funded project, and throughout the NMHC affordability period. In order to maintain compliance with the affordability restrictions, borrower(s) shall be recertified annually for principal residency throughout their affordability period. An annual recertification for principal residency notice and form shall be sent to homeowners/borrowers to complete, sign, and submit to NMHC in order to confirm and have on file that they are continually occupying the mortgaged property and housing. The following stipulations apply for a principal residence: (i) A deed restriction or covenant running with the land shall incorporate this requirement; (ii) A written agreement between the homeowner and NMHC shall also incorporate this requirement; (iii) Temporary subleases are not allowed.

(2) Annual recertifications are conducted in order for homeowners to maintain compliance with the affordability restrictions.

(3) Annual recertifications through field visits may be conducted if the required completed form has not been provided, or if the account status is pending probate, or the account has been accelerated to the collection attorney for foreclosure proceedings. The Loan Specialist shall verify the borrower(s) principal residence and, as necessary, to take photos and document the status of the residential unit.

(g) Maximum Property Value: The projected after rehabilitation value of each assisted property must not exceed the most current 95 percent area median purchase price for single family housing, as determined by HUD. To determine such value, a written appraisal (which is an eligible soft cost) must be obtained by the borrower from an appraiser approved by NMHC. The appraisal report must document the appraised value and the appraisal approach used.

§ 100-100.4-220 Interest Rate and Type of Assistance

(a) The interest rate charged on the outstanding principal balance for each target group is determined by the gross household income which falls in the following percentage of the established Northern Mariana Islands Income Limits published by HUD for the HOME program. See Table 2 and Table 3 below for more details. NMHC from time to time may revise the specified interest rates below as it deems beneficial for the administration of the program.

Table 2

CDBG-DR Program Income Limits for the CNMI	Interest Rate	Type of Assistance
0% - 30%	0%	Deferred Loan†
30.01% - 50%	0%	75% Deferred Loan and 25% Non-Interest Bearing Loan
50.01 – 80%	0%	50% Deferred Loan and 50% Non-Interest Bearing Loan
80.01% - 120%	0%	25% Deferred Loan and 75% Non-Interest Bearing Loan

†—Priority given to qualified elderly or disabled household applicant(s).

The Area Median Income for the Northern Mariana Islands as established by the U.S. Department of Housing and Urban Development for the HOME program as periodically revised is provided below and referenced as Table 3. NMHC shall comply with any revisions that the U.S. Congress enacts.

Table 3

NORTHERN MARIANA ISLANDS HOME INCOME LIMITS 2020								
Person Household	**1 Person**	**2 Person**	**3 Person**	**4 Person**	**5 Person**	**6 Person**	**7 Person**	**8 Person**
15% of Median Income	$5,055	$5,775	$6,495	$7,215	$7,800	$8,370	$8,955	$9,525
30% of Median Income	$10,150	$11,600	$13,050	$14,450	$15,650	$16,800	$17,950	$19,100
50% of Median Income	$16,850	$19,250	$21,650	$24,050	$26,000	$27,900	$29,850	$31,750
80% of Median Income	$26,950	$30,800	$34,650	$38,500	$41,600	$44,700	$47,750	$50,850
120% of Median Income	$40,440	$46,200	$51,960	$57,720	$62,400	$66,960	$71,640	$76,200

For most current HOME program income limits published by U.S. Department of Housing and Urban Development, please go to https://www.hudexchange.info/programs/home/home-income-limits/

§ 100-100.4-225 Loan Terms and Repayment

(a) Deferred Loans: Deferred loans are provided with no requirements or expectations of repayment. Homeowners that receive deferred loans to rehabilitate or reconstruct their principal residence must occupy the assisted unit throughout the NMHC affordability period following completion of the rehabilitation or reconstruction. However, should the assisted homeowner(s) decide to vacate, rent out, transfer title, or sell the assisted unit during the NMHC affordability period, the homeowner must repay the deferred loan. See part 600 for an explanation of the affordability restrictions and recapture.

(b) Non-Interest Bearing Loans: The principal amount of loans is paid back on a regular basis over time, but no interest is charged. The repayment term of all non-interest bearing loans shall be 30 years or 360 months and shall be fully amortized to produce equal monthly payments.

(c) Interest-Bearing Loans (if applicable): These loans are amortizing loans. Repayment is expected on a regular basis so that over a fixed period of time, all the principal and interest is repaid. The repayment term of all interest-bearing loans shall be 30 years or 360 months and shall be fully amortized at either 1%, 1.5%, or 2%, to produce equal monthly payments. The interest rate is dependent on the applicant's gross household income as specified in § 100-100.4-220(a).

(d) Extended Terms: Should a financial hardship beyond the borrower(s) control exists, a request for an extended loan term may be considered provided that the borrower(s) are able to meet the repayment of their re-amortized loan. The borrower(s) must provide NMHC with documentation justifying their inability to meet the loan repayment term while at the same time providing an adequate standard of living for his/her/their family. An extended term must be recommended by the CDBG-DR Housing Administrator (or designee) and concurred by the MCD Mortgage Manager and approved by the Corporate Director. All extended terms granted must not exceed a five (5)-year extension term for each request made or in the case of leasehold interest, the extension should not exceed the remaining leasehold term. The maximum number of times such an extension may be requested by a homeowner is two (2). Financial hardship includes, but is not limited to:

(1) Reduction-in-force;
(2) Reduction in pay;
(3) Family medical emergency (including death of an immediate family member: parents, siblings, child(ren), spouse, and in-laws);
(4) Medical condition (including career-ending injury) that causes homeowner to discontinue employment. The borrower's physician must complete the homebuyer/homeowner program disability eligibility verification to certify the borrower's medical condition;
(5) Temporary relocation (provided that at least one of the original household members is still residing in the assisted unit; or
(6) Natural disaster.

§ 100-100.4-230 Repayment Analysis

(a) Deferred Loans: 100% deferred loan assistance need not be repaid so long as the homeowner is in compliance with the requirement to occupy the CDBG-DR assisted housing as the homeowner's principal residence throughout the NMHC affordability period. Provisions in § 100-100.4-225(a) apply to this section as well.

(b) Non-Interest and Interest-Bearing Loans: Maximum monthly debt service for either type of loan including existing long-term obligations, insurance, plus the rehabilitation loan that will be incurred shall not exceed **45%** of the gross household income.

(c) (1) The maximum debt-to-income ratio shall be not more than **45%** (or most current ratio) of the gross household income. The maximum payment-to-income ratio of the rehabilitation loan itself shall not be more than **35%** (or most current ratio) of the gross household income. (2) On a case-by-case basis, NMHC may provide an exception to exceed the **45%** debt-to-income ratio, but not more than **55%,** upon NMHC's determination that the applicant(s) can meet repayment responsibilities. This provision is also applicable in determining and providing financial hardship assistance (see part 900).

Additional CDBG-DR funds used to supplement excess costs associated with the rehabilitation/repair or reconstruction of the principal residence and household income exceeds the 35% loan payment ratio, shall be a forgivable loan but with additional years/time added to the affordability period as indicated by the following schedule:

Supplemental CDBG-DR Funds	Additional Years Added to the Affordability Period
$1.00 - $50,000	5 years
More than $50,000	10 years

§ 100-100.4-235 Use of Loan Funds

(a) (1) The loan/deferred funds will be used to assist existing homeowners to repair, rehabilitate, or reconstruct owner-occupied housing units affected by the storms for the primary purpose of correcting dwelling deficiencies ensuring a safe and healthy living condition, and preserving and extending the physical life of the dwelling. All corrections shall conform to the 2018 International Building Code enacted by law and any updates approved by regulation by the CNMI Department of Public Works Building Safety Office, zoning laws, International Energy Conservation Code as adopted by the CNMI government, and also ensure that it meets the NMHC HOME/CDBG-DR Rehabilitation Standards as adopted by the NMHC Board.

(2) Special purpose homeowner repairs such as weatherization, emergency repairs, and accessibility may only be undertaken within a more comprehensive scope of work that brings the housing unit up to standard.

(b) (1) Rehabilitation - This includes the alteration, improvement, or modification of an existing structure. It also includes moving an existing structure to a foundation constructed with HOME funds. Rehabilitation may include adding rooms outside the existing walls of a structure.
(2) Adding a housing unit is considered new construction and is not eligible.

(c) Reconstruction - In most instances, applicant(s) requesting assistance under this program live in substandard homes which are often unsafe and unsanitary. Many of which are termite infested and dilapidated to the point where a complete tearing down of the unit would be most appropriate. These types of structures would most likely endanger the households during storms and other calamities. Reconstruction refers to rebuilding a structure on the same lot where the housing unit is standing at the time of the storms. CDBG-DR funds may be used to build a new foundation or repair an existing foundation. Reconstruction may take place on the same foundation that the existing structure was on. Reconstruction may take place anywhere on the lot. During reconstruction, the number of rooms per unit may change, but the number of units may not.

(d) Luxury items and improvements are not eligible, including but not limited to: barbecue pits, bathhouses, exterior hot tubs, saunas, whirlpool baths, swimming pools, satellite dishes, tennis courts, dirty kitchens, and granite counter tops. Any additions or alterations to provide for commercial use are not eligible.

§ 100-100.4-240 Eligible Costs

In line following the HOME Program, (a) As defined in 24 C.F.R. § 92.206(a)(2)-(5), (b), and (d), CDBG-DR funds can be used to cover the hard rehabilitation costs necessary to meet required rehabilitation standards and associated "soft costs." CDBG-DR funds may be used to pay for property improvements that are considered standard for the area. However, non-essential luxury or cosmetic improvements to the property are not permitted.

(1) Hard costs include the following:
(i) Meeting the rehabilitation standards;
(ii) Meeting applicable codes, standards, and ordinances;
(iii) Essential improvements;
(iv) Energy-related improvements;
(v) Lead-based paint hazard reduction;
(vi) Accessibility for disabled persons;
(vii) Repair or replacement of major housing systems;
(viii) Incipient repairs and general property improvements of a non-luxury nature; and
(ix) Site improvements and utility connections.

(2) Soft costs include the following:
(i) Financing fees;
(ii) Initial credit report;
(iii) Preliminary title report (PTR) and lender's title policy, if applicable;
(iv) Recordation fees, transaction taxes;
(v) Legal and accounting fees;
(vi) Appraisals;
(vii) Architectural/engineering fees, including specifications and job progress inspections;
(viii) Project costs incurred by the PJ that are directly related to a specific project; and
(ix) Refinancing of secured existing debt if the housing is owner-occupied and refinancing allows the overall costs of borrower to be reduced and the housing is made more affordable and rehabilitation cost was greater than the amount of debt refinanced.

(b) NMHC shall set aside $2,508.50 (more or less, depending on current costs) per project from the program budget to assist each qualified rehab or recon borrower to pay for the following loan closing fees and other related costs. This form of assistance shall not be in any way, a part of the rehab loan amount extended to the client. Borrowers will not be required to pay back any of this amount so long as they are in compliance with NMHC affordability restrictions. The entire amount shall be immediately due and payable by the borrower should NMHC determine that borrower(s) are not in compliance with NMHC affordability restrictions.

(1)	$400.00	Utility connection*;
(2)	$1200.00	First annual premium for hazard insurance;
(3)	$550.00	Appraisal report;
(4)	$150.00	Recordation of mortgage documents;
(5)	$200.00	Preliminary title report (PTR);
(6)	$8.50	Credit report @ $4.25 each.
	$2,508.50	Total

*Borrower must ensure that there are no outstanding issues with the utility company

(1) If the homeowner(s) opt to have a private inspector perform unit inspection, the first/initial unit inspection fee may be covered by NMHC, subject to any conditions set by NMHC. Any cost associated with any subsequent inspection shall be the responsibility of the homeowner(s).

Part 300 - Loan Application Process

§ 100-100.4-301 Confidentiality

As is NMHC's practice, all applicant information is kept confidential and shall be made available only to borrower(s); borrower(s') authorized representative; HUD and the Comptroller General of the United States, any of their representatives, have the right of access to any pertinent books, documents, papers or other records of the participating jurisdiction, state recipients, and

subrecipients, in order to make audits, examinations, excerpts, and transcripts; and authorized NMHC personnel.

§ 100-100.4-305 Discrimination Prohibited

Under no circumstances shall any of the NMHC Board of Directors, its officers, employees, agents, or contractors providing services to the corporation discriminate any applicant or borrower on the basis of race, color, national origin, religion, sex, ancestry, disability, or familial status (including children under the age of 18 living with parents or legal custodians, pregnant women, and people securing custody of children under the age of 18).

§ 100-100.4-310 Pre-Qualification Interview

(a) Before an applicant can be given a formal application, the interviewing loan specialist must conduct a pre-qualification interview to initially determine an applicant's eligibility for assistance. A Homeowner Rehabilitation and Reconstruction Program Pre-Qualification Interview Worksheet shall be completed by the interviewing loan specialist.

(b) Because the information collected from the applicant during this process may not be accurate, as the loan specialist may only be relying on "assumed estimates" regarding their employment, debt, and assets, applicants who are initially determined eligible may later be determined ineligible for the program.

§ 100-100.4-315 Eligibility Notification

Once the applicant(s) has been pre-qualified and have been later determined eligible for the program, NMHC shall officially notify the applicant(s) in writing of their eligibility. Such notification shall be mailed no later than five (5) working days after the determination, and shall contain a listing of additional information to be submitted for completion of loan file. Eligible applicant(s) shall be given thirty (30) calendar days to submit the additional information requested. Applicant(s) who do not submit all pending information before the thirty (30) calendar day deadline, shall have their application(s) file placed in the inactive files.

§ 100-100.4-320 Ineligible Applicants

All ineligible applicants shall be notified in writing of their ineligibility. Such notification shall be mailed no later than five (5) working days after the determination of ineligibility and shall include a description/reason of such determination. Those found ineligible may appeal such determination to the Corporate Director within ten (10) working days from the date of receipt of the ineligibility notice. The Corporate Director will then review the appeal and render a decision within thirty (30) days from the date of receipt of the appeal letter. Ineligible applicants may further appeal the Corporate Director's decision to the NMHC Board for reconsideration.

§ 100-100.4-325 Initial Inspection of Residence

Initial inspections shall be conducted by NMHC's A&E firm contractor(s) or project manager and in coordination with the loan specialists or an NMHC representative to identify and verify deficiencies noted by eligible homeowners/applicants. NMHC personnel conducting the inspections shall note deficiencies in written form and shall document (i.e., obtain pictures) the condition of the unit. Such inspections shall also verify the eligibility and be the basis in estimating the costs of the rehabilitation activities requested and in developing the scope of work for the rehabilitation project. The applicant and the inspection personnel (A&E firm), as well as the responsible loan specialist, shall work cooperatively to develop the scope of work for the project. The rehab scope of work needs to adequately describe the work to be performed so the housing will meet NMHC's written rehabilitation standards at completion. The scope of work must be an eligible activity as described in § 100-100.4-235. The scope of work shall be provided to three (3) NMHC-approved contractors by the borrower(s) who shall prepare a cost breakdown estimate for the project. The estimates shall then be submitted along with the applicant(s) choice of contractor for the project upon submission of his/her/their loan application. If the applicant(s)'s choice of contractor is not on NMHC's approved contractor listing, the contractor shall be vetted prior to award of the contract. With regard to reconstruction projects, NMHC may provide pre-approved house plans to the applicant that best fit the footprint of the destroyed home. NMHC may, at its own discretion, select the appropriate contractor for the applicant if the rehab project is deeply subsidized using additional CDBG-DR funds. Deeply subsidized means additional funding assistance on top of the underwritten funding assistance.

§ 100-100.4-330 Lead-Based Paint

(a) The federal government banned lead-based paint from housing in 1978. Deteriorating lead-based paint (peeling, chipping, chalking, cracking, or damaged) is a hazard and needs immediate attention.

(1) For Homeowner Rehabilitation Projects: Before any rehabilitation work is done, homeowners must provide documentation that shows that their homes were built either before or after January 1, 1978. Such documentation may include a copy of the building permit, if one can be provided; a notarized declaration/affidavit by the homeowner(s) or contractor attesting to the completion date of the home construction; and the age of the dwelling unit/property.

(b) For those homes deemed to have been completed before January 1, 1978, they must be checked for lead in one of two ways, or both:

(1) A paint inspection which shows the lead content of every different type of painted surface in the home;
(2) A risk assessment which shows if there are any sources of serious lead exposure (such as peeling paint and lead dust). A risk assessment provides the homeowner the necessary actions to take when addressing these hazards.

(c) Only a trained, certified professional is allowed to check the home for such hazards. Only a certified lead "abatement" contractor is allowed to permanently remove lead hazards. However, if the risk assessment does not reveal any lead-based paint hazards, NMHC will not require the homeowner to conduct any abatement of hazards.

(d) For those homes that were completed before January 1, 1978, the following forms must be completed:

(1) Lead Hazard Evaluation Notice;
(2) Notice of Lead Hazard Reduction;
(3) Relocation Screening Sheet for Projects with Lead Hazard Reduction Activities;
(4) Protection of Occupants' Belongings and Worksite Preparation for Projects with Lead Hazard Reduction Activities; and
(5) Property Owner/Rehab Contractor Contract Addendum Reduction of Lead Paint Hazards

(e) The following are required activities to address lead-based paint;

(1) Notification
(i) Lead Hazard Information Pamphlet—Occupants, owners, and purchasers must receive the EPA/HUD/Consumer Product Safety Commission (CPSC) lead hazard information pamphlet, or an EPA-approved equivalent.
(ii) Disclosure—Property owners must provide purchasers and lessees with available information or knowledge regarding the presence of lead-based paint and lead-based paint hazards prior to selling or leasing a residence.
(iii) Notice of Lead Hazard Evaluation or Presumption—Occupants, owners, and purchasers must be notified of the results of any lead hazard evaluation work or the presumption of lead-based paint or lead hazards.

(2) Notice of Lead Hazard Reduction Activity—Occupants, owners, and purchasers must be notified of the results of any lead hazard reduction work.
(3) Lead Hazard Evaluation—Evaluation methods include visual assessments, paint testing, and risk assessments.
(4) Lead Hazard Reduction—Reduction methods described include paint stabilization, interim controls, standard treatments, and abatement.

§ 100-100.4-335 Environmental Review Procedures for Entities Assuming HUD Environmental Responsibilities (24 C.F.R. Part 58)

(a) CDBG-DR rehabilitation activities to be undertaken by NMHC are subject to the environmental review requirements at 24 C.F.R. Part 58. CNMI is the responsible entity and is responsible for ensuring that the environmental review process is satisfied before CDBG-DR funds are committed to specific project site.

(b) Rehabilitation of homeowner housing may be categorically excluded per 24 C.F.R. §58.35(a)(3) when the following conditions are met:
(1) The building is for residential use and has one to four units;
(2) The density will not increase beyond four units;
(3) The land use will not change; and
(4) The footprint of the building will not increase in a floodplain or in a wetland.

(c) Reconstruction of a single-family unit in a new location on the same lot is classified as new construction for the purposes of environmental review. Reconstruction of homeowner housing may be categorically excluded per 24 C.F.R. § 58.35(4)(i) when it is an individual action (reconstruction only) on a one to four family dwelling.

(d) Homeowner rehabilitation housing categorically excluded per 24 C.F.R. § 58.35 is categorically excluded from an environmental assessment (EA) and finding of no significant impact (FONSI) under the National Environmental Policy Act (NEPA) except for extraordinary circumstances. To document compliance with environmental review requirements, NMHC must:

(1) Complete the Rehab Environmental Review (RER) (which includes the Notice of Intent to Request Release of Funds for Tiered Projects and Programs, submitting a RROF to HUD, and obtaining the ATUGF from HUD), in accordance with 24 CFR 58; and,
(2) Complete the RER Appendix A when an individual loan or grant application is received before approving any site-specific loan or grant for each structure, document and implement the mitigation of impacts as necessary, and keep all supporting documents in the Environmental Review Record as evidence of compliance.

§ 100-100.4-340 Rehabilitation or Reconstruction Loan Application

(a) Applicants determined eligible for assistance will be provided a Rehabilitation or Reconstruction Loan Application. A checklist of all required documentation for submission is attached to the loan application. Preliminary requirements include:

(1) Certificate of title/deed/homestead permit/lease agreement;
(2) Property map and sketch of direction to property;
(3) 1040 tax form for the previous tax year;
(4) Program eligibility release form;
(5) Latest two (2) months of pay stubs;
(6) Verification of employment;
(7) Current loan statement or loan payment record;
(8) Most recent savings account statement (TCD, bonds, form passbook, money market accounts);
(9) The last six (6) months checking account statement available;
(10) Profit sharing plan (bank or duty free employees);

(11) Most recent retirement plan statement;
(12) Current certification of child care expenses;
(13) Current Certificate of Compliance from Division of Revenue and Taxation;
(14) Judgments (if any); divorce statement and/or probate decree;
(15) Verification of medical expenses (transportation and medication);
(16) Verification of full-time student status;
(17) Business income tax forms for three (3) previous years, if applicable;
(18) Most current financial statements, if applicable.

(b) For further verification purposes, the application shall also be attached with the following documents:

(1) Verification of income from business;
(2) Verification of Social Security benefits;
(3) Verification of pension and annuities;
(4) Verification of Veterans Affairs benefits;
(5) Verification of public assistance income;
(6) Verification of child support payments;
(7) Verification of alimony or separation payments;
(8) Verification of recurring cash contributions;
(9) Verification of income from military service;
(10) Verification of assets on deposit;
(11) Verification of assets disposed;
(12) Record of oral verification;
(13) Three cost estimates for the rehabilitation project;
(14) Current appraisal by a licensed and Uniform Standard of Professional Appraiser Practice (USPAP) certified appraiser, if available.

(c) Add duplication of benefits verification

§ 100-100.4-345 Application Intake and Processing

Upon receipt of the Rehabilitation and Reconstruction Loan Application, the loan specialist must provide the applicant(s) with a Good Faith Estimate (GFE) Disclosure Statement as required by the Real Estate Settlement Procedures Act (RESPA) of 1974. The GFE discloses all costs and/or fees associated with the processing of such loan request. If the GFE is not provided to the client at the time of their submission of their application, the form must be mailed out within three (3) business days after NMHC's receipt of the loan application. If the application is denied within a three (3) business day period, then NMHC is not obligated to send one out.

§ 100-100.4-350 Credit History and Verification of Income

As part of determining income eligibility and credit worthiness (NMHC may focus on the income and credit worthiness of the head of household and spouse; however, to determine income eligibility, NMHC needs to consider the income of ALL household members), the applicant(s) shall provide NMHC with an executed Program Eligibility Release Form to conduct a third-party verification of the following:

(a) Credit Report—The applicant(s) shall provide a written authorization for NMHC to request and obtain a written credit report from a recognized credit bureau, more specifically, Equifax. The credit report will be used as a reference in determining the applicant(s) credit worthiness. Poor repayment of credit obligations shall be considered a credit risk and shall be a reason for denial of assistance. On a case by case basis, NMHC may reconsider its decision if the applicant has reestablished his/her credit standing, or if the applicant demonstrates a good faith effort to pay-off or resolve his/her delinquent account(s) or bad debt(s), and shall be required to submit a letter justifying any delinquency and/or bad debt.

(b) Employment—NMHC shall send the employer(s) of all household members a signed Verification of Employment (V.O.E.) form who shall furnish the requested information on the V.O.E. NMHC may consider job stability as one of the bases in determining loan approval. As such, NMHC, on a case-by-case, may require that an applicant, or one of the applicants, be employed for at least two (2) years before the loan request is submitted to the Corporate Director for approval.

(c) Assets, Business Income, and Credit Accounts—All household members of the applicant(s) shall provide NMHC with a written authorization to obtain third party verifications whenever applicable. Monthly bank statements from the previous six (6) months for each checking account owned, and the most recent savings account, Time Certificates of Deposits (TCD), and other bank/investment accounts must be provided to NMHC for asset verification purposes. Third party verification from creditors shall also be conducted to determine applicant(s)' credit worthiness.

§ 100-100.4-355 Administration, Approval, Appeals Process

(a) Program Administration

(1) The MCD Manager shall assist the Office of Housing in implementing and management of related tasks. The MCD Manager shall assign loan specialists to assist in loan and grant origination, underwriting and closings under the Homeowner Rehabilitation and Reconstruction Program.

(2) The MCD Manager shall review each submitted application provided by the Office of Housing, ensure all supportive documentation is in place and complete, and concur or make any necessary recommendations to the Corporate Director prior to the Corporate Director making the final decision on the loan application.

(b) Loan Review & Approval
Under the direction of the MCD Manager, a loan specialist shall review and verify all applicants' credit, income, assets, liabilities, title reports, and any other requested reports and documentation. Upon completion of the review process, the loan specialist shall prepare a loan write-up containing his/her recommendations.

(1) The MCD Manager shall review the loan write-up for concurrence before submitting the same to the Corporate Director for a final decision. Final approval or denial of any loan shall be made by the Corporate Director except as follows:

(i) If the Corporate Director is off-island or on extended leave at the time the loan or grant is submitted to him/her for a final decision, then the Deputy Corporate Director may make the final decision to approve or deny the loan; or

(ii) If the Corporate Director and Deputy Corporate Director are both simultaneously off island or on extended leave at the time the loan is submitted for a final decision, then the Acting Corporate Director may make the final decision to approve or deny the loan.

(3) For purposes of these policies, off-island or extended leave shall be defined as an absence or leave that extends for more than three (3) working days after the loan or grant is submitted to the Corporate Director for his or her final decision.

(4) A written notice of the final decision shall be provided to the applicant and a copy/report of the decision shall be provided to the NMHC Board of Directors for informational purposes.

(c) Loan Denial Appeals Process
(1) Applicants denied assistance under this program may appeal the final decision to the NMHC Board of Directors (Board) by submitting their appeal in writing to the Corporate Director within ten (10) calendar days of the written notice of the final decision.

(2) Any appeal submitted must indicate the basis for the appeal and include any supporting documents. Upon receipt of an appeal, the Corporate Director shall submit the same to the Board of Directors for review and action at the next scheduled Board meeting.

§ 100-100.4-360 Homeowner Counseling Session

(a) All applicants for loan assistance must attend a Homeownership/Homebuyer Education and Counseling Session that will be provided by NMHC. On or before August 1, 2021, NMHC employees providing housing counseling will be HUD certified housing counselors, and NMHC will have applied directly to HUD and received approval, or NMHC will have applied to a HUD-approved intermediary and received approval by the entity to be its affiliate. NMHC shall notify the applicant(s) of the date, time, and location of the session. The education and

counseling session shall be scheduled after the loan has been preliminarily approved and may be conducted before or on the day that NMHC issues the commitment letter to the applicant(s). The counseling session shall include a discussion of the terms and conditions of the loan, educate the homeowner(s) of their financial responsibilities, the importance of budgeting, making timely payments, foreclosure prevention, as well as, home maintenance and repair measures. Acceptable delivery method for housing counseling may be in-person, phone, or internet. Duration of the housing counseling is eight (8) hours. Upon completion of the housing counseling, the borrower(s) will receive a counseling certificate and this counseling certificate is valid for 2 years. Funding for housing counseling will come from project-related soft costs.

(b) NMHC shall inform applicant(s) at the time of their submission of their application of the required homeowner counseling session and again in written form when NMHC notifies the applicant(s) of NMHC's preliminary approval of their loan request. Failure to attend the required Homeownership/Homebuyer Education and Counseling Session may be grounds for denial or cancellation of assistance.

§ 100-100.4-365 Commitment Letter

(a) Once the loan request has been approved by the NMHC Corporate Director, the responsible loan specialist shall prepare the commitment letter for the Corporate Director's signature. The commitment letter is a binding agreement between NMHC and the borrower(s) wherein it discloses the terms and conditions of the approved loan including the estimated after rehab value to ensure compliance with 24 CFR 92.254(a)(2)(iii) and (b)(1); the housing is the principal residence of an income qualified homeowner; the amount and form of assistance (e.g., grant, amortizing loan, deferred payment loan); the rehabilitation work to be performed; the completion date; and the property standards that must be met. Borrowers who have been approved shall agree not to incur additional debts, unless formally requested by the borrowers and authorized by NMHC.

(b) The responsible loan specialist shall obtain a written certification (via email or memo format) from the Chief Financial Officer or Finance Manager that funds are available for the project before the Corporate Director executes the commitment letter.

(c) After the commitment letter has been signed and dated by the Corporate Director, the responsible loan specialist shall schedule the applicant(s) to come in and also sign and date the document should they agree with the terms and conditions.

(d) NMHC must reexamine the household's income eligibility if the determination was made more than six (6) months before signing the Commitment Letter.

(e) NMHC must set up the activity in DRGR following execution of the commitment letter and commitment of CDBG-DR funds.

§ 100-100.4-370 Preliminary Title Report (PTR)

(a) The responsible loan specialist shall order a preliminary title report (PTR) on behalf of the borrower(s) within two (2) weeks after the borrowers have executed their commitment letter. The purpose in obtaining a title report is to ascertain ownership of the proposed property for collateral and to ensure that NMHC holds the first lien on the property. A title search and review of recorded ownership information is conducted to verify that the property to be assisted with CDBG-DR funds is held in one of the eligible forms of ownership.

(b) The responsible loan specialist shall obtain the preliminary title report (PTR) by submitting an email request to the local title companies. The project will be granted on a first come, first serve basis to the company agreeing to the rate set by NMHC.

(c) The Loan Specialist shall obtain an updated PTR prior to loan closing to ensure that NMHC maintains the first lien on the property.

§ 100-100.4-375 Pre-Construction Conference

(a) The pre-construction conference shall be held after NMHC's receipt of the PTR and the same has been determined to have met NMHC's requirement as indicated in § 100-100.4-370. The responsible loan specialist shall inform the homeowner(s) and their contractor, and their private inspector (if applicable), in written form of the scheduled pre-construction conference. The notice shall include the date, time, and location of the conference. The conference shall be conducted by the responsible loan specialist and shall include the homeowner(s), their contractor, and their private inspector (if applicable).

(b) The homeowner(s) and their contractor, and if applicable, their private inspector, are to be provided with information such as their rights and responsibilities before, during, and after the rehabilitation period of their home.

§ 100-100.4-380 Submission of Pre-Construction Documents

The NMHC shall notify the contractor of the homeowner(s) selection of his/her/their company and shall likewise instruct the contractor to submit the required construction documents listed below. These documents are to be provided to NMHC within thirty 30 days from the date of notice.

(a) Building permit (if applicable);

(b) Zoning Permit (if applicable);

(c) Earthmoving & erosion control permit (if applicable);

(d) Construction contract;

(e) Performance bond;

(f) Plans & specifications approved by DPW;

(g) Private inspector's contract (if applicable).

§ 100-100.4-385 Loan Closing/Settlement

Promissory Note, Mortgage, Restrictive Covenant, Consent to Encumber Land, Affidavit

(a) Promissory Note: All loans will require borrowers to sign a promissory note. The promissory note shall be attached together with the mortgage and loan agreement and shall be filed at the Commonwealth Recorder's Office as one document in the following order: Mortgage, promissory note, and loan agreement.

(b) Mortgage, Consent to Encumber Land, Restrictive Covenant: All loans will require all legal owners, including the spouse of a borrower who may or may not be an applicant of the rehabilitation loan to sign the aforementioned documents. The consent to encumber land and restrictive covenant shall be attached together with the mortgage, loan agreement, and promissory note and shall be filed at the Commonwealth Recorder's Office as one document.

(c) Affidavit of Marital Status: All loans will require that all unmarried borrowers declare their marital status before executing the documents stated in subsections (a) and (b).

(d) The responsible loan specialist shall prepare the following disclosure forms to be executed by borrowers: Federal Truth-in-Lending Disclosure, HUD 1, Fixed Rate and Variable Rate Disclosure Form.

Part 400 - Rehabilitation

§ 100-100.4-401 Performing Rehabilitation Work

(a) Contractor Cost Estimates. The homeowner(s) shall be responsible in obtaining a minimum of three (3) written rehabilitation cost estimates from at least three (3) NMHC approved contractors, and each cost estimate submitted must include, at a minimum, the following information: bid price, cost breakdown of materials and labor charges, and schedule for completion of work. If for any reason that a construction cost estimate is unattainable, then a justification letter from the borrower and/or contractor may be accepted in lieu of this requirement (3 cost estimates).

(b) Selection of Contractor. The homeowner(s) shall have the right to select a contractor to perform the rehabilitation work, provided that the contractor's quotation and after rehab value does not exceed the HOME published after rehab value limits for existing homes and the assistance to the homeowner cannot exceed the maximum per unit subsidy limit. The contractor must be an NMHC-approved contractor or if not an approved contractor then NMHC must vet the contractor prior to award of the project. Should it exceed the loan amount, the homeowner shall negotiate with the contractor in reducing the contract amount. If the contractor is not willing to lower the contract amount, then the borrower shall select his/her/their next choice. Once the homeowner and contractor agree to the project and cost, the homeowner shall submit a contractor selection notice notifying NMHC of his/her/their selection.

(c) Construction Contract. The construction contract is a binding agreement strictly between the homeowner and the contractor whereby the contractor will provide the rehabilitation or repair or reconstruction work for a specified and agreed upon price. As NMHC's role is to finance the construction of the project, it is not a party to the construction contract. However, at any time the contractual provisions are not followed, NMHC shall meet with the homeowner and contractor to discuss the dispute and come to a mutual agreement. The construction contract shall include, but is not limited to, the following provisions:

(1) Contractor's name and mailing address;
(2) Homeowner(s) name and mailing address;
(3) Date of the contract, the contract amount, and payment schedule for each incremental billing;
(4) Calendar days to complete the work (includes Saturdays, Sundays, and holidays);
(5) Contractor will provide the performance bond, labor and material payment bond up to the contract amount, as well as a builder's risk policy for the project;
(6) The contractor will provide all the construction plans and permits necessary to comply with applicable local and federal laws;
(7) Issuance of the notice to proceed or the commencement of the project and that the rehab must start within 12 months of NMHC executing the commitment letter with the borrower;
(8) Contractor will provide a one-year warranty on all work completed;
(9) NMHC's right to inspect the progress of the project and right to withhold progress payments;
(10) Change order procedures, if any;
(11) A provision for liquidated damages must be included in the construction contract which shall be negotiated between the homeowner and contractor; and
(12) Description of the work to be performed so that inspections can be conducted and, for rehabilitation, so that housing will meet NMHC's rehabilitation standards.

(d) Contractor Notification and Pre-Construction Requirements. Once NMHC is in receipt of the homeowner's contractor selection notice, NMHC shall notify the contractor of the homeowner's selection of their company. NMHC shall inform the contractor of the scheduled pre-construction

conference and shall likewise inform the contractor of the required construction documents for submission as listed below.

(1) Building permit (if applicable);
(2) Zoning permit (if applicable);
(3) Earthmoving and erosion control permit (if applicable);
(4) Construction contract;
(5) Performance and payment bonds;
(6) Plans and specification approved by DPW;
(7) Private inspector's contract (if applicable).

(e) Project Duration – Project needs to be completed within 4 years of the date of the Commitment Letter.

(1) Progress payment requests shall be submitted to NMHC by the contractor incrementally as specified in the payment schedule. NMHC shall ensure that all work description indicated on the payment schedule is completed prior to releasing the contractor's payment. An original and a copy of the request must be submitted to the NMHC. The contractor shall freely use his/her/their company's billing form when submitting a payment request. The payment request shall be accompanied with the following whenever applicable: inspection reports (DPW and/or private inspector), geotesting results, termite treatment certification and/or warranty, builder's warranty, and/or homeowner's acceptance of the project. In addition, each billing submitted must include pictures of the progress of the project and a copy of the payment schedule.

(2) Payment schedule shall be as follows:
(i) Payment request number 1 shall not be more than 10% of the contract amount. This shall include the installation of the project sign board accompanied with a picture, the delivery of materials to the construction site and commencement of the project;
(ii) Payment request number 2 shall not be more than 25% of the contract amount;
(iii) Payment request number 3 shall not be more than 25% of the contract amount;
(iv) Payment request number 4 shall not be more than 25% of the contract amount;
(v) Payment request number 5 shall be the 15% retainage request when all work is completed. The final payment request shall be accompanied with the certificate of occupancy from DPW's Building Safety Office, builder's warranty, window warranty if subcontracted, termite treatment warranty, final inspection report from the DPW and if applicable, the private inspector's inspection report, certificate of acceptance from the homeowners, geotesting results if applicable, pictures of the project's interior and exterior, and DEQ certificate of use (sewage disposal system), if applicable.

(3) Change Order Procedures. From time to time, homeowners may request for changes in the plans and specifications. In the event that this should occur, the following steps must be taken to address such request:

(i) Homeowner must notify contractor in written form of the proposed changes and provide NMHC a copy of the notification.

(ii) Upon receipt of the notification, the contractor must cease work at the project site and obtain NMHC's approval of the change order request. Upon approval the contractor shall then provide NMHC with the revised plans and specifications, including a revised payment schedule (if scheduled payments will be altered by the proposed changes). The contractor must obtain NMHC's approval of the change order request.

(iii) Once the change order request is approved, the homeowner will be required to deposit the additional money needed to NMHC (if applicable) to carry out the change order. The contractor will be required to submit the revised plans and specifications to DPW for approval.

(iv) Should the change order request be denied, then the contractor shall resume work to ensure timely completion of the project. The contractor may not be able to complete the project on time because of the delays the change order request may have caused. Therefore, the homeowners shall give the contractor additional days equal to the time the work was ceased up until the time the change order request was denied to complete the project. The homeowner shall not charge the contractor liquidated damages during this period.

(v) Once the contractor has obtained the DPW's approval of the plans and specifications, then it shall provide the NMHC with the same copy. The contractor shall proceed in carrying out the change order and completing the project.

(vi) Inspections: NMHC shall have the right, during the rehabilitation work or improvement of the unit, to inspect the same and with justification, to reject and to require to be replaced, any material or workmanship that does not comply with the plans and specifications, without any liability on the part of NMHC, as to workmanship or materials therein. Such inspection is solely for financing purposes and for the disbursement of funds, and any inspection or approval of any rehabilitation phase or increments of said dwelling shall not be deemed as a warranty by NMHC of the workmanship and material therein.

(vii) Inspector: Progress and final inspections shall be conducted by the Building Safety Office of the Department of Public Works (DPW) to ensure all work performed is done according to the plans and specifications as approved by the applicant and DPW and applicable property standards. Homeowner(s) may have a private inspector, (i.e., a qualified licensed engineer or a qualified licensed architect), conduct inspection at the homeowner's costs with such inspection to be handled in accordance with § 100-100.4-240.

(viii) Minimum Property Standards (MPS): For new construction of housing and acquisition and/or rehabilitation of housing, CNMI Building Safety Code and zoning laws (if applicable for Tinian and Rota), International Energy Conservation Code, NMHC written design standards for single-family housing new/rehabilitation, and accessibility requirements (where applicable) must be adhered to. Homeowners, through their contractors, must ensure that they are familiar with these requirements. NMHC may rely on inspections performed by a qualified person. If using the funds

solely for acquisition, the property must also meet the minimum property standards mentioned above (or the Uniform Physical Conditions Standards).

(ix) The contractor will provide all the construction plans and permits necessary to comply with applicable local and federal laws.

Part 500 Payments

§ 100-100.4-501 Mortgage Loan Payments

(a) Prepayment of Mortgage Loan—There shall be no prepayment penalties for all rehabilitation loans that are "paid-off" prior to the maturity date (original or revised). Pre-paying off the loan relieves the borrower(s) from the affordability restrictions imposed on the property. NMHC may terminate the affordability period restrictions when the homeowner pre-pays the loan because the HOME program does not require the enforcement of an affordability period for homeowners rehabilitation not involving acquisition or new construction.

(b) The monthly mortgage payments (inclusive of principal, interest, late charges, or any other amounts due) shall be made to the NMHC whose central office is located in the corner of Micro Beach Road and Chalan Pale Arnold Road, Garapan, Saipan. NMHC's respective field offices in Rota and Tinian are likewise accepting payments during business hours. NMHC's Rota Field Office is currently located in Songsong Village. NMHC's Tinian Field Office is located in San Jose Village. Acceptable forms of payment are cash, personal checks, debit or credit cards (available only in Saipan), cashier's check, money order, allotment, or direct deposit thru Bank of Guam.

(1) The first monthly mortgage payment inclusive of the principal and interest, shall begin thirty (30) days after all construction work is satisfactorily completed. Payment application shall be applied in the following order:

(i) Accrued interest;
(ii) Principal;
(iii) Late fees.

(2) Irregular payments from time to time may be made by borrowers. Should they occur, the NMHC shall apply the payments as follows:

(i) Partial payments made that are less than a borrower's scheduled payment shall be deposited and credited to the account, but shall not excuse the requirement of full payment.
(ii) Multiple Payments—In instances where borrower(s) may have two existing loan accounts with NMHC, but makes less than the combined scheduled payments, payments are to be applied first to the oldest loan and the balance shall be deposited and credited to the other loan.

(iii) Excess Payments—In instances where borrowers make more than their scheduled monthly payments, the payments are to be applied to the unpaid principal, unless the borrowers indicate in written form to have the payments applied as advance payments.

(iv) Charged-off Accounts—Borrowers whose account(s) have been charged off will still have the opportunity to pay-off such account. Borrower(s) will be required to execute a charged off payment agreement prior to making any payment.

§ 100-100.4-505 Failure to Make Payment as Required

(a) Late Fees for Overdue Payments: A penalty fee of one (1) percent of the monthly mortgage payment will be assessed on all accounts not paid by the fifteenth of each month each day that the full payment is not received.

(1) Delinquencies

(i) Notices—Written notices of past due accounts shall be sent to borrower(s) based on the following schedule:

(A) First notice—Account over 30 days past due;

(B) Second notice—Account over 60 days past due;

(C) Third notice (demand notice)—Account over 90 days past due;

(D) Fourth notice (2nd demand notice)—Account over 120 days past due.

(ii) In the event that the borrower(s) fail(s) to update the account after the receipt of the fourth notice, NMHC shall forward the account to legal for further collection efforts, which may include foreclosure.

(b) Default: Should a borrower under this loan program fail to make payment as required or breaches any of the terms and conditions of the mortgage and the promissory note, the borrower will be considered in default of said agreements. NMHC shall have the right to collect any and all outstanding amounts due and demand a full payment thereof. NMHC shall have the right to charge the borrower(s) all legal expenses and fees caused by the borrower's failure to pay.

(c) Foreclosure: NMHC may use its right of first refusal, as set forth in the loan documents, written agreement with the homeowner, and restrictive deed or land covenant, to purchase the property before foreclosure or deed in lieu of foreclosure. Foreclosure triggers the NMHC recapture agreement enforceable through the restrictive deed or land covenant.

(1) Foreclosure and Recapture. If the assisted property is subject to recapture terms, NMHC has two options:

(i) Recapture Option 1: NMHC will recapture and pay to the CNMI CDBG account the net proceeds from the foreclosure sale of the property in accordance with the recapture terms; or

(ii) Recapture Option 2: NMHC may purchase the assisted property at foreclosure sale and additional CDBG-DR funds may be spent. However, the total amount of the original and additional funds spent may not exceed the maximum per unit subsidy amount.

(2) In the event of default by the borrower, the NMHC may foreclose its lien on the property as secured by the mortgage. Such foreclosure proceedings may result in the sale of the rehabilitated real property. If NMHC forecloses on its own loan, NMHC cannot use any additional CDBG-DR funds to acquire the property. Should the property be sold through foreclosure, then the amount due to NMHC will be the net proceeds of the sale up to the amount of loan assistance provided, including interest due, late charges, outstanding principal, legal fees, and any other amounts due.

Part 600 - Affordability

§ 100-100.4-601 NMHC Affordability Restrictions

(a) Long Term Affordability: NMHC has elected to impose NMHC affordability requirements that require that assisted properties remain affordable for a specific period of time, depending on the level of funds invested in the property and the nature of the activity funded:

DR Funds Invested per Unit	Minimum Length of the Affordability Period
Less than $49,999	5 years
$50,000-$100,000	10 years
More than $100,000 to Max. Loan Limit	15 years

Supplemental Rehab Assistance	**Additional Years Added to the Affordability Period**
$1.00 - $50,000	**5 years**
More than $50,000	**10 years**

(1) Affordability Restrictions

(i) The affordability requirements are to be imposed by deed restrictions, covenants running with the land, or other mechanisms approved by HUD, except that the affordability restrictions may terminate upon foreclosure or transfer in lieu of foreclosure or upon loan payment in full.

(2) Affordability and Special Exceptions

(i) The affordability restrictions shall be revived according to the original terms if, during the original affordability period, the owner of record before the termination event, or any entity that includes the former owner or those whom, the former owner has or had family or business ties, obtains an ownership interest in the project or property. If a home rehabilitated with CDBG-DR assistance is sold during the NMHC affordability period, NMHC recapture provisions apply to ensure the continued provision of affordable homeownership.

(b) Right of First Refusal. During the affordability period, the homeowner(s) agrees not to sell or assign the residence hereby rehabilitated to any persons unless and until homeowner(s) proposes

to sell same to NMHC, its successors or assigns on terms consistent with preserving affordability and allows then sixty (60) days' time within which to purchase said residence.

(c) Recapture. NMHC will ensure that it recoups all or a portion of the loan assistance provided to the homeowner(s), if the housing unit ceases to be the principal residence of the homeowner(s) for the duration of the period of affordability. Subsidy amounts (in the form of loans) that directly benefited the property owner (i.e., through deferred loans, non-interest bearing loans, interest bearing loans, etc.) are also subject to recapture. Recapture is capped at what is available out of net proceeds for agreements after November 2004. Net proceeds are defined as the sales price less superior non CDBG-DR debt (if any) less closing costs. NMHC shall utilize the following recapture options:

(1) Recapture the Entire Amount. NMHC may recapture the entire amount of the loan and/or subsidy from the homeowner(s) if the sale of the property occurs within halfway into the given NMHC affordability period. For example, a homeowner was approved for a $50,000 CDBG-DR loan to rehabilitate a home. The NMHC affordability period is therefore ten (10) years. On the fourth year, the homeowner sells the house for $60,000. Since the homeowner failed to comply with the minimum five (5) years of the ten (10) year affordability period, the recaptured amount is $50,000.

(d) Forgiveness: Reduction during NMHC Affordability Period. NMHC may reduce the deferred loan amount or loan amount to be recaptured on a pro rata basis for the period the homeowner(s) has/have owned and occupied the housing unit measured against the required NMHC affordability period; however, the homeowner(s) must occupy the housing unit as his/her/their principal residence for a minimum of five (5) years or at least halfway into the NMHC affordability, whichever is greater, in order to qualify for this recapture option. For example, if the assistance is $50,000 with a 10 year affordability period, the homeowner sells the property in the 6th year of the NMHC affordability period having lived in the home for a full 5 years for $60,000, the homeowner has a superior debt of $15,000, and the homeowner's share of the closing cost is $1,500, the amount subject to recapture is calculated as follows:

(i) Net Proceeds:

$60,000	(sales proceeds)
–$15,000	(superior private debt)
–$1,500	(closing cost)†
$43,500	**(net proceeds)**

†If client pays closing cost, it will be subtracted. If not, it will be added on as part of the net proceeds.

(ii) Reduction to Direct Subsidy:
$50,000 ÷ 10 year NMHC affordability period = $5,000
per year so, 5 years X $4,000 per year = $20,000 forgiven
Amount to Recapture:
$50,000 subsidy – $20,000 forgiven = $30,000 subject to recapture

(iii) Homeowner Gets:
(net proceeds amount to recapture)
$43,500 net proceeds – $30,000 recaptured = $13,500 for homeowner

(3) Homeowner(s) Recover of Initial Investment. The homeowner(s) investment (i.e., down payment and capital improvements made by the owner after completion of the rehab work) may be repaid in full before any funds are recaptured, provided that the homeowner(s) have occupied the housing unit at a minimum of five (5) years before the sale of the property and the homeowner's household income is at or below 50% of the Area Median Income.

(4) Shared Appreciation. In the case where net proceeds exceed the amount necessary to repay both the homeowner(s)' investment and the CDBG-DR assistance, the excess proceeds may be shared proportionately (i.e., percentage of investment provided) by both parties.

(d) Note: When the recapture requirement is triggered due to a voluntary or involuntary sale during the period of affordability and there are no net proceeds or the net proceeds are insufficient to repay the CDBG-DR investment due, NMHC may recapture an amount less than or equal to the net proceeds available.

(e) Legal Instruments to Enforce Recapture. NMHC must use deed restrictions, land covenants, or other similar legal documents approved by HUD to enforce these recapture restrictions as approved by HUD.

Part 700 - Conveyance

§ 100-100.4-701 Sale, Conveyance, or Transfer of Property

(a) Enforcement of the terms of the recapture provisions as set forth in the written agreements/commitment letters is triggered upon the sale, conveyance, or transfer of title of the rehabilitated and mortgaged real property under this program during the NMHC affordability period which may not necessarily result in the repayment of all CDBG-DR assistance. Upon sale of the home and enforcement of the recapture provisions, the affordability period will terminate.

(b) At the sole discretion of NMHC, a title transfer will only be permitted through the laws of descent or through a loan assumption, or upon selling the property, provided that NMHC has been properly informed and the same has consented to such sale. If, should any of these occur, one must submit his/her intention of loan assumption or selling of the property and request for the NMHC Board's approval for the transfer of title. If the title changes hand through the laws of descent during the affordability period, the affordability period may not terminate and continue with the new homeowner if the new homeowner satisfies the eligibility requirements. The new homeowner may assume the loan and the affordability period if the new homeowner meets the eligibility requirements. If the title changes hand through the laws of decent during the NMHC affordability period and the new homeowner does not meet the eligibility

requirements, NMHC will enforce the terms of recapture set forth in the commitment letter and enforced with recorded deed restrictions or land covenants. Upon enforcement of the recapture provisions, the NMHC affordability period will terminate.

Part 800 - Assumption

§ 100-100.4-801 Loan Assumption

(a) Death of a Borrower—Immediately upon notification to NMHC of a borrower's death, the surviving borrower or a family member of the borrower(s) shall complete a deceased borrower's report and/or submit a copy of the death certificate.
  (1) Upon the death of a borrower, the entire unpaid balance of the loan shall be immediately due and payable. NMHC shall instruct legal to file a claim against the estate; or
  (2) For those accounts covered with a mortgage life insurance, or where the borrower assigns his/her life insurance to NMHC, NMHC shall ensure that it files its claim with the insurance company to ensure that the outstanding balance including the principal, interest, insurance, late fees, and any other fees due to the account is paid off; or
  (3) In situations where there exists a surviving borrower, the same may submit a request to maintain the current monthly payment as scheduled without having the account sent for legal collection; or
  (4) If both borrowers are deceased, then NMHC may allow for an assumption of the loan by the heir(s) as indicated in the probate decree (which shall be provided to NMHC).
    (i) This assumption exception is permitted where transfer of title is through the laws of descent provided that the heir is of legal age, meets all program eligibility requirements and has a full, undivided interest in the real property. The heir will be required to fill out an application and execute a mortgage update and will be subject to a credit, income, and asset verification just like a new applicant.
    (ii) The heir or heirs of the deceased will be responsible in maintaining the account current as they await the probate decree. Once they are in receipt of the decree, they must submit it to NMHC so that NMHC will prepare the loan assumption agreement.

(b) Foreclosure Prevention
  (1) In situations where a foreclosure is imminent, the NMHC may allow a borrower to have a program eligible immediate relative (i.e., mother, father, brother, sister, son, daughter) assume the loan, all for the purpose of preserving the affordability period. The total outstanding balance thereof shall be fully amortized at the original interest rate and terms to produce equal monthly payments.
  (2) If the program eligible immediate relative assuming the loan cannot afford the repayment of the loan at its original rate and terms, NMHC may but is not required to waive that requirement and extend an additional term of up to a period of five (5) years or sixty (60) months to the existing term.

(c) Foreclosure—Should NMHC determine the borrower(s) or family member's absolute inability to repay the loan, then it shall sell the property to recover all assistance provided. Recapture provision shall take place. See § 100-100.4-505 for guidance on foreclosures and § 100-100.4-601 for guidance on recapture.

Part 900 - Financial Hardship

§ 100-100.4-901 Financial Hardship Assistance

(a) Reduction-In-Force—Monthly loan payments may be deferred for a period of up to twelve (12) months. Late charges will not accrue. If this approach is still deemed unaffordable, the current term rate may be extended and re-amortized with an additional sixty (60) months. Term extensions for leasehold properties are limited to the leasehold term.

(b) Reduction in Pay—Monthly loan payments may be deferred for a period of up to twelve (12) months. If this approach is still deemed unaffordable, the current term may be extended and re-amortized with an additional sixty (60) months. Term extensions for leasehold properties are limited to the leasehold term.

(c) Family Medical Emergency—Monthly loan payments may be deferred for a period of up to twenty-four (24) months. Late charges will not accrue. The current term may be extended and re-amortized with an additional sixty (60) months. Term extensions for leasehold properties are limited to the leasehold term.

(d) Medical Condition or Disability Assistance—Provided to borrower(s) who, after obtaining CDBG-DR rehabilitation or reconstruction assistance become physically or mentally disabled and are certified by a physician to be incapable of resuming work. The assistance may be conducted in the following manner:
   (1) Borrower(s) are to submit a doctor's certification certifying their incapability to resume work.
   (2) Borrower(s) outstanding loan balance may be converted to a grant.

(e) Natural Disaster including pandemic spread of disease
   (1) Monthly loan payments may be deferred for a period of up to six (6) months in the event of a natural disaster, such as fire, typhoon, earthquake, or flood. Final decisions regarding requested deferments shall be made by the Corporate Director. Late charges shall not accrue during deferment.
   (2) Borrowers may be eligible for a deferment upon written request accompanied by acceptable evidence of negative impact caused by natural disaster. Further, in order to qualify for a deferment, the borrower's loan and hazard insurance must be up to date.

(f) Other Hardships and Exceptions—Any other claimed financial hardship outside of the aforementioned eight listed hardships, as well as exceptions on a case-by-case basis, shall be brought to the Board for review and decision.

Part 1000 Ethics

§ 100-100.4-1001 Conflict of Interest

(a) Under no circumstances shall any immediate family members (whether by blood, marriage or adoption) the spouse, parent (including a stepparent), child (including a stepchild); brother, sister (including a stepbrother or stepsister), grandparent, grandchild, and in-laws of a covered person, elected or appointed officials of the CNMI government, NMHC's Board of Directors, its officers, agents, and employees may participate in any CDBG-DR assisted projects or units including the procurement of materials, or have an interest in any contracted services, or be a beneficiary in any proceeds. Other provisions in 24 C.F.R. § 92.356 shall apply. Conflict of interest applies to covered persons who exercise or have exercised any functions or responsibilities with respect to activities assisted with CDBG-DR funds or who are in a position to participate in a decision-making process or gain inside information with regard to these activities. Covered persons may not obtain a financial interest or financial benefit from a CDBG-DR activity, or have a financial interest in any contract, subcontract, or agreement with respect to the CDBG-DR assisted activity, or the proceeds from such activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for one year thereafter.

(b) Exceptions: Threshold requirements. Upon the written request of the participating jurisdiction, HUD may grant an exception to the provisions above on a case-by-case basis when it determines that the exception will serve to further the purposes of the CDBG-DR Program and the effective and efficient administration of the participating jurisdiction's program or project. An exception may be considered only after the participating jurisdiction has provided the following:
   (1) A disclosure of the nature of the conflict, accompanied by an assurance that there has been public disclosure of the conflict and a description of how the public disclosure was made; and
   (2) An opinion of the participating jurisdiction's or state recipient's attorney that the interest for which the exception is sought would not violate state or local law.

(c) Factors to be considered for exceptions. In determining whether to grant a requested exception after the participating jurisdiction has satisfactorily met the requirements mentioned above, HUD will consider the cumulative effects of the following factors, where applicable:
   (1) Whether the exception would provide a significant cost benefit or an essential degree of expertise to the program or project which would otherwise not be available;
   (2) Whether the person affected is a member of a group or class of low-income persons intended to be the beneficiaries of the assisted activity, and the exception will permit such person to

receive generally the same interests or benefits as are being made available or provided to the group or class;

(3) Whether the affected person has withdrawn from his or her functions or responsibilities, or the decision-making process with respect to the specific assisted activity in question;

(4) Whether the interest or benefit was present before the affected person was in a position as described in paragraph (c) of this section;

(5) Whether undue hardship will result either to the participating jurisdiction or the person affected when weighed against the public interest served by avoiding the prohibited conflict; and

(6) Any other relevant considerations.

Part 1100 - Miscellaneous

§ 100-100.4-1101 Acronyms Reference Section

[For Rehab and Reconstruction Program Policies and Procedures]

(a) AIA—American Institute of Architects

(b) AMI—Area Median Income

(c) CD—Corporate Director

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

(e) CFR—Code of Federal Regulations

(f) CNMI—Commonwealth of the Northern Mariana Islands

(g) CPSC—Consumer Product Safety Commission

(h) DCD—Deputy Corporate Director

(i) DEQ—Department of Environmental Quality

(j) DPW—Department of Public Works

(k) DTI—Debt-to-Income Ratio

(l) EA—Environmental Assessment

(m) GFE—Good Faith Estimate

(n) HOME Program—U.S. HUD Homeownership Investment Partnerships Program

(o) LEP—Limited English Proficiency

(p) LMI—Low Moderate Income

(q) MCD—Mortgage Credit Division

(r) MBE—Minority-Owned Business Enterprise

(s) MPS—Minimum Property Standards

(t) MPV—Maximum Property Value

(u) NAHA—National Affordable Housing Act

(v) NEPA—National Environmental Policy Act

(w) NMHC—Northern Marianas Housing Corporation

(x) NTP—Notice to Proceed

(y) PII—Personally Identifiable Information

(z) PITI—Principal, Interest, Taxes, and Insurance

(aa) PJ—Participating Jurisdiction

(bb) PTI—Payment-to-Income Ratio

(cc) PTR—Preliminary Title Report

(dd) RER—Rehab Environmental Review

(ee) RESPA—Real Estate Settlement Procedures Act

(ff) SCRA—Service Members Civil Relief Act

(gg) SSI—Supplemental Security Income [Social Security]

(hh) TCD—Time Certificates of Deposits

(ii) TILA—Truth in Lending Act

(jj) U.S. HUD—United States Department of Housing and Urban Development

(kk) USDA RD—United States Department of Agriculture Rural Development

(ll) USPAP—Uniform Standard of Professional Appraisal Practice

(mm) VOE—Verification of Employment

(nn) WMBE—Women-owned or minority-owned business enterprise

Definitions:

Adjusted Gross Income (AGI): AGI is an individual's total gross income minus specific deductions. Adjusted income is derived by subtracting any of the five allowed deductions that apply to household from the household's annual (gross) income. For elderly or disabled households, deductions for the type of household, dependent childcare, medical and disability assistance expenses are allowed; family households may deduct dependent, childcare and disability assistance expenses.

Area Median Income (AMI): Calculated annual limits based on HUD-estimated median family income with adjustments based on family size used for demonstrating LMI beneficiaries in the program. May also be referred to as Area Median Family Income (AMFI) in other program documents.

Beneficiary: An individual, person, family or household receiving advantage or assistance from the CDBG-DR funding.

Builder/Contractor: (Used interchangeably) A person who contracts to reconstruct or repair houses and or supervise building operations.

Case Management: The collaborative process of providing services that include assessment, planning, facilitation, coordination and advocacy for reconstruction or rehabilitation to individual homeowner applicants to ensure they fully understand the Program's housing solutions, resulting in clear and transparent determination of eligibility, reconstruction or rehabilitation options, assistance award amounts, the construction management process, documentation and ongoing compliance requirements. Case Managers will work to decrease barriers for homeowners to participate in the program wherever possible. Case Workers will explain the Program's solutions and provide information on the Reconstruction/Rehabilitation process in standardize formats.

Common Area Under Roof: The total area under the common roof is

primarily interior, conditioned spaces and, for single-story homes is equal to the footprint of the house. The term is also synonymous with the eligible area. Exterior spaces such as detached porches and garages are considered *ineligible* areas.

Damage Assessment: A report resulting in a physical inspection of the housing unit to document damage from the event. The assessment must be conducted by a certified or licensed inspector and is required to specifically and clearly document storm-related property damage via photographic evidence and detailed narratives. Damage assessments must include a final estimated cost of repairs according to local code, an assessment of cost-effectiveness of each recommended activity (reconstruction or rehabilitation), mold remediation and the total amount of assistance needed to bring the home up to code at completion.

Demolition: The clearance and proper disposal of dilapidated building and improvement materials.

Duplication of Benefits: The amount determined by the Program that would represent financial assistance covering costs that have been received from another source. The Robert T. Stafford Disaster Assistance and Emergency Relief Act (Stafford Act) prohibits any person, business concern, or other entity from receiving financial assistance from CDBG-DR funding with respect to any part of a loss resulting from a major disaster as to which he/she has already received financial assistance under any other program or from insurance or any other source. A Duplication of Benefit amount determined by the Program would result in the reduction of an award amount.

Environmental Review: All qualified projects must undergo an environmental review process. This process ensures that the activities comply with National Environmental Policy Act (NEPA) and other applicable federal and territorial laws. 24 CFR Part 58 Environmental Review Procedures for Entities Assuming HUD Environmental Responsibilities as well as Related Federal Laws and Authorities Listings under 24 CFR 50.4 and 58.6 will be followed.

Estimated Cost of Repair (ECR): The report resulting from a damage assessment detailing the estimated project costs necessary to repair /or reconstruct the home to the minimum housing rehabilitation standards, and costs for mitigation and elevation efforts to reduce the impact of future storms.

Federal Emergency Management Agency (FEMA): The agency of the United States Department of Homeland Security with the primary purpose of

coordinating the response to a disaster that has occurred within the United States and that overwhelms the resources of local authorities.

FEMA-Designated High-Risk Area: Areas designated by FEMA as vulnerable to significant wind and/or storm surge damage and areas located in the 100-year flood zones. These areas will be identified during the environmental review process for each participating jurisdiction.

Flood Hazard Area: The land area covered by the floodwaters of the base flood is the Special Flood Hazard Area (SFHA) on NFIP maps. The SFHA is the area where the National Flood Insurance Program's (NFIP's) floodplain management regulations must be enforced and the area where the mandatory purchase of flood insurance applies. The SFHA includes Zones A, AO, AH, A1 -30, AE, A99, AR, AR/Al-30, AR/AE, AR/AO, AR/AH, AR/A, VO, Vl-30, VE, and V.

Flood Insurance: The Flood Disaster Protection Act of 1973 (42 U.S.C. 4012a) requires that projects receiving federal assistance and located in an area identified by FEMA as being within a Special Flood Hazard Areas (SFHA) be covered by flood insurance under the National Flood Insurance Program (NFIP). For property owners to be able to purchase flood insurance, the community must be participating in the NFIP. If the community is not participating in the NFIP, federal assistance cannot be used in those areas.

Floodplain: FEMA designates floodplains as geographic zones subject to varying levels of flood risk. Each zone reflects the severity or type of potential flooding in the area.

"'100-year floodplain" - the geographical area defined by FEMA as having one percent chance of being inundated by a flooding event in any given year.

"500-year floodplain" - the geographical area defined by FEMA as having a 0.2 percent change of being inundated by a flooding event in any given year.

Household: A household is defined as all persons occupying the same housing unit, regardless of their relationship to each other. The occupants could consist of a single family (including a family that consists of a single individual), two or more families living together, or any other group of related or unrelated persons who share living arrangements. For housing activities, the test of meeting the LMI National Objective is based on the combined income of the household.

Individual Mitigation Measures (IMM): Activities designed to mitigate and/or

reduce risk beyond the pre-disaster condition of a housing unit when the activities are above and beyond federal, state, or local units, and the payment of flood insurance are not IMM activities. Examples of IMM activities include elevation above the base flood elevation level, or the addition of storm shutters, disaster proof windows, roof straps, etc. as long as those improvements are not required to comply with local code requirements and did not exist on the housing unit prior to the disaster damage.

Low- to Moderate-Income (LMI) National Objective: Activities which benefit households whose total annual gross income does not exceed 80% of Area Median Income (AMI), adjusted for family size. Income eligibility will be determined and verified in accordance with 24 CFR Part 5 requirements using procedures as stated in the Technical Guide for Determining Income and Allowances, 3rd Edition (HUD-1780-CPD). The most current income limits, published annually

by HUD, shall be used to verify the income eligibility of each household applying for assistance at the time assistance is provided.

Major or Severe Damages: $8,000 or more of FEMA inspected real property damage or 1 foot or more of flood water on the first floor. Inspection documentation must be maintained in the project file (a copy of the FEMA inspection, or photographic evidence of the flood water damage).

Manufactured Housing Unit (MHU): A structure, transportable in one or more sections which in the traveling mode is 8 body-feet or more in width, and 40 body-feet or more in length, or when erected on site, is at least 320 square feet, and which is built on a permanent chassis designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and includes the plumbing, heating, air-conditioning, and electrical systems contained therein.

Minimum Housing Standards: Assisted properties will meet the following standards upon project completion: each living unit will be used and maintained individually, having access such that it is unnecessary to pass through any other living unit, will include utilities and a water supply and will meet the CNMI building codes in place at the time of assistance. Fixtures and finishes will be of "standard" and not "luxury" quality.

Mitigation: Improvements made to a property specifically to reduce the possibility of future property damage, personal and commercial hardship, as well as long lasting monetary burden. For example, creating a flood mitigation program such as an acquisition of at-risk flood-prone property/housing, and elevation of housing in high-risk floodplains are too visible and effective mitigation projects that can be taken to make residents and communities safe in the face of natural disasters.

Modular Home: A home built in sections in a factory to meet state, local, or regional building codes. Once assembled, the modular unit becomes permanently fixed to one site.

National Flood Insurance Program (NFIP): The National Flood Insurance Program aims to reduce the impact of flooding on private and public structures by providing affordable insurance to property owners, renters and businesses and by encouraging communities to adopt and enforce floodplain management regulations.

New Construction: The site preparation for, and the construction of, an entirely new residential structure in a location that did not previously contain a residential structure.

Reconstruction: Demolition and rebuilding of a residential structure, including a modular housing unit, on the same lot and in substantially the same footprint and manner as the previous housing unit (whether demolished with CDBG-DR assistance, or demolished prior to Program application). This activity also includes replacing an existing substandard site-built, modular housing, or manufactured housing unit (MHU). The number of units may not be increased, and the total square footage of the reconstructed structure may not be substantially increased beyond the original principal residence square footage. However, the number of rooms within a unit may be increased or decreased based on the applicant's current household size.

Rehabilitation: Repair or restoration of a storm-damaged housing unit to applicable CNMI building and construction codes, and minimum property standards for a residential dwelling.

Single Family Home: A single unit containing any group of rooms located within a dwelling and forming a single habitable unit with facilities which are used or intended to be used for living, sleeping and cooking. A single-family home may be detached or attached to another single unit.

Subrogation Agreement: An agreement executed by the homeowner beneficiary agreeing to repay any duplicative assistance if the homeowner beneficiary later receives other disaster assistance for the same purpose as disaster recovery funds already received.

Substantial Damage: Storm damage sustained by a structure whereby the cost of restoring the structure to its pre-storm damaged condition would equal or exceed 50 percent of the market value of the structure before the damage occurred (44 CFR 59.1). Substantial damage includes properties that were fully destroyed by the storm events. A substantially damaged determination may be made by a Commonwealth

government official or floodplain manager, or the determination may be made by the CDBG-DR Program based on the Estimated Cost to Repair.

Uniform Relocation Assistance and Real Property Acquisitions Policies Act of 1970, as amended (Title 49 CFR Part 24) (42 U.S.C. 4601 et seq.) (URA): URA applies to all acquisitions of real property or displacements of persons resulting from federal or federally assisted program projects. The objective of the URA is to provide uniform, fair, and equitable treatment of persons whose real property is acquired or who are displaced in connection with federally funded projects. For the purposes of these guidelines, URA mostly applies to involuntary displacements from residential units (49 CFR Subpart B) and acquisition or multifamily damaged/occupied activities that require the relocation of tenants.

Since participation in the Homeowner Reconstruction and Rehabilitation Program is voluntary, permanent relocation compensation is not available to the property owners.

However, NMHC must assure that the Uniform Relocation Act requirements will be followed and that both displaced occupants and any current occupants if any of the project are identified. These occupants are entitled to advisory services, in the form of notices and counseling, moving and/or storage expenses, and coverage of all displacement costs for temporary or permanent relocation pursuant to formula and applicable Federal Register notices. The program will monitor displaced and current tenants and maintain records from the inception of the project. Failure to do so can lead to unexpected and substantial costs and work delay.

Demonstrable Hardship - A demonstrable hardship is a substantial change in an applicant's financial situation that will prohibit or severely affect their ability to provide a minimal standard of living or the basic necessities of life including food, housing, clothing and transportation without causing economic distress well beyond mere inconvenience as shown by objective evidence. A demonstrable hardship must be occurring after the named storms. The demonstrable hardship must be of a severe, involuntary and unexpected nature. It must not be one that is generally shared by other applicants affected by the named storms. Examples of demonstrable hardships may include job loss, failure of a business, divorce, severe medical illness, injury, death of a family member or spouse, unexpected and extraordinary medical bills, disability, substantial income reduction, unusual and excessive amount of debt due to a natural disaster, etc. None of the listed examples above, individually or taken together, automatically establish a demonstrable hardship nor is the listing above exhaustive as there may be other factors relevant to the issue of demonstrable hardship in a particular case. If an applicant believes that they are in the state of demonstrable hardship and that the demonstrable hardship causes them to not comply with any of the program policies, they may present their existence of a demonstrable hardship to their case worker (housing or

loan specialist) and the Program will evaluate on a case-by-case basis after review of all of the circumstances. Applicants claiming a Demonstrable Hardship shall be required to provide evidence of such claimed Demonstrable Hardship to the case worker.

Not Suitable for Rehabilitation – properties where the cost of rehabilitation exceeds the after rehab appraisal and there is not a compelling historical or community justification to save the property.

Urgent Need National Objective: An activity that addresses an urgent need, defined as a situation where existing conditions pose serious and immediate threat to the health or welfare of the community and are recent or recently became urgent. The Territory, along with any and all subrecipient (s), must document no funds are available and costs cannot be financed for the activities. The CDBG certification requirements set forth in 24 CFR 570.208(c) and 570.489(d) have been waived per 83 FR 5844. The Territory and the subrecipients must document how each activity, program. and/or project funded under this National Objective category responds to a disaster-related impact. (See 24 CFR 570.208(c) and applicable Federal Register Notices which are 83 FR 5844 and 83 FR 40314.)

§ 100-100.4-1105 Homeowner Rehabilitation
Underwriting Guidelines and Referenced Sections

(a) Determining how much of a loan an applicant would be eligible for or if a loan can be extended is determined by the applicant(s) gross annual income, repayment ability, and credit worthiness. These could be found in §§ 100-100.4-205, 100-100.4-210, 100-100.4-220, 100-100.4-225, 100100.4-230, and 100-100.4-350. An applicant(s) debt ratio should not exceed forty-five (45) percent of their gross annual income. However, on a case-by-case basis, the debt ratio could be up to fifty-five (55) percent provided that the applicant could still meet payment responsibilities.

(b) The minimum and maximum loan assistance can be found in § 100-100.4-201 including the type to be extended to an applicant(s) which are further explained in §§ 100-100.4-220, 100-100.4-225, and 100-100.4230.

(c) The affordability restrictions that will be imposed on the property, a loan will only be extended to applicant(s) who will make their assisted unit their primary residence (see § 100-100.4-215(e)).

Records Management

NMHC will comply with 24
C.F.R. Part 5.2, Compliance with the Privacy Act, which requires

the safeguarding of personally identifiable information (PII) by:

- Minimizing the use of PII on program documents and records.
- Providing access to PII only to those who require it for official business.
- Securing PII appropriately for paper or electronic forms.
- Training for data security and compliance with the Privacy Act will be provided to all employees and contractors (if applicable) as part of their on boarding process.

In accordance with HUD regulations, as a grantee and recipient of CDBG-DR funds, NMHC follows the records retention as cited in 2 CFR Part 200.333-337, which includes financial records, supporting documents, statistical records and all other pertinent records are maintained for five (5) years after closeout of the grant between HUD and NMHC.

APPENDIX A.1: Crosscutting Requirements

1.1 Crosscutting Requirements

1.2 Fair Housing

The Fair Housing Act requires all grantees, subrecipients, and/or developers funded in whole or in part with HUD financial assistance to certify that no person was excluded from participation in, denied the benefit of, or subjected to discrimination in any housing program or activity because of their age, race, color, creed, religion, familial status, national origin, sexual orientation, military status, sex, disability or marital status. The Program complies with and enforces the Civil Rights requirements of Title I of the Housing and Community Development Act (HCDA) and the Fair Housing Law.

Projects must also assess how planning decisions may affect members of protected classes, racially and ethnically concentrated areas, as well as concentrated areas of poverty; will promote the availability of affordable housing in low-poverty, non-minority areas where appropriate; and will respond to natural hazard-related impacts. Program staff will use demographic, geographic, and social vulnerability analyses to determine any positive or negative impacts to protected classes. Should a project present negative impacts, project scope or design will be re-assessed to mitigate such impacts.

1.3 Environmental Review

Early environmental coordination must be completed to ensure effective implementation of all CDBG-DR Programs. CDBG-DR funding is contingent upon compliance with both local and federal environmental regulations. This includes compliance with NEPA and related environmental and historic preservation legislation and executive orders. In general, NMHC serves as the lead agency for purposes of NEPA.

HUD's Environmental Review process allows grantees to serve as the "Responsible Entity" to assume environmental review responsibilities under NEPA. As the grantee, NMHC serves as the Responsible Entity (through authorization from the Governor) as it relates to environmental review responsibilities under NEPA. Within NMHC, Environmental Review Staff will be responsible for performing environmental reviews and compiling the Environmental Review Records (ERR). Reviews are conducted either directly or using qualified environmental service contractors. NMHC 's Corporate Director, as the Certifying Officer, is ultimately responsible with certifying that NMHC's environmental reviews follow NEPA and HUD environmental regulations.

Federal Register Notice FR-6182-N-01 authorizes recipients of CDBG-DR funds under the Appropriations Act to adopt any environmental review, approval, or permit performed by a Federal agency for the same project to satisfy responsibilities with respect to environmental review, approval, or permit. NMHC will notify HUD in writing of its decision to adopt another agency's environmental review. NMHC will also retain a copy of the review in its environmental records. Further information concerning the environmental review process is set forth in the Environmental Policies and Procedures.

1.4 Labor Standards

The Davis-Bacon and Related Acts (DBRA) applies to all federally-funded or assisted construction contracts in excess of $2,000. This may apply to projects that are fully or partially funded with CDBG-DR, including FEMA or FHWA match programs. In matched projects, only the scope of the CDBG-DR portion of the project are subject to crosscutting requirements DBRA requires all workers employed by contractors or subcontractors on CDBG-DR programs, be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with DBRA, as amended. DBRA also requires that workers on federally-assisted projects are paid not less than weekly.

Wage information for labor under CDBG-DR programs will be tracked in detail by both NMHC and relevant Implementing Partners and subrecipients throughout the life of the Program. Compliance for this requirement may be tracked in the following ways:

1. Additional NMHC Program staff hired to track wages and verify contractor and agency compliance
2. External contractor hired by NMHC to track DBRA compliance
3. Enhanced TA provided to Implementing Partners to track DBRA compliance

Procedures for this process are currently under development and will be incorporated in a future

update to this document.

For prime contracts in excess of $100,000, contractors and subcontractors must also, under the provisions of the Contract Work Hours and Safety Standards Act, as amended, pay laborers and mechanics, including guards and watchmen, at least one and one-half times their regular pay for all hours worked over 40 in a work week. Additionally, NMHC must follow the reporting requirements per HUD and U.S. Department of Labor (DOL) regulations. This requirement also extends to NMHC subrecipients, Implementing Partners, and contractors.

The Fair Labor Standards Act of 1938 (FLSA), as amended, establishes the basic minimum wage levels for all work and requires the payment of overtime at the rate of at least one and one-half times the basic hourly rate of pay for hours worked in excess of 40 per week. These labor standards are applicable to the entire construction contract whether or not CDBG-DR funds finance only a portion of the project.

1.5 Limited English Proficiency

Federal Executive Order 13166 requires NMHC and all satellite offices, programs, subrecipients, contractors, subcontractors, and/or developers funded whole or in part with CDBG-DR financial assistance to ensure fair and meaningful access to programs and services for families and individuals with Limited English Proficiency (LEP) and/or deaf/hard of hearing. Compliance with this requirement is detailed in NMHC's Language Action Plan (LAP) and will be coordinated and tracked by the Monitoring and Compliance division at NMHC. Depending on the program, NMHC, Implementing Partners, sub-recipients, and subcontractors will share the following expectations to comply with this Executive Order:

1. Document Translation: All documents defined as "vital documents" will be translated into Chamorro or Carolinian by NMHC, Implementing Partners, and sub-recipients. A "vital document" is defined as a document that includes information regarding eligibility requirements, applications and instructions, program eligibility determinations, and appeals procedures. NMHC may aid ensure this requirement is met.
2. Where required, seek feedback from the community the project serves (advocacy groups serve vital role).

Language maps provided in the Language Action Plan will be used to determine the project's location and subsequent language context and if proactive LEP outreach will be required. These maps will be included as part of the Project Assessment Form used by NMHC to review the eligibility, priority level, and impacts of a potential project.

1.6 Minority and/or Women-Owned Business Enterprises

The Federal Executive Order 12432 guidelines require selected federal agencies to promote and increase the utilization of Minority-Owned and Women-Owned Business Enterprises (M/WBEs). Following procurement guidelines under 2 CFR 200.321, NMHC must make efforts to ensure that all subrecipients, contractors, subcontractors, and/or developers funded in whole

or in part with HUD CDBG-DR financial assistance encourage participation in contracts and other economic opportunities by small and minority firms, women-owned business enterprises (WBEs), and labor surplus area firms whenever possible. NMHC will accept a MWBE certification from another state, local or regional, DPW, SBA HUB Zone, SBA 8-A certification (economically disadvantaged and 51% locally-owned), and other eligible certification processes. Documentation and goals regarding M/WBE percentages and reporting will be determined in the contracting agreements.

1.7 Section 3 Economic Opportunities

Section 3 is triggered when the award of CDBG-DR funds for new construction and rehabilitation projects creates the need for new employment, contracting, or training opportunities.

Section 3 of the Housing and Urban Development Act of 1968 is to "ensure that employment and other economic opportunities generated by certain U.S. Department of Housing and Urban Development (HUD) financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed to low and very low income individuals, especially recipients of government assistance for housing and to businesses which provide economic opportunities to low and very low income individuals."

The Section 3 program requires that recipients of HUD CDBG-DR funds, to the greatest extent feasible, provide (a) employment and training, and (b) contracting opportunities for low- or very- low income residents in connection with construction projects in their neighborhoods.

It also specifically encourages economic opportunities for households who are recipients of government assistance for housing. NMHC and all administering entities will follow and require relevant contractors to follow Section 3 requirements in contracting.

Section 3 applies to the CNMI, as recipient of HUD funding, as well as to subrecipients or Implementing Partners/Sub-recipients receiving HUD funding exceeding $200,000. Whenever any portion of HUD funding is invested into projects involving housing construction, demolition or rehabilitation, commercial/private improvements for economic development, or other public construction (e.g., roads, sewers, community centers, and public facilities), the requirements of Section 3 apply.

In conjunction with construction activity, Section 3 applies to projects that are fully or partially funded with CDBG-DR assistance, including projects that are financed in conjunction with territory, local, or private matching or leveraged funds, provided that the Section 3 monetary threshold requirements are met. In particular:

- In conjunction with construction activities, Section 3 applies to contractors or subcontractors that receive contracts more than $100,000 for Section 3-covered projects/activities. Once it is determined that Section 3 applies to a project, the

requirements apply to all contracts for construction work arising in connection with that project exceeding $100,000, including those not funded with CDBG-DR assistance. Contractors or subcontractors are required to comply with the Section 3 regulations in the same manner as the Commonwealth; and

- "Section 3-covered contract" includes professional service contracts, provided that the work to be performed is generated by the expenditure of funds in furtherance of Section 3 covered work (e.g., housing construction, housing rehabilitation, and other public construction), arising relating to construction projects. Professional service contracts that may constitute Section 3-covered contracts include construction contract oversight, engineering, architectural, environmental and property evaluation, construction progress and draw inspections, and prevailing wage labor compliance.

The regulations pertain to new hires required to complete Section 3-covered projects and activities. If the expenditure of funding for an otherwise covered project and activity does not result in new employment, contracting, or training opportunities, Section 3 reporting will still be required.

When NMHC awards CDBG-DR funds to other governmental departments, nonprofit organizations, subrecipients or other funded entities, NMHC will require they document how reasonable attempts were made to reach numerical goals set forth at 24 CFR Part 135.30. NMHC will inform its Implementing Partners and other funded entities of the requirements of Section 3, including the language required to be inserted into all construction-related contracts, assist them and their contractors with achieving compliance, and monitor their performance with respect to the Section 3 objectives and requirements.

Implementing Partners/Sub-recipients will receive training on this requirement and methods of compliance, technical assistance from Program staff, and continual monitoring from NMHC. Currently, a Section 3 Plan is under development, the details of which will be included in an update to this manual.

1.8 System for Award Management (SAMs)

SAM is the federal System for Award Management and is a requirement for doing business with the U.S. government. All vendors are required to register in SAM in order to be awarded contracts under the CDBG-DR program. Vendors are required to complete a one-time registration to provide basic information relevant to procurement and financial transactions. Vendors must update or renew their registration annually to maintain an active status.

1.9 Uniform Relocation and Real Property Acquisition Act (49 CFR 24)

The Uniform Relocation Assistance and Real Property Acquisition Act (URA), is a federal law that establishes minimum standards for federally funded programs and projects that require the acquisition of real property (real estate) or displace persons from their homes, businesses, or farms. The URA's protections and assistance apply to the acquisition, rehabilitation, or demolition of real property for federal or federally funded projects. The phrase "program or

project" is defined in 49 CFR Part 24 as, "any activity or series of activities undertaken by a federal agency or with federal financial assistance received or anticipated in any phase of an undertaking in accordance with the federal funding agency guidelines."

The objectives of the URA are:

- To provide uniform, fair and equitable treatment of persons whose real property is acquired or who are displaced in connection with federally funded projects;
- To ensure relocation assistance is provided to displaced persons to lessen the emotional and financial impact of displacement;
- To ensure that no individual or family is displaced unless decent, safe, and sanitary (DSS) housing is available within the displaced person's financial means;
- To help improve the housing conditions of displaced persons living in substandard housing; and,
- To encourage and expedite acquisition by agreement and without coercion.

49 CFR 24.101(c)(1) provides that the subpart B requirements also apply to the acquisition of permanent and/or temporary easements necessary for the project. However, 49 CFR 24.101(c)(2) provides an exception for the acquisition of temporary easements which exclusively benefit the property owner.

APPENDIX A.2: Construction Standards

NMHC's CDBG-DR Written Rehabilitation Standards shall detail the methods, materials, and requirements that the housing must meet upon completion of rehab, including all of the following:

(1) **Exigent Health and Safety (EHS).** Identifying all life-threatening deficiencies [1] that present a direct threat to life or well-being, e.g., that are likely to cause severe injury or reduction in physical or mental ability. These EHS life-threatening deficiencies include: locked emergency/fire exit egress, missing/broken electrical cover plates/switches/outlets, inoperable smoke detectors, and exposed wires/missing covers. See Attachment B.

(2) **Major Systems.** Requiring that, upon project completion, each major system, as defined by federal regulation, had a remaining useful life of 5 years, or for a longer period as specified by NMHC, or the major system was rehabilitated or replaced as part of the rehabilitation. Major systems are: structural support; roofing; cladding and weatherproofing (e.g., windows, doors, siding, gutters); plumbing; electrical; and heating, ventilation, and air conditioning. For rental housing, the participating jurisdiction's standards must require the participating jurisdiction to estimate (based on age and condition) the remaining useful life of these systems, upon project completion of each major systems. For multifamily housing projects of 26 units or more, the participating jurisdiction's standards must require the participating jurisdiction to determine the useful life of major systems through a capital needs assessment of the project. For rental housing, if the remaining useful life of one or more major system is less than the applicable period of affordability, the participating jurisdiction's standards must require the participating jurisdiction to ensure that a replacement reserve is established and monthly payments are made to the reserve that are adequate to repair or replace the systems as needed. For homeownership housing, the participating jurisdiction's standards must require, upon project completion, each of the major systems to have a remaining useful life for a minimum of 5 years or for such longer period specified by the participating jurisdiction, or the major systems must be rehabilitated or replaced as part of the rehabilitation work[2].

(3) **Lead-based Paint.** NMHC's standards must conform with HUD's lead-based paint requirements at 24 CFR part 35[3].

(4) **Disaster Mitigation (if applicable).** Require the property to meet the disaster mitigation requirements, e.g., housing to be improved to mitigate the impact of potential disasters (e.g., earthquake, hurricanes, flooding, and wildfires) in accordance with State and local codes, ordinances, and requirements[4] such as the 2018 International Building Code or most current building code adopted by the CNMI Department of Public Works Building Safety Office, zoning laws (note: zoning is currently applicable to Saipan only), International Energy Code, etc.

[1] **24 CFR 92.251(b)(1)(i)**
[2] **24 CFR 92.251(b)(1)(ii)**
[3] **24 CFR 92.251.(b)(1)(iii)**
[4] **24 CFR 982.251(b)(1)(vi)**

(5) **State and Local Codes, Ordinances, and Zoning Requirements.** NMHC's standards must require the housing to meet all applicable State and local codes, ordinances, and requirements in accordance to the 2018 International Building Code or most current building code adopted by the CNMI Department of Public Works Building Safety Office, zoning laws (note: zoning is currently applicable to Saipan only), International Energy Code, or, in the absence of a State or local building code, the International Building Code of the International Code Council[5].

(6) **Uniform Physical Conditions Standards.** NMHC's standards must reflect upon completion, the CDBG-DR-assisted project and units will be decent, safe, sanitary, and in good repair as described in 24 CFR 5.705. HUD will establish non-life threatening and minimum deficiencies that must be corrected under NMHC's standards based on inspectable items and inspected areas from HUD-prescribed physical inspection procedures (Uniform Physical Conditions Standards) pursuant to 24 CFR 5.705[6]. See Attachment B.

GENERAL NOTES:

1. **Scope Verification.** The contractor shall field verify locations, sizes, and quantities of work required for the project. Any quantities provided by NMHC need to be field verified for accuracy and exact installation requirements.

The contractor is responsible for coordinating with an in-house or third-party Architectural and Engineering (A&E) firm for their project design, proposal, and scope of work for review and certification as required.

2. **Tools, Material, and Equipment.** The contractor will supply all tools, materials, and equipment required to perform the Scope of Work unless otherwise specified.

3. **Permits, Inspections, and Testing.** Contractors and Subcontractors shall be responsible for all permits including but not limited to, the Saipan Zoning Board, the Bureau of Environmental and Coastal Quality (BECQ), and the Department of Public Works (DPW), inspections, testing, fees and licensing as pertaining to the law, ordinances, and regulations and as required to complete their respective Scopes of Work in this Agreement. The contractor shall pay for the entire cost of any remedial work resulting from a failed inspection.

4. **Taxes.** The contractor shall be responsible for all federal, state, and local taxes imposed directly or indirectly for its Services required to fill this Agreement.

5. **Insurance.** The contractor shall provide and maintain General Liability and Worker's Compensation insurance throughout the Term of this Agreement and Project duration. The contractor shall provide certificates of insurance or other acceptable evidence of insurance (i.e., payment and performance bond) in the amount of 100 percent of the rehabilitation contract sum upon execution of this Agreement.

[5] **24 CFR 92.251(b)(1)(vii)**
[6] **24 CFR 92.251(b)(1)(viii)**

6. **Clean-Up.** The contractor is responsible for daily cleanup of all areas where work is performed and disposal of debris.

NMHC PROJECT PROPOSAL STANDARD REQUIREMENTS:

a) Contractors and/or A&E firms are to conduct assessments of the client's existing home and property condition, existing home structural condition, existing plumbing and drainage system conditions, and existing electrical condition. The contractor and/or A&E firm will also need to verify the home's existing power pole drop line and water meter locations for planning purposes and reference in the scope of work development.

Also, the contractor will identify any potentially life-threatening conditions to include but not limited to:

- Lead-Based Paint
- Asbestos
- Mold
- Structural issues/failures

b) The contractor and/or A&E firm is responsible for securing as-built measurements of the home and project site for conversion to AutoCAD format for planning, layout renovation, and development of the rehabilitation scope of work.

c) Only contractors on NMHC's approved contractor listing are eligible to work on home loan clients' new or rehab home projects.

Note: Interested contractors not currently listed on NMHC's contractor listing must first submit all documents as listed on the request for qualifications notice to be added to the contractor listing and become eligible to work on housing projects.

d) The contractor is responsible for applying for all permits necessary for a new house construction proposal or renovation, extension, rehab project for a regular home or disability home project for the record.

e) The contractor is responsible for having all project design drawings reviewed and certified by a licensed A&E firm. The contractor will utilize the certified drawings to apply for the DPW Building Permit as required.

f) The contractor is responsible for complying with all DPW Building Safety Code requirements including but not limited to: inspections, report documentation, and testing reports throughout the construction process for new, rehab, renovation home projects for regular home or disability home construction, extensions, or house conversions to disability home compliance projects.

g) The Contractor is responsible for gathering and maintaining all project records and documentation required by DPW for the issuance of the Certificate of Occupancy upon project completion. Copies of all reports are also to be submitted to NMHC.

h) The contractor is required to conduct a pre-final inspection of the project with the homeowner and NMHC officials, before final inspection with DPW Building Safety inspectors, to test all the building systems and finishing work.

i) Any major systems, as defined below, installed by the contractor shall have a warranty of no less than 5 years. Such warranty shall be stipulated on the rehabilitation contract between the contractor and the homeowner. Should it be determined at any time during the 5-year warranty period that a major system failure was a result of the work completed by the contractor then the contractor will be obligated to repair the failure.

j) All other rehabilitation work performed by the contractor shall have a warranty period of no less than 1 year, beginning on the date of the Certificate of Occupancy issued by the Department of Public Works. Such warranty shall be stipulated on the rehabilitation contract between the contractor and the homeowner.

Major systems as defined by 24 CFR 92.251(b)(1)(ii)] – Structural support; roofing; cladding and weatherproofing (e.g., windows, doors, gutters); plumbing; electrical; and heating, ventilation, and air conditioning.

ZONING REFERENCES AND REQUIREMENTS:

a) Contractors are required to apply for all zoning permit(s)/clearance(s) required for a home renovation or rehabbing project, including any new home extension projects. Contractors will need to ensure full compliance with all zoning setback requirements.

Example: For any extension in the front of the house, the extension should be 15' feet away from the front property line to the new front wall extension. For the left or right-side, the zoning setback requirements are 10' feet away from the boundary line to a new building wall extension. And for the rear setback, zoning requires 20' feet clearance away from the rear property line. Any failure to meet these requirements may result in the home client having to pay for zoning variance fees.

b) Zoning fencing setback requirements - For any proposed fencing for the front side of the house facing the road entry, the fence line should be two feet inward of the property line. For the left, right, and rear side setbacks, the requirement is one foot inward the property line.

c) Should a new septic tank and leaching field be required, the Zoning office setback requirements are a minimum of ten feet at any angle from the property line for both the septic tank and leaching field.

Note: New septic tanks should be constructed fifteen feet from the house. DEQ also has regulations on Septic tanks and leaching fields that need to be adhered to.

SITE WORK:

a) All debris including abandoned vehicles, scrap material, metal objects, trash, vegetation, and other objects that pose a safety and/or health threat, as determined by the local jurisdiction or person qualified to make such a determination, must be removed from the property before the start of construction.

b) Any identified lead-based paint hazards must be abated by the contractor per the guidelines outlined in 24 CFR 92.251(b)(1)(iii).

c) Any ground-level hazards i.e. potholes around the home must be backfilled to finish grade elevation to prevent tripping hazards.

d) If required, any existing boundary fencing around the house/project site that can be repaired must be restored to a safe condition. If the fencing poses safety and/or health hazard then it must be immediately removed from the project site.

Note: Repairing of an existing boundary fence does not alleviate the contractor from installing the required protective hoarding around the house/project site.

PEST CONTROL:

a) Termite control shall be applied by a reliable and licensed termite control company familiar with local soils and termite control conditions and licensed by the Division of Environmental Quality.

1. The contractor shall apply for all permits necessary for pest treatment.

b) The contractor shall attain a certification of 2-year warranty and retreatment should ground nesting of termite occurs within the 2 years at no cost to the homeowner.

c) The contractor shall apply termite treatment for any new construction, renovation, rehab, and extension project as required.

FOUNDATIONS:

a) Footings will be designed for an assumed allowable soil bearing capacity of 3,000 PSI

b) All structural fill beneath footings and slab-on-grade shall be placed 12 inches thick on 8-inch maximum layers. Foundation Backfill will be compacted to 95% compaction maximum dry density.

c) Any soft spots encountered during excavation operations for foundations shall be over excavated till hard dirt limits, then backfilled with suitable material and properly compacted to 95%.

d) Compaction tests for the foundation shall be required and paid for by the homeowner if not included in the contract after receiving the compaction test result for the record. The tests must be performed by a licensed soil testing firm.

CONCRETE AND REINFORCEMENT:

1. All concrete shall develop a minimum compressive strength at the end of 28 days as follows:

• Foundation	3,000 PSI	Max slump	@4 inches
• Beams, Walls & Columns	3,000 PSI	Max Slump	@4 inches
• Suspended Roof Slab	3,000 PSI	Max Slump	@4 inches
• Slab on Grade	2,500 PSI	Max Slump	@5 inches
• Sidewalk / Pathway	2,000 PSI	Max Slump	@5 inches
• Driveway & Car Parking	3,000 PSI	Max Slump	@4 inches

Note: For a concrete flat rooftop on the middle portion, pour 7½" thick concrete slab, sloping to all corners of the house's downspouts or drainage passageways at 5" finish. A 2½" slope to be applied in the middle of the rooftop to prevent water ponding on the rooftop.

TESTING:

1. Compression Tests: All concrete placed for foundations, structural slabs, beams, and columns shall have a minimum of three cylinders taken for every 50 cubic yards of concrete placed or for any one concrete placement. Concrete cylinders shall be tested for compressive strength at a testing laboratory. Two compression tests shall be performed at 14 days and one compression test at 28 days for each set of three cylinders taken.
2. Slump tests @ 3"- 4": A slump test shall be taken in the presence of the architect or engineer for each batch of concrete delivered to the job site and shall be taken before placing any concrete. In the event a slump test fails, the entire batch of concrete shall be rejected, including removal of concrete already placed, without cost to the homeowner for the record.
3. Additional water to concrete mixture batch at the job site shall not be permitted.
4. All materials and workmanship shall conform with the 2018 International Building Code requirements for residential projects. All contractors must comply with the code for receiving the finished project's Certificate of Occupancy.

MAINTAIN MINIMUM CONCRETE COVERAGE FOR REINFORCING STEEL AS FOLLOWS:

1. For concrete cast against and permanently exposed to earth @ 3"
2. Concrete exposed to earth or weather no. 5 rebar or smaller @ 1 ½"
3. Concrete not exposed to earth or in contact with ground slabs & walls @ ¾"
4. Concrete not exposed to earth or in contact with beams & columns @ 1 ½"
5. Reinforcement of new walls and columns shall be dowelled to supporting footings, beams, columns and walls with bars of the same size and spacing as vertical and horizontal bars

STRIPPING OF FORMS AND SHORES:

1. For foundation forms, it can be removed after 24 hours after pouring curing time. For Walls and Columns forms, they should be removed after 48 hours minimum. For concrete roof beams and roof slabs, forms should be removed after 14 days minimum. All forms can be removed after 28 days of the date.
2. All concrete shall be kept moist for a minimum of 7 days immediately after placing by the use of wet burlap, fog spraying, curing compounds, and other approved methods an architect or engineer.
3. No heavy construction load is permitted more than 50% of the specified design load within the 28 days of concrete placement. In cases, do not overload more than the specified design load after the 28 days of placement. No concentrated load is permitted except over supporting columns and walls.

CONCRETE BLOCK WALL:

1. Masonry units shall have a factory's minimum compressive strength of 1,000 PSI.
2. Masonry units shall be sound, dry, clean, and free from cracks when placed in the structure.
3. Where masonry unit cutting is necessary, all work should be neat and true.
4. The maximum aggregate size shall be 3/8" for pouring CMU block cells.
5. Concrete block units shall be laid in the common bond pattern unless otherwise shown.
6. For wall thickness 4", 6" and 8", use No. 4 vertical rebars @ 16" on center typical.
7. Horizontal bars are placed at every two layers of blocks all around w/No.3 rebars typical.
8. For all corner walls, vertical bars install three No.5 vertical rebars on each side from the corner out @2' feet typical.
9. For all intersection walls, vertical bars install four No.5 vertical rebars one in center of T and one on each side out @2' feet typical.
10. For all end walls install two No.4 vertical bars w/No.3 bars C-ties @ 12" O.C. typical.

Note: Any new door or window to be opened up on an existing concrete house wall, construct a new lintel beam at 12" out from each side on top by 8" height by wall thickness typical and new 4" thick concrete sidings on both sides of window edging typically for door openings.

11. "Dur-O-Wal" reinforcement shall be continuous around all walls, corners, and intersections and shall lap @ 12" minimum splicing for all vertical rebar extension for all walls to roof beam level as required.
12. All CMU block cells shall be solidly filled with cement grout. Grout all cells below slab on grade. Typical unless noted otherwise.

13. When plastering roof beams and columns. Apply concrete bonding into your cement mixture and paintbrush the portions before plastering.
14. Any hollow sound on existing and newly plastered walls found on walls to be chipped removed out and re-plaster all hollow walls detected to its solid sound plaster condition.

Note: To be inspected and verified for approval for the record.

15. For painted finish. Apply muriatic acid on newly plastered walls. Wash down, dry up before applying two primer coats on newly plastered walls, and then apply two coated final painting finish. For existing concrete wall paint scrape and water blast all bubbling peeling out paint on walls, ceilings, etc. Apply one primer coat on existing dirty/stained washed walls before applying its new final paint color.
16. Any hollow sound on the existing floor, wall and counter ceramics, chip out and remove. Install new floor, wall, and counter ceramic with no hollow sound on the ceramic finishing work.

Note: To be inspected and verified for approval for the record.

CONCRETE WALL AND CONCRETE ROOF STRUCTURE EXTENSION:

a) For rehabbing an existing semi-concrete house to construct a new concrete roof structure on top, the contractor will construct new 8"x12" concrete columns with a 10" thick foundation concrete pouring by 30" square column footings. If the existing house is longer than 20', the contractor will construct another new column in between or in the middle for more structural support. The specifications are only for a house renovation with concrete roof ceiling height at 8' to 9' flooring finish to roof ceiling finish. For a 10' roof ceiling or over, the contractor will construct a 12"x12" size concrete columns for all with a 10" thick concrete pouring by 36" square column footings. Rebar sizes are standard sizes approved from its building permit plans as specified. See construction drawings for rebar sizes and dimensions.

Note: To refurbish/renovate a damaged roof on an existing semi-concrete house, replacing or repairing a tin roof will not be accepted as a rehab project. All eligible applicants must have their rooftop converted solid concrete mitigate any future disasters as outlined in 24 CFR 92.251(b)(1)(vi) and to comply with the rehab program requirement for homeowner insurance.

Note: The existing CMU walls to be used as existing concrete wall partitions. Do Not depend on the existing wall as wall bearing walls for the record. It will only serve as a non-bearing wall. The new concrete columns are designed to carry the new 5" thick concrete roof slab with new 17"x8" or 10" concrete roof beams that are specified in the structural construction drawings for the record.

PLUMBING STANDARD NOTES:

1. Install a new ¾" ball valve at the existing CUC water meter box facing the house. Secure with cover level to the existing grade. (For emergency shut off valve).

2. Run a new ¾" PVC cold water line into the house project. (Following the Plumbing Floor Plans and Specifications).
3. For cold water lines, use PVC water pipes and for hot water lines, use CPVC water pipes.
4. For the waste line, use ABS pipes for all drainage waste line.
5. Make sure that the electric water heater has a Pressure Relief valve down at 12" above ground level. This is to ensure that should the water heater tank be over-pressured; the valve opens to relieve the pressure in the tank and prevent tank explosion.
6. Check slopes of waste/soil lines. Pipping below 3" diameter shall be sloped at ¼" per foot. Piping over 3" shall be sloped at 1/8" per foot for the proper sloping waste line to the septic tank as required in the plumbing code.
7. Lay new water lines higher than sewer/waste lines to prevent contamination. Provide sand cushion around any plumbing piping. Keep water lines away from soil/sewer lines if in the same trench by at least 24".
8. Install new air chambers for all fixture supply piping. Use 18" air chamber, one size larger than branch piping.
9. Testing of water lines pressures for 100 PSI for one hour without any drop in water pressure. Retest all leaky joints. Submit all test results together with the rest of the closing reports.
10. Static testing of waste lines and vent lines to 10' static head for at least one hour. Retest all leaky joints when detected until it has no more leak for the record. Submit all test results together with the rest of the closing reports.
11. Always check that the flow of the waste/soil lines is correct. The vent line is directed to the rooftop at 18" above the roofline. For sewer line, use long sweep elbow or tee.
12. Whenever a water closet is installed, make sure there is a minimum 2" vent thru roof at 18" above the rooftop.
13. Provide floor drains on 2nd or higher floors for housekeeping.
14. Clearwater lines and waste lines away from foundation footings, columns, and beams.
15. Do not install/embed water lines in concrete. Provide piping chase or sleeves.
16. Provide shut off valves at strategic points in the water lines.
17. For propane gas lines, use galvanized piping for LPG gas lines. Encased LPG piping in PVC piping, if piping is installed underground. Use a One bigger size PVC pipe to sleeve the galvanized pipe inside before pouring under the slab.
18. Always provide strap around water heaters, gas tanks to prevent it from moving during an earthquake.
19. Provide cushion sleeves around any piping penetrating through concrete walls and floors.
20. Provide 36" standpipe for washer and P-trap shall be above ground readily accessible. Do not install P-trap under the ground.

21. Provide P-traps for floor drains, shower drains, kitchen sinks, and lavatories.
22. Provide ground or floor cleanouts at every 50'. Provide cleanouts to every angle as required in the plumbing code for preventive maintenance.
23. Do not install sewer lines in the same trench as water lines. Where there is crossing, concrete encase the sewer line 10' at 10" around the line to the end of crossing. Sewer lines should be always located deeper than the water lines in a trench.
24. For a long stretch of hot water piping lines, provide a loop comprising of elbows to offset expansion for safety purposes.
25. Provide 2" high overflow piping above a flat rooftop in addition to roof drains.
26. Provide supports for piping under slabs.
27. Provide vent piping 10' away horizontally from any window or door. Preferably, install a vent to terminate above the roof at 18" above finish rooftop.
28. The contractor shall be responsible for chipping existing concrete floors and walls to install new plumbing piping. The contractor is responsible also to restore floor slabs and walls to the original condition. These are part of the rehab and renovation work process. All extra work shall not be an additional cost to the homeowner. Everything should be included in the contract.
29. Standard sizes for water, soil/waste, and vent lines for each fixture are as follows:

Fixture:	Cold Water:	Hot Water:	Soil/Waste:	Vent:
Floor Drain			2" ABS	2" ABS
Water Closet	½" PVC		3" or 4" ABS	2" ABS
Urinal	¾" PVC		2" ABS	2" ABS
Kitchen Sink	½" PVC	½" CPVC	2" ABS	2" ABS
Lavatory	½" PVC	½" CPVC	2" ABS	2" ABS
Shower	½" PVC	½" CPVC	2" ABS	2" ABS
Dirty Kitchen Sink	½" PVC	½" CPVC	2" ABS	2" ABS

Note: Always tighten, secure, brace, and clamp all wall-mounted fixtures properly. Provide concrete splash boxes for drainage downspouts.

ELECTRICAL STANDARD NOTES:

1. The contractor is responsible for obtaining permits for temporary power hook up including applying and paying hookup and monthly use fees for their use for the project without cost to homeowners for the record.
2. GFCI outlets to be installed in any kitchen counter at 4' min. away from the sink.
3. Use the GFCI outlet for the restroom wall outlet. Do not use a regular outlet.

4. Use the GFCI outlet for the outside wall outlet with a weatherproof cover typical.
5. Design for outlets should be limited to 8 outlets for a 20-amp single pole breaker.
6. Design for lights should be limited to 8 lights for a 20-amp single pole breaker.
7. Provide at least one outlet in the hallway for housekeeping use.
8. Installing new electrical boxes shall include an adapter, lock nut, and bushing. Bushing shall be insulated.
9. The service entrance conduit shall be galvanized steel per CUC requirements.
10. Conduits underground shall be PVC.
11. For any exposed conduits it shall be a rigid aluminum or galvanized steel.
12. Conduits inside building in-ceiling or exposed may be electrical metallic tubing-EMT.
13. Minimum size for homerun shall be ¾" conduit for easy pulling.
14. For computer circuits, make sure the ground wire is isolated.
15. All power circuit conduit shall have ground wire.
16. Follow electrical wires standard color-coding per National Electrical Code. For residential rehab, projects shall be a 120/240 Volt system, 1 phase:

Phase A-color Black Phase B-color Red Neutral color: White Ground color: Green

Note: The neutral and grounding colors shall be the correct color wire throughout without any exception. Avoid color coding with electrical tape. Electrical hazard.

17. Splicing shall be the plastic pressure type connectors. For larger wires, splicing shall be terminal lugs type.
18. Any conduit crossing roadways or in traffic areas shall be embedded in concrete, or located per NEC. The minimum conduit depth is 18" to top of the conduit.
19. Separate communications conduits from power conduits by at least 12" laterally. The minimum conduit size shall be ¾" conduit. Provide pull wire in every empty communications conduit extending 12" at both ends for computer and TV. line connections.
20. Contractor to coordinate with telephone/internet company to seek the advice of where hand holes or access panels may be located for ease of pulling and service.
21. Be sure to apply rust spray paint to all electrical boxes before embedding them in concrete.
22. Position outlets on a horizontal orientation.
23. Where to put new light switches, place them right after opening a door on the closest wall at 4' height typical.

24. Light switches to be set on a vertical position at 4' height center of electrical boxes.
25. Conduits underground outside the house building shall have warning tape at 12" below grade.
26. Maximum bends in conduits shall be limited to three (3).
27. Standard Breaker amp size and its proper wire size use to prevent power shortage and fire for health and safety measures.
28. For reference, a 20-amp circuit breaker has a total of 1,920 Watts.
29. For a single-pole 20-amp circuit breaker, use No. 12 solid wires. Separate outlets and lights circuit breaker switch.
30. Use No. 12 solid wires for receptacle outlets. A limit of 8-outlets per 20-amp single pole circuit breaker switch.
31. Use No. 12 solid wires for light fixtures. A limit of 8-lights per 20amp single pole circuit breaker switch.
32. Use a 20-amp single pole circuit breaker with a No. 12 solid wire. For 110 volts air conditioning separately, use a ½" electrical conduit from the panel box to outlet location.
33. Use a 30-amp double pole circuit breaker with a No. 10 solid wire. For 220 volts air conditioning separately, use a ¾" electrical conduit from the panel box to the outlet location
34. Use a 50-amp double pole circuit breaker with No. 6 stranded wires in a 1" electrical conduit for electrical range.
35. Use a 20-amp single pole circuit breaker with a No. 12 solid wire. For a refrigerator separately, use a ½" electrical conduit from the panel box to outlet location.
36. Use a 20-amp single pole circuit breaker with a No. 12 solid wire, for computer station separately, use a ½" electrical conduit from the panel box to outlet location.
37. Use a 30-amp double pole circuit breaker with a No. 10 solid wire. For 220 volts Electric Water Heater separately, use a ¾" electrical conduit from the panel box to outlet location.
38. For reference information, using a 100amp double pole circuit breaker use a # 2 wire.
39. A 125-amp double pole circuit breaker uses a # 1 wire.
40. A 150-amp double pole circuit breaker uses a # 1/0 wire.
41. A 175-amp double pole circuit breaker uses a # 2/0 wire.
42. A 200-amp double pole circuit breaker uses a # 3/0 wire.
43. Make sure any electrical splicing to be connected uses an electrical connector, not electrical tape.
44. Make sure to tighten all loose connections properly.
45. Provide 4" high concrete pad for mounting an electrical water heater equipment. Allow for 4" extra distance on the width and length of the water heater.

46. Exposed conduits in exposed areas shall be painted to match the adjacent wall finish.
47. All equipment and disconnect switch in weather shall be sealed waterproof.
48. All testing work shall be performed by the contractor and the contractor shall pay for all water, fuel, electricity, instrument, and personal.
49. The contractor shall submit a written guarantee certificate warranting all materials and workmanship free of defects for one year from the date of acceptance.
50. The contractor must submit As-Built drawings of the electrical system after project along with Certificate of Occupancy

ELECTRICAL MOUNTING HEIGHT REQUIREMENTS FOR ELECTRICAL:

1.	Meter Box Height	5'-6" from finish grade to center of the meter box
2.	Panel Box Height	5'-0" from finish floor to top of the panel box
3.	Light Switches Height	48" from finish floor to center of the elect. Box
4.	Outlet Height	12" from fin. floor, for ADA outlet height 15"- 48"
5.	Fire Alarm Height	5'- 6" from finish floor to center of the pull box
6.	Fire Alarm Horn/Bell Height	7'- 6" from finish floor to center of the box
7.	Disconnect Switch	5'- 6" from finish floor to the center of the box

ELECTRICAL GENERAL NOTES:

1. All electrical work shall be per the applicable sections of the National Electrical Code (NEC) latest edition, and the rules and regulations of the Dept. of Public Works and the Commonwealth Utilities Corporation.
2. All equipment and materials shall be UL listed where the listing is available for that type of equipment or conform to ANSI or NEMA standards.
3. Workmanship shall conform to the construction practices recommended by the American Electricians, Handbook by Croft, and shall be subject to the approval of the agency who has jurisdiction and the electrical engineer.
4. Conduit shall be EMT (indoor dry) locations concealed above ground, rigid aluminum (exposed installations, PVC (underfloor slab or grade, and inside concrete). Flexible conduit shall be jacketed type and per NEC 350.
5. Wiring shall be typed THWN, THW, XHHN, 600 volts. The conductor shall be copper.
6. Minimum size conduit shall be ½" inch diameter unless otherwise noted; minimum wire size shall be #12 AWG. Do Not Use #14 wires.

7. Electrical work shall be under the full supervision of a master electrician or a professional electrical engineer licensed to practice in the CNMI.
8. Panelboard shall be complete with bus bars, enclosure trim, molded case circuit breakers, bolt-on type branch circuit breakers, grounding, and neutral terminal lugs, panel board director, and keys. The laminated nameplate shall be provided on the front cover of the panel board or transformer.
9. All electrical devices and equipment exposed to weather shall be weatherproof.
10. Any device may be relocated within 10' of the location shown in the plans subject to the direction by the electrical engineer. Any such relocation shall be performed without additional cost to the homeowner.
11. The electrical contractor shall coordinate with a mechanical contractor for exact locations of water lines and waste lines before rough-in work.
12. Grounding:
    a. Metallic enclosures, raceways, and electrical shall be grounded per NEC 250. Provide green ground wire in every raceway per NEC Table 250-95.
    b. Grounding connection of the grounded circuit conductor (Neutral) shall be made only at the service disconnection means per NEC 250-23(a). Grounding on the neutral shall not be made on the load side of the service disconnect. The neutral shall not be made on the load side of the service disconnect. The neutral conductor shall be insulated from all equipment enclosures or any grounded parts. Bonding of the neutral bus to the ground bus in sub-panels shall be removed.
13. The electrical panel board and main switchboard, power meter box shall be furnished completely assembled from the factory.
14. Contractor to provide all labor, materials, equipment, tools, and all necessary materials including wire connectors, tapes, markers, etc. to accomplish the work shown in the plans. The cost of permits shall be the contractor's responsibility.
15. Minimum service clearance in front of the main switchboard shall be 4'.
16. Testing: Operation, Insulation Resistance, Grounding Tests.

FINISH MATERIAL STANDARDS:

Flooring Standards:

(a) For the living room, dining room, kitchen room, hallways, and bedrooms floor, the finish is to be plastered level with a vinyl tile or ceramic tile finish (depending on cost and durability).

(b) For the standard restroom floor finishing, to be a ceramic finish with white cement grouted finish. The restroom floor ceramic must be approved nonslip type of ceramic finish.

Note: Ceramic color should be the client's choice of ceramic color on the contractor's approved standard min. ceramic size.

(c) For all concrete stoops, landings and sidewalks floor finish, to be plastered sweep finish and for the carport, floor finish to be plastered fine finish.

Note: Plaster the sides of the concrete sidewalks, landings, ramps, and garage floorings.

Door Standards:

(a) For the exterior front entry door, use a 1¾" thick x 36"x 6'-8" solid core decorative door with heavy-duty door hinges, regular doorknob, deadbolt with keys, painted varnish finish, and door bottom with threshold and a door stopper on the back.

Note: Use a lever-type doorknob for a disability or elderly rehab home project.

(b) For any exterior exit door, use a 1¾" thick x 32"x 6'-8" min. regular solid core door with heavy-duty door hinges, regular doorknob with a deadbolt, painted varnish finish, and door bottom with threshold and a door stopper on the back.

Note: For disability or elderly rehab home project, use a lever type door knob with keys and a 36" size regular solid core door.

(c) For bedroom doors, use a 1½" thick x 36", 34", 32", or 30"x 6'-8" min. regular hollow-core door with light-duty door hinges and regular doorknob w/no key type and door painted with a varnish finish and a door stopper installed on the back.

(d) Aluminum Typhoon Shutters. Homeowners may include if the rehabilitation budget is sufficient, the installation of aluminum typhoon shutters on the exterior main entrance and rear exit doors of the housing unit.

- Typhoon shutters must be accordion-type with lock and key.
- Use 3"x1/4" screws to bolt the typhoon shutters to the concrete wall. The minimum number of screws is 3 per side.

Note: For a disability rehab home project, use a lever type door knob with keys only on 36" door size.

Window Standards:

(a) Living room window min. size 4'x4' sliding glass window with a ¼" thick safety tempered glass with aluminum frame. 4 screws on each side.
(b) Kitchen window min. size 3'x3' sliding glass window with a ¼" thick safety tempered glass window with aluminum frame. 3 screws on each side.
(c) Dining room window min. size 3'x4' Height with a ¼" thick safety tempered sliding glass window with aluminum frame. 3 screws on each side and 4 screws each on top and bottom.
(d) Bedroom window must have at least one set 4'x4' sliding glass window (For egress, in case of fire) with a ¼" thick safety tempered glass window with aluminum frame. 4 screws on each side.

(e) Restroom window min. standard size. 2'x2' sliding glass window with a ¼" thick safety tempered glass window with aluminum frame. 2 screws on each side.
(f) Seal all window edgings inside and outside
(g) All windows shall also include window screens
(h) Frame Color to be Clients choice of color
(i) Install new typhoon metal brackets at the outside walls for all windows w/painted finish
(j) Use 3"x1/4" screws to bolt the sliding windows to the concrete wall. The minimum number of screws per window is mentioned above.
(k) Aluminum Typhoon Shutters. Homeowners may include if the rehabilitation budget is sufficient, the installation of aluminum typhoon shutters on all housing unit windows.

- Typhoon shutters must be accordion-type with lock and key.
- Use 3"x1/4" screws to bolt the typhoon shutters to the concrete wall. The minimum number of screws is 3 per side.

Note: All aluminum typhoon shutters shall meet or exceed the wind rating outlined in the 2018 International Building Code (IBC) and the Tropical Energy Code.

Faucet Standards:

(a) Kitchen Sink Faucet to be a regular faucet type.

Note: For disability or elderly Rehab Home Project to be a lever faucet set type.

(b) Restroom Lavatory Sink Faucet to be a regular faucet type.

Note: For disability or elderly Rehab Home Project to be a lever faucet set type.

Regular and Disability Rehab Home Projects Standard Finishes:

(a) For disability, concrete sidewalk & landing size requirements. Concrete sidewalk width 36" min. and for landing size 5' sq. no less.

Note: Sidewalks and landings that are higher than 7" above existing grade during rehab work, requires all sides to be backfilled at 4" finish grade at 1' level and slope out at 4' on both sides to existing grade elevation, otherwise install new aluminum hand railings within 33" to 36" height along the hazard sidewalk, ramps and landings pathway.

Note: For regular rehab home projects sidewalks, same at 36" and for landing 36" sq. is allowable.

(b) For the front entry and exit doors outside, construct a 5' sq. concrete stoop floor landing at ½" lower from the finished house floor elevation.
(c) The restroom floor elevation should be ½" lower from the inside house flooring. Also, for the shower room flooring is ½" lower than the restroom flooring as required.
(d) Install hand railings along any sidewalks or pathways and landings that are higher than 7" above finish grade.

(e) Construct a new concrete ramp at a ratio of 1" drop = 1' slope.
(f) Install smoke alarms in bedrooms and hallways as required by Building Safety Code. Smoke alarms must be hard-wired smoke alarms and that the smoke alarms are interconnected.
(g) Install water sprinklers with warning fire light signals for impairment of client individuals only.
(h) In designing a new rehab disability home layout extension or for reconstructed disability house floor plan design, consider a 3' clear passage for a wheelchair to maneuver from the entry of the house to the inside of the house. Ensure that in your design layout, take into consideration the furniture space in planning for wheelchair accessibility, through bedrooms, restroom(s), living room, kitchen, dining, and for exiting the exit door to the outside of the house with no hazards along for emergency purposes as required.
(i) Disability lavatory height should be set at 34" maximum.
(j) disability water closet height from the finished floor to the toilet seat is within 17" to 19". Note: For regular standard toilet height is 15" from the finished floor to the toilet seat.
(k) Install a new 2' ADA grab bars on the back of ADA toilet centered, 2' length on shower faucet wall and 42" on the side shower wall at height within 33" to 36".
(l) Install ADA medicine cabinet at 40" from the finished floor to the bottom of the medicine cabinet.

Note: For regular standard medicine cabinet height is 64" from the finished floor to center of the medicine cabinet.

(m) Install a towel hanging bar within 36" to 48" for disability or regular restroom.
(n) Install a toilet paper holder to the nearest wall at 19" above the finished floor and a maximum of 36" from the rear wall.
(o) Rehab finishing projects paint colors to be the home client's choice of paint color for all paint finishing work.

All technical reference information applies to all building systems standard needs for new house construction, rehabilitation project, renovation project and house conversion to disability home compliance project that meet all current CNMI local building code regulations and meet Housing Quality Standards (HQS) and Uniform Physical Condition Standards (UPCS) requirements.

The HUD CPD Green Building Retrofit Checklist will also be included in the rehabilitation standards (Attachment A). "CPD recognizes that not all elements of the checklist will be applicable in all climates and geographies. Because of this, CPD will consider exceptions to these standards based on climate or geography, if a grantee identifies the specific standards that aren't applicable, including offering alternatives if available, and CPD's Office of Environment and Energy accepts the grantee's request."

Other building systems may be accepted provided that they meet or exceed the standards mentioned above. Third-party certifications or specific standard testing methods are required to substantiate or validate the claims.

Attachment A:

HUD CPD Green Building Retrofit Checklist

The CPD Green Retrofit Checklist promotes energy efficiency and green building practices for residential retrofit projects. Grantees must follow the checklist in its entirety and apply all measures within the Checklist to the extent applicable to the particular building type being retrofitted. The phrase "when replacing" in the Checklist refers to the mandatory replacement with specified green improvements, products, and fixtures only when replacing those systems during the normal course of the retrofit.

Note: CPD recognizes that not all elements of the checklist will be applicable in all climates and geographies. Because of this, CPD will consider exceptions to these standards based on climate or geography, if a grantee identifies the specific standards that aren't applicable, including offering alternatives if available, and CPD's Office of Environment and Energy accepts the grantee's request.

WATER AND ENERGY CONSERVATION MEASURES

☐ **Water-Conserving Fixtures**
Install or retrofit water conserving fixtures in any unit and common facility, use the following specifications: Toilets-- 1.28 gpf; Urinals-- 0.5 gpf; Showerheads-- 2.0 gpm; Kitchen faucets-- 2.0 gpm; and Bathroom faucets-- 1.5gpm. [gpf = gallons per flush; gpm = gallons per minute]

☐ **ENERGY STAR Appliances**
Install ENERGY STAR-labeled clothes washers, dishwashers, and refrigerators, if these appliance categories are provided in units or common areas.

☐ **Air Sealing: Building Envelope**
Seal all accessible gaps and penetrations in the building envelope. If applicable, use low VOC caulk or foam.

☐ **Insulation: Attic** (if applicable to building type)

For attics with closed floor cavities directly above the conditioned space, blow in insulation per manufacturer's specifications to a minimum density of 3.5 Lbs. per cubic foot (CF). For attics with open floor cavities directly above the conditioned space, install insulation to meet or exceed IECC levels.

☐ **Insulation: Flooring** (if applicable to building type)
Install ≥ R-19 insulation in contact with the subfloor in buildings with floor systems over vented crawl spaces. Install a 6-mil vapor barrier in contact with 100% of the floor of the crawl space (the ground), overlapping seams and piers at least 6 inches.

☐ **Duct Sealing** (if applicable to building type)
In buildings with ducted forced-air heating and cooling systems, seal all penetrations of the air distribution system to reduce leakage in order to meet or exceed ENERGY STAR for Homes' duct leakage standard.

☐ **Air Barrier System**

Ensure continuous unbroken air barrier surrounding all conditioned space and dwelling units. Align insulation completely and continuously with the air barrier.

☐ **Radiant Barriers: Roofing**
When replacing or making a substantial repair to the roof, use radiant barrier sheathing or other radiant barrier material; if economically feasible, also use cool roofing materials.

☐ **Windows**
When replacing windows, install geographically appropriate ENERGY STAR rated windows.

☐ **Sizing of Heating and Cooling Equipment**
When replacing, size heating and cooling equipment in accordance with the Air Conditioning Contractors of America (ACCA) Manuals, Parts J and S, or 2012 ASHRAE Handbook--HVAC Systems and Equipment or most recent edition.

☐ **Domestic Hot Water Systems**
When replacing domestic water heating system(s), ensure the system(s) meet or exceed the efficiency requirements of ENERGY STAR for Homes' Reference Design. Insulate pipes by at least R-4.

☐ **Efficient Lighting: Interior Units**
Follow the guidance appropriate for the project type: install the ENERGY STAR Advanced Lighting Package (ALP); ***OR*** follow the ENERGY STAR MFHR program guidelines, which require that 80% of installed lighting fixtures within units must be ENERGY STAR-qualified or have ENERGY STAR-qualified lamps installed; ***OR*** when replacing, new fixtures and ceiling fans must meet or exceed ENERGY STAR efficiency levels.

☐ **Efficient Lighting: Common Areas and Emergency Lighting** (if applicable to building type)
Follow the guidance appropriate for the project type: use ENERGY STAR-labeled fixtures or any equivalent high-performance lighting fixtures and bulbs in all common areas; ***OR*** when replacing, new common space and emergency lighting fixtures must meet or exceed ENERGY STAR efficiency levels. For emergency lighting, if installing new or replacing, all exist signs shall meet or exceed LED efficiency levels and conform to local building codes.

☐ **Efficient Lighting: Exterior**
Follow the guidance appropriate for the project type: install ENERGY STAR-qualified fixtures or LEDs with a minimum efficacy of 45 lumens/watt; ***OR*** follow the ENERGY STAR MFHR program guidelines, which require that 80% of outdoor lighting fixtures must be ENERGY STAR-qualified or have ENERGY STAR-qualified lamps installed; ***OR*** when replacing, install ENERGY STAR compact fluorescents or LEDs with a minimum efficacy of 45 lumens/watt.

INDOOR AIR QUALITY

☐ **Air Ventilation: Single Family and Multifamily** (three stories or fewer)
Install an in-unit ventilation system capable of providing adequate fresh air per ASHRAE 62.2 requirements.

☐ **Air Ventilation: Multifamily** (four stories or more)
Install apartment ventilation systems that satisfy ASHRAE 62.2 for all dwelling units and common area ventilation systems that satisfy ASHRAE 62.1 requirements. If economically feasible, consider heat/energy recovery for 100% of corridor air supply.

☐ **Composite Wood Products that Emit Low/No Formaldehyde**
Composite wood products must be certified compliant with California 93120. If using a composite wood product that does not comply with California 93120, all exposed edges and sides must be sealed with low-VOC sealants.

☐ **Environmentally Preferable Flooring**
When replacing flooring, use environmentally preferable flooring, including the FloorScore certification. Any carpet products used must meet the Carpet and Rug Institute's Green Label or Green Label Plus certification for carpet, pad, and carpet adhesives.

☐ **Low/No VOC Paints and Primers**
All interior paints and primers must be less than or equal to the following VOC levels: Flats--50 g/L; Non-flats--50 g/L; Floor--100 g/L. [g/L = grams per liter; levels are based on a combination of the Master Painters Institute (MPI) and GreenSeal standards.]

☐ **Low/No VOC Adhesives and Sealants**
All adhesives must comply with Rule 1168 of the South Coast Air Quality Management District. All caulks and sealants must comply with regulation 8, rule 51, of the Bay Area Air Quality Management District.

☐ **Clothes Dryer Exhaust**
Vent clothes dryers directly to the outdoors using rigid-type duct work.

☐ **Mold Inspection and Remediation**
Inspect the interior and exterior of the building for evidence of moisture problems. Document the extent and location of the problems, and implement the proposed repairs according to the Moisture section of the EPA Healthy Indoor Environment Protocols for Home Energy Upgrades.

☐ **Combustion Equipment**
When installing new space and water-heating equipment, specify power-vented or direct vent combustion equipment.

☐ **Mold Prevention: Water Heaters**
Provide adequate drainage for water heaters that includes drains or catch pans with drains piped to the exterior of the dwelling.

☐ **Mold Prevention: Surfaces**
When replacing or repairing bathrooms, kitchens, and laundry rooms, use materials that have durable, cleanable surfaces.

☐ **Mold Prevention: Tub and Shower Enclosures**

When replacing or repairing tub and/or shower enclosures, use non-paper-faced backing materials such as cement board, fiber cement board, or equivalent in bathrooms.

☐ **Integrated Pest Management**
Seal all wall, floor, and joint penetrations with low-VOC caulking or other appropriate sealing methods to prevent pest entry. [If applicable, provide training to multifamily buildings staff.]

☐ **Lead-Safe Work Practices**
For properties built before 1978, if the project will involve disturbing painted surfaces or cleaning up lead contaminated dust or soil, use certified renovation or lead abatement contractors and workers using lead-safe work practices and clearance examinations consistent with the more stringent of EPA's Renovation, Repair, and Painting Rule and HUD's Lead Safe Housing Rule.

☐ **Radon Testing and Mitigation** (if applicable based on building location)
For buildings in EPA Radon Zone 1 or 2, test for radon using the current edition of American Association of Radon Scientists and Technologists (AARST)'s Protocols for Radon Measurement in Homes Standard for Single-Family Housing or Duplexes, or AARST's Protocol for Conducting Radon and Radon Decay Product Measurements in Multifamily Buildings. To install radon mitigation systems in buildings with radon level of 4 pCi/L or more, use ASTM E 2121 for single-family housing or duplexes, or AARST's Radon Mitigation Standards for Multifamily Buildings. For new construction, use AARST's Reducing Radon in New Construction of 1 & 2 Family Dwellings and Townhouses, or ASTM E 1465.

Attachment B: Uniform Physical Condition Standards for Single Family Housing Rehabilitation – Requirements for Site

Inspectable Item	Observable Deficiency	Type and Degree of Deficiency That Must Be Addressed
Fencing and Gates	Damaged/Failing/Leaning	
	Holes	
	Missing Sections	
Grounds	Erosion/Rutting Areas	
	Overgrown/Penetrating Vegetation	
	Ponding/Site Drainage (affecting unit)	
Health and Safety	Air Quality – Sewer Odor Detected	
	Air Quality – Propane/Natural Gas/Methane Gas Detected	

	Electrical Hazards – Exposed Wires/Open Panels	
	Electrical Hazards – Water Leaks on/near Electrical Equipment	
	Flammable Materials – Improperly Stored	
	Garbage and Debris – Outdoors	
	Play Equipment – Broken or Damaged	
	Hazards – Other (e.g., outbuildings)	
	Hazards – Sharp Edges	
	Hazards – Tripping	
	Infestation – Insects	
	Infestation – Rats/Mice/Vermin	
Mailboxes/Project Signs	Mailbox Missing/Damaged	
	Signs Damaged	
Driveways	Cracks	
	Potholes/Loose Material	
	Settlement/Heaving	
Retaining Walls	Damaged/Falling/Leaning	
Storm Drainage	Damaged/Obstructed	
Walkways/Steps	Broken/Missing Hand Railing	
	Cracks/Settlement/Heaving	
	Spalling	

Attachment B: Uniform Physical Condition Standards for Single Family Housing Rehabilitation – Requirements for Site

Inspectable Item	**Observable Deficiency**	**Type and Degree of Deficiency That Must Be Addressed**
Doors	Damaged Frames/Threshold/Lintels/ Trim	
	Damaged Hardware/Locks	

	Damaged Surface (Holes/Paint/Rusting/Glass)	
	Damaged/Missing Screen/Storm/Security Door	
	Deteriorated/Missing Caulking/Seals	
	Missing Door	
Foundations	Cracks/Gaps Spalling/Exposed Rebar	
	Cracks/Gaps Spalling/Exposed Rebar	
Health and Safety	Electrical Hazards – Exposed Wires/Open Panels	
	Electrical Hazards – Water Leaks on/near Electrical Equipment	
	Flammable/Combustible Materials – Improperly Stored	
	Garbage and Debris – Outdoors	
	Hazards – Other	
	Hazards – Sharp Edges	
	Hazards – Tripping	
	Infestation – Insects	
	Infestation – Rats/Mice Vermin	
Lighting	Broken Fixtures/Bulbs	
Roofs	Damaged Soffits/Fascia	
	Damaged Vents	
	Damaged/Clogged Drains	
	Damaged/Torn Membrane/Missing Ballast	
	Missing/Damaged Components from	
	Downspout/Gutter	
	Ponding	
Walls	Cracks/Gaps	
	Damaged Chimneys	
	Missing/Damaged Caulking/Mortar	
	Missing Pieces/Holes/Spalling	
	Stained/Peeling/Needs Paint	
Windows	Broken/Missing/Cracked Panes	

	Damaged Sills/Frames/Lintels/Trim	
	Damaged/Missing Screens	
	Missing/Deteriorated Caulking/Seals/Glazing Compound	
	Peeling/Needs Paint	
	Security Bars Prevent Egress	

Attachment B: Uniform Physical Condition Standards for Single Family Housing Rehabilitation – Requirements for Site

Inspectable Item	**Observable Deficiency**	**Type and Degree of Deficiency That Must Be Addressed**
Bathroom	Bathroom Cabinets - Damaged/Missing	
	Lavatory Sink - Damaged/Missing	
	Plumbing - Clogged Drains	
	Plumbing - Leaking Faucet/Pipes	
	Shower/Tub - Damaged/Missing	
	Ventilation/Exhaust System – Inoperable (if applicable	
	Water Closet/Toilet - Damaged/Clogged/Missing	
Ceiling	Bulging/Buckling	
	Holes/Missing Tiles/Panels/Cracks	
	Peeling/Needs Paint	
	Water Stains/Water Damage/Mold/Mildew	
Doors	Damaged Frames/Threshold/Lintels/Trim	
	Damaged Hardware/Locks	
	Damaged/Missing Screen/Storm/Security Door	
	Damaged Surface - Holes/Paint/Rusting/Glass	
	Deteriorated/Missing Seals (Entry Only)	
	Missing Door	
Electrical System	Blocked Access to Electrical Panel	
	Burnt Breakers	
	Evidence of Leaks/Corrosion	
	Frayed Wiring	
	GFI - Inoperable	
	Missing Breakers/Fuses	
	Missing Covers	
Floors	Bulging/Buckling	

	Floor Covering Damage	
	Missing Flooring Tiles	
	Peeling/Needs Paint	
	Rot/Deteriorated Subfloor	
	Water Stains/Water Damage/Mold/Mildew	
Health and Safety	Air Quality - Mold and/or Mildew Observed	
	Air Quality - Sewer Odor Detected	
	Air Quality - Propane/Natural Gas/Methane Gas	
	Detected	
	Electrical Hazards - Exposed Wires/Open Panels	
	Electrical Hazards - Water Leaks on/near Electrical	
	Equipment	
	Flammable Materials - Improperly Stored	
	Garbage and Debris - Indoors	
	Garbage and Debris - Outdoors	
	Hazards - Other	
	Hazards - Sharp Edges	
	Hazards – Tripping	
	Infestation - Insects	
	Infestation – Rats/Mice/Vermin	
Hot Water Heater	Inoperable Unit/Components	
	Leaking Valves/Tanks/Pipes	
	Pressure Relief Valve Missing	
	Rust/Corrosion	

Attachment B: Uniform Physical Condition Standards for Single Family Housing Rehabilitation – Requirements for Site

Inspectable Item	Observable Deficiency	Type and Degree of Deficiency That Must Be Addressed
HVAC System	Inoperable	
	Misaligned Chimney/Ventilation System	
	Noisy/Vibrating/Leaking	

	Rust/Corrosion	
Kitchen	Cabinets - Missing/Damaged	
	Countertops - Missing/Damaged	
	Dishwasher/Garbage Disposal –	
	Leaking/Inoperable	
	Plumbing - Clogged Drains	
	Plumbing - Leaking Faucet/Pipes	
	Range Hood/Exhaust Fans - Excessive	
	Grease/Inoperable	
	Range/Stove - Missing/Damaged/Inoperable	
	Refrigerator- Missing/Damaged/Inoperable	
	Sink – Damaged/Missing	
Laundry Area (Room)	Dryer Vent – Missing/Damaged/Inoperable	
Lighting	Missing/Inoperable Fixture	
Outlets/Switches	Missing	
	Missing/Broken Cover Plates	
Patio/Porch/Balcony	Baluster/Side Railings Damaged	
Smoke Detector	Missing/Inoperable	
Stairs	Broken/Damaged/Missing Steps	
	Broken/Missing Hand Railing	
Walls	Bulging/Buckling	
	Damaged	
	Damaged/Deteriorated Trim	
	Peeling/Needs Paint	
	Water Stains/Water Damage/Mold/Mildew	
Windows	Cracked/Broken/Missing Panes	
	Damaged/Rotting Window Sill	
	Missing/Deteriorated Caulking/Seals/Glazing Compound	
	Inoperable/Not Lockable	
	Peeling/Needs Paint	
	Security Bars Prevent Egress	

NORTHERN MARIANAS HOUSING CORPORATION

AFFORDABLE RENTAL HOUSING DEVELOPMENT PROGRAM POLICIES AND PROCEDURES

VERSION: 1.0

December 31, 2020

Prepared by:

Northern Marianas Housing Corporation- CDBG-DR Program Division

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1.0 INTRODUCTION

1.1 Summary

1) As a direct result of the damages sustained from Typhoon Mangkhut and Super Typhoon Yutu in September and October 2018, respectively, the Commonwealth of the Northern Mariana Islands (CNMI) received an allocation of Community Development Block Grant Disaster Recovery (CDBG-DR) funds which will be administered by the Northern Marianas Housing Corporation (NMHC). The CNMI through NMHC has allocated $36,120,667 to the Affordable Rental Housing Development Program. This program seeks to redevelop and create new affordable rental housing stock. Eligible development activities include development of low-income housing units through infill construction of new housing units, new construction on private lots or public lands, acquisition and rehabilitation of multi-family residential or commercial properties that include vacant or uninhabitable dwellings, and rehabilitation of residential units. These activities will result in additional rental housing units that will be available to low- and moderate-income households.

2) The program will incentivize the replacement of affordable housing units damaged in the storms and complemented with the development of new low-income housing units. While low-income housing stock remains an urgent priority, mixed-income housing is also needed throughout the CNMI, given the unmet needs for rental units across the full spectrum of citizens, from households typically supported by Low-Income Housing Tax Credit housing (e.g. those with incomes at or below 60% of the area's median incomes, or **AMI),** households with incomes that make them ineligible for LIHTC tax credit units that do not avail of income averaging (e.g. households with incomes between 60% - 80% of AMI), and tenants that can afford market rate units. NMHC defines affordable rent as rental costs (including utilities) that do not exceed 30% of a renter's income. NMHC uses the HUD-defined fair market rents (FMRs) as a basis to determine the payment standards as affordable rent caps.

3) This policy document explains the structure of the Affordable Rental Housing Development Program, outlines project funding eligibility criteria, and describes compliance criteria through the affordability period.

2.0 POLICIES

2.1 Version Policy

1) Version history is tracked in the table on the title page, with notes regarding version changes. The dates of each publication are also tracked in the table. The first version of this document is 1.0.

2) After adoption by the NMHC Board of Directors, any substantive changes to this document that reflect a policy change will result in the issuance of a new version 2.0, an increase in the primary version number. Future policy changes will result in additional revisions and the issuance of a new primary version number.

3) Non-substantive changes, i.e., wording and editing, and/or clarification of existing policy that do not affect the interpretation or applicability of the policy will be included in minor version updates denoted by a sequential number increase that will follow the primary version number, e.g., 2.1, 2.2, etc.

2.2 Policy Change

Policy review and changes for the CNMI's Affordable Rental Housing Development Program (Program) are pursued through a change control process. For example, when policy clarifications, additions, or deletions are required to accurately define the rules by which the Program will operate, Program staff will work with the Corporate Director to prepare a request to amend the policy. The NMHC Board of Directors is responsible in the review and approval of the request to amend the policy.

2.3 Acronyms

(1)	**AMI**	Area Median Income
(2)	**CDBG**	Community Development Block Grant
(3)	**CDBG-DR**	Community Development Block Grant Recovery
(4)	**CFR**	Code of Federal Regulations
(5)	**CPD**	Community Planning and Development
(6)	**DBRA**	Davis-Bacon and Related Acts
(7)	**DOB**	Duplication of Benefits
(8)	**DOL**	Department of Labor
(9)	**ECR**	Estimated Cost or Repair
(10)	**FEMA**	Federal Emergency Management Administration
(11)	**HCDA**	Housing and Community Development Act
(12)	**HCV**	Housing Quality Standards
(13)	**HUD**	U.S. Department of Housing and Urban Development
(14)	**IMM**	Individual Mitigation Measures
(15)	**LLC**	Limited Liability Corporation
(16)	**LIHTC**	Low Income Housing Tax Credit

(17) **LMA** Low- and Moderate-Income Area

(18) **LMH** Low- and Moderate-Income Housing

(19) **LMI** Low- and Moderate Income

(20) **LMJ** Low- and Moderate-Income Jobs

(21) **MBE** Minority-owned Business Enterprise

(22) **MWBE** Minority- and Women-Owned Business Enterprises

(23) **NEPA** National Environmental Policy Act

(24) **NFIP** National Flood Insurance Program

(25) **OMB** Office of Management and Budget

(26) **PII** Personally Identifiable Information

(27) **RFI** Request for Information

(28) **RFP** Request for Proposals

(29) **RFQ** Request for Qualifications

(30) **SFHA** Special Flood Hazard Area

(31) **UN** Urgent Need

(32) **URA** Uniform Relocation Act

(33) **USC** United States Code

(34) **WBE** Women-owned Business Enterprise

2.4 Definitions

(1) **Affordable rent:** Rental housing costs, including utilities. that is no more than 30 percent of a low- to moderate income household's gross (pre-tax) income.

(2) **Affordable unit:** A housing unit in which the total rental expenses (including utilities) does not exceed 30 percent of a low- to moderate- income household's (pre-tax) income.

(3) **Affordability Period:** The minimum period of time the units will be required to remain 'affordable' for low- and moderate-income households, based on the amount of CDBG-DR assistance, the activity (new construction or rehabilitation), and the number of housing units in the project. The Affordability Period restrictions will be enforced through recorded deed restrictions, covenants, or other similar mechanisms.

(4) **Area Median Income (AMI):** Calculated annual income limits based on HUD-estimated median

family income with adjustments based on family size used for demonstrating LMI beneficiaries in the program. This calculation may also be referred to as Area Median Family Income (AMFI) in other program documents.

(5) **Beneficiary:** The recipient deriving advantage from CDBG-DR funding. This includes household members of units created or rehabilitated with CDBG-DR funding, or developers of housing projects that include CDBG-DR funding, since developers are considered "end users" of the funding.

(6) **Builder/Contractor:** (Used interchangeably) A person who contracts to construct or repair houses and or supervises building operations associated with projects involving the development or rehabilitation of residential housing units, including mixed-use projects.

(7) **Carryover Allocation:** a document issued by a state housing credit agency (NMHC) that extends the amount of time that is allowed for a 9% competitive LIHTC project to be placed in service.

(8) **Choice Limiting Action:** The commitment of CDBG-DR funds through Acquisition (which includes executing a Purchase Agreement or Sales Contract), **and/or** <u>any</u> physical actions a developer, contractor or any other entity (including the seller) takes on a property prior to the issuance of an Authority to Use Grant Funds by HUD or the NMHC Certifying Officer.

(9) **Common Area Under Roof:** The total area under the common roof that is primarily interior, conditioned space, and for single-story homes is equal to the footprint of the house. The term is also synonymous with the eligible area. Exterior spaces, such as detached porches and garages, are not considered eligible areas.

(10) **Cost Reasonableness Requirements:** The Cost Principles established in 2 CFR Part 200, Subpart E, to determine costs are necessary, reasonable, allowable and allocable to the project.

(11) **Damage Assessment:** A report resulting from an inspection of the housing unit to document damage from the event. The assessment, conducted by a certified or licensed inspector, is required to specifically and clearly document storm-related property damage via photographic evidence and detailed narratives. Damage assessments must include final cost of repair estimates according to the most currently adopted building code, an assessment of cost-effectiveness of each recommended activity (reconstruction or rehabilitation), mold remediation and assistance needed to bring the home up to code at completion.

(12) **Davis-Bacon Act of 1931 (40 USC Part 3141 et seq.) and Related Acts:** A group of approximately 60 federal statutes that requires that each contract over $2,000 for the construction or repair of federally funded projects to contain a clause setting forth the minimum wages to be paid to various classes of laborers and mechanics employed under the contract. Under the provisions of the Act, Contractors or their subcontractors are to pay workers employed directly upon the site of the work no less than the locally prevailing wages and fringe benefits paid on projects of a similar character. The Davis-Bacon Act directs the Secretary of Labor to determine such local prevailing wage rates. If a construction project is funded or assisted under more than one federal statute, the Davis-Bacon prevailing wage provision may apply to the whole project if any of the applicable statutes requires payment of Davis-Bacon wage rates. This applies to the

rehabilitation and reconstruction of residential property if not less than 8 units.[1]

(13) **Demolition:** The clearance and proper disposal of dilapidated building and improvements debris.

(14) **Developers:** Private individuals and entities, including profit making and nonprofit organizations, which acquire properties to construct or rehabilitate, for the creation of residential units, through either rental or resale purposes.

(15) **Development Partners:** Any entity involved in the reconstruction or rehabilitation of affordable housing units, including subrecipient departments or agencies, for-profit or non-profit organizations, construction contractors or other entities or individuals hired to carry-out any actions on a CDBG-DR funded housing project.

(16) **Duplication of Benefits:** The Robert T. Stafford Disaster Assistance and Emergency Relief Act (Stafford Act) prohibits any person, business concern, or other entity from receiving financial assistance from CDBG-DR funding with respect to any part of a loss resulting from a major disaster as to which he/she has already received financial assistance under any other program or from insurance or any other source. A Duplication of Benefit is an amount determined by the Program that may result in the reduction of an award value.

(17) **Environmental Review:** The process of reviewing a project and its potential environmental impacts to determine whether it meets federal and territorial environmental standards. The environmental review process is required for all HUD-assisted projects to ensure that the proposed project does not negatively impact the surrounding environment and that the property site itself will not have an adverse environmental or health effect on end users. Every project's impact must be examined (the extent of the examination varies due to the actions that will be undertaken); every project must be in compliance with the National Environmental Policy Act (NEPA) and other applicable Territorial and federal environmental laws.

(18) **FEMA:** The Federal Emergency Management Agency, located within the U.S. Department of Homeland Security, is responsible for coordinating the federal government's response to natural and manmade disasters.

(19) **FEMA-Designated High-Risk Area:** Areas designated by FEMA as vulnerable to significant wind and/or storm surge damage and areas located in the 100-year flood zones. These areas will be identified during the environmental review process for each participating jurisdiction.

(20) **Final Cost Certification:** A report of the total actual costs incurred by the Developer in the delivery of a Development. This will assist NMHC in determining certain development costs and the amount of subsidy to be allocated to the Development.

(21) **Form 8609:** An IRS Low-Income Housing Credit Allocation and Certification. Owners of residential low-income rental buildings are allowed a low-income housing credit for each qualified building over a 10-year credit period. A separate Form 8609 must be issued for each building in a multiple building project.

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[1] Community Planning Development Act of 1974. (2019). Retrieved October 4, 2019, from https://www.hudexchange.infor/resources/documents/Housing-and-Community-Development-Act -1974.pdf

(22) **Flood Hazard Area:** Areas designated by FEMA as having risk of flooding.

(23) **Flood Insurance:** The Flood Disaster Protection Act of 1973 (42 U.S.C. 4012a) requires that projects receiving federal assistance and located in an area identified by FEMA as being within a Special Flood Hazard Area (SFHA) be covered by flood insurance under the National Flood Insurance Program (NFIP). In order to be able to purchase flood insurance, the community must be participating in the NFIP. If the community is not participating in the NFIP, federal assistance cannot be used in those areas.

(24) **Floodplain:** FEMA designates floodplains as geographic zones subject to varying levels of flood risk. Each zone reflects the severity or type of potential flooding in the area.

a. **"100-year floodplain"** - the geographical area defined by FEMA as having one percent chance of being inundated by a flooding event in any given year.

b. **"500-year floodplain"** - the geographical area defined by FEMA as having a 0.2 percent change of being inundated by a flooding event in any given year.

(25) **Household:** A household is defined as all persons occupying the same housing unit, regardless of their relationship to each other. The occupants could consist of an individual, a single family, two or more families living together, or any other group of related or unrelated persons who share living arrangements. For housing activities, the test of meeting the LMI National Objective is based on the LMI of the household.

(26) **Housing Choice Voucher (HCV):** The housing choice voucher program is the federal government's major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. In HCV programs, a housing subsidy is paid to the landlord directly by the Public Housing Authorities on behalf of the participating family.

(27) **Housing Quality Standards (HQS):** Defines "standard housing" and establishes the minimum quality criteria necessary for the health and safety of households occupying the program rental housing units.

(28) **Individual Mitigation Measures (IMM):** Activities designed to mitigate and/or reduce risk beyond the pre-disaster condition of a housing unit when the activities are above and beyond federal, Commonwealth, or local units, and the payment of flood insurance are not IMM activities. Examples of IMM activities include elevation above the base flood elevation level, or the addition of storm shutters, disaster proof windows, roof straps, etc., and as long as those improvements are not required to comply with local code and did not exist on the housing unit prior to the disaster damage.

(29) **LIHTC:** a federal tax incentive that encourages private sector investors, developers and lenders to finance, construct and operate affordable housing pursuant to Section 42(h)(4) of the Code.

(30) **Low- and Moderate-Income (LMI) National Objective:** Activities which benefit households whose total annual gross income does not exceed 80% of Area Median Income (AMI), adjusted for family size.

(31) **Low- and Moderate-Income Housing (LMH):** A sub-set of the LMI National Objective identified as having a low- to moderate-income "housing" benefit, which is used when the eligible activity

involves the creation or rehabilitation of residential housing units.

(32) **Major/Severe Damages:** $8,000 or more of FEMA inspected real property damage or 1 foot or more of flood water on the first floor.

(33) **Mitigation:** Improvements made to reduce the possibility of property damage, personal and commercial hardship, as well as long lasting monetary burdens. For example, creating a flood mitigation program such as an acquisition of at-risk flood-prone property/housing, and elevation of housing in high-risk floodplains are two visible and effective mitigation projects that can be taken to make residents and communities safe in the face of natural disasters.

(34) **Northern Marianas Housing Corporation (NMHC): NMHC** is the Grantee for HUD's Community Development Block Grant-Disaster Recovery (CDBG-DR) funding. NMHC will retain day to day administrative management and oversight of CDBG-DR activities and will be responsible for establishing and maintaining financial accountability for CDBG-DR funds, compliance with CDBG-DR requirements and establishing and maintaining project files and records. NMHC will also be a developer within this program.

(35) **Not Suitable for Rehabilitation:** The NMHC defines properties as "not suitable for rehabilitation" for the Public and Affordable Housing Development Program when:

- Structures are considered "beyond rehabilitation," do not meet the Program's rehabilitation standards, and/or federal or CNMI code requirements, and shall be deemed not suitable for rehabilitation, as determined by the Program and consistent with Program guidelines.

- Residential properties have experienced repetitive losses under FEMA's National Flood Insurance Program (NIFP).

- Residential properties that are in FEMA-designated flood hazard areas, and the owner previously received Federal Assistance (personal, commercial, or residential) for the subject property and failed to obtain and maintain flood insurance for the property.

(36) **Personally Identifiable Information (PII):** Defined in OMB M-07-16 as "...information which can be used to distinguish or trace an individual's identity, such as their name, social security number, biometric records, etc., alone, or when combined with other personal or identifying information which is linked or linkable to a specific individual, such as date and place of birth, mother's maiden name, etc."

(37) **Project Based Subsidy:** CDBG-DR assistance to a public housing complex, in which low- to moderate-income households may receive assistance only if they agree to live at the particular public housing project.

(38) **Rehabilitation:** Repair or reconstruction necessary for the restoration of storm-damaged housing units in the impacted areas to applicable construction codes and standards.

(39) **Reservation Certificate**: An agreement binding upon the Owner, and all successors in interest to the Owner as owners of the Project, as to the allocation of Low Income Housing Tax Credit authority to the building(s) in the Project, subject to compliance by the Owner with the requirements of Section 42 of the Code and the additional requirements of the NMHC CDBG-DR.

(40) **Section 3**: Section 3 is a provision of the Housing and Urban Development Act of 1968 that helps foster local economic development, neighborhood economic improvement, and individual self-sufficiency. CDBG-DR recipients must, to the greatest extent feasible, provide job training, employment, and contracting opportunities for low- or very-low income residents in connection with projects and activities in their neighborhoods.

(41) **Special Needs and Vulnerable Populations:** Special needs individuals are any persons with specific needs, including persons with disabilities; vulnerable populations are seniors, special needs individuals, including those with disabilities, and the homeless.

(42) **Subrogation Agreement:** An agreement executed by the Program beneficiary agreeing to repay any duplicative assistance if the beneficiary later receives other assistance for the same purpose as disaster recovery funds already received.

(43) **Substantial Damage:** Damage of any origin sustained by a structure whereby the cost of restoring the structure to its pre-damaged condition would be equal to or exceed 50 percent of the market value of the structure before the damage occurred (44 CFR 59.1).

(44) **Surplus Cash:** For the fiscal year period ending prior to the annual installment date, the sum of gross rent revenues (less rental taxes and tenant security deposits) and other income received from the operations of the project including amounts withheld from security deposits returned to tenants, less (a) annual accrued debt service for approved permanent senior loan(s); (b) actual operating expenses (including but not limited to utilities, supplies, repair and maintenance costs, property taxes, property management fees, insurance escrows and reserves and amounts deposited in any replacement reserve account) and excluding allowed or allowable depreciation and amortization, and (c) payments of an asset management fee pursuant to an Asset Management Services Agreement as required in a Low Income Housing Tax Credit (LIHTC) project. Specifically excluded expenses include any payments or disbursement to the project owner and/or borrower of funds, tax credit adjustors, depreciation, amortization, payments pursuant to developer guarantees or any payments on deferred developer fees. Surplus cash will be calculated based on an audited annual cash flow analysis report for the fiscal year period ending prior to the annual installment date.

(45) **Ten-percent Cost Certificate:** If a project is not placed in service by the end of the calendar year in which the LIHTC allocation was received, the project must qualify for a carryover allocation.

(46) **Uniform Relocation Assistance:** The Uniform Relocation Assistance and Real Property Acquisitions Policies Act of 1970, as amended (Title 49 CFR Part 24) (42 U.S.C. 4601 et seq.) (URA): Applies to all acquisitions of real property or displacements of persons resulting from federal or federally assisted program projects. URA's objective is to provide uniform, fair, and equitable treatment of persons whose real property is acquired or who are displaced in connection with federally funded projects. For the purposes of these guidelines, URA mostly applies to residential displacements in involuntary (49 CFR 14 Subpart B) and acquisition or multifamily damaged/occupied activities that require the relocation of tenants.

(47) **Urgent Need (UN) National Objective:** An urgent need that exists because conditions pose serious and immediate threat to the health or welfare of the community; the existing conditions are recent or recently became urgent; and the subrecipient cannot finance the activities on its own because other funding sources are not available. Subrecipients or the CNMI must document how each program and/or activity funded der this category responds to a disaster-related impact. See 24 CFR 570.208(c).

3.0 PROGRAM OVERVIEW

(1) The Program seeks to redevelop and create new affordable rental housing stock including subsidized rental units. Eligible development activities include development of low-income housing units through infill construction of new housing units, new construction on private lots or public lands, acquisition and rehabilitation of multi-family residential or commercial properties that include vacant or uninhabitable dwellings, and rehabilitation of residential units. These efforts will increase the supply of affordable housing available to low- and moderate-income households.

(2) This program intends to enable the development of rental housing which prevents concentrations of poverty. NMHC defines affordable rent as rental costs (including utilities) that do not exceed 30% of a renter's income. NMHC uses the HUD defined fair market rents as a basis to determine payment standards for affordable rent caps. For LIHTC projects, rents are restricted and calculated using HUD income limits.

(3) This program proposes to address the current housing rental shortage through the rehabilitation and development of affordable rental housing, including acquisition, demolition, rehabilitation and new construction, as it pertains to the development of subsidized and affordable units for LMI individuals.

3.1 Affordable Rental Housing Development Program

(1) The Affordable Rental Housing Development Program provides financing assistance for costs associated with the acquisition and new construction or substantial rehabilitation of larger affordable rental housing projects. The Program seeks to leverage other pubic and private affordable housing financing sources, including public lands (property) and Low-Income Housing Tax Credits.

(2) The Program supports the development of new affordable housing (including individually-scattered houses), to address the rental housing shortage and help revitalize hard hit communities.

(3) Projects selected for assistance will primarily serve LMI residents, including special needs and other vulnerable populations. The Program may also assist mixed-income projects where the majority of units are reserved for occupancy by persons of LMI and for which developers are able to leverage other funding to support more LMI and non-LMI units.

(4) This Program will allow the acquisition, demolition, rehabilitation, and new construction as it pertains to the development of affordable units for LMI individuals.

(5) Assistance is provided for rehabilitation, reconstruction, and new construction of housing after accounting for all federal, local and/or private sources of disaster-related assistance, including but not limited to, property owners and/or flood insurance proceeds.

3.2 Total Allocation

Total Allocation: **$31,120,667**.

3.3 Tie-back to the Storm

All projects must include a tie-back to the storms, and documentation supporting this tie-back must be maintained in the project files. CDBG DR funds can only be spent to meet the recovery needs caused

by disasters specifically stated in appropriation measures and as declared a major disaster area pursuant to the Stafford Act[2].

3.4 National Objective

(1) All projects must result in affordable housing units primarily occupied by LMI persons; therefore, the CDBG-DR funding provided to the project will qualify under the Low- to Moderate-Income Housing, or LMH, National Objective.

(2) The Program will obtain written commitments and source documentation from developers/partners showing that a minimum of 51% or more of the housing units will be rented to LMH tenants accordingly. The number of LMH tenants will be calculated as proportional to the CDBG-DR investment into the project. Tenant Income is verified at initial lease, and annually thereafter for all tenants of the LMH units, and throughout the Affordability Period.

3.5 Eligible Activities

(1) Eligible activities include the rehabilitation and new construction of affordable housing as listed and described below:

a. Acquisition of Real Property subject to HUD's "Uniform Relocation Assistance and Real Property Acquisition for Federal and Federally Assisted Programs"[3] (HCDA Section 105(a)(1);

b. Public Facilities and Improvements[4] (HCDA Section 105 (a)(2);

c. Clearance, Rehabilitation, Reconstruction and Construction of Buildings (including Housing) (HCDA Section 105(a)(4));

d. Public Services (HCDA Section 105(a)(8)).

(2) Developers must meet program minimum property standards; and may exceed the minimum property standards, as long as project costs funded by the Program meet cost reasonableness requirements. Upgrades above minimum property standards must be paid for with private funds.

(3) Program funds may be used for:

a. Acquisition, site preparation, construction and related soft costs (including environmental health hazard mitigation costs) required for the new construction or rehabilitation of affordable housing developments. (Acquisition is not eligible as a stand-alone activity.) Site work may be an allowable construction cost to the extent it is necessary to render the residential units decent, safe, and sanitary. Site work includes grading and excavation, as well as installation of the septic and infiltration systems, utilities, and other ancillary residential structures and improvements.

b. Reimbursement of eligible repair/replacement costs, acquisition, capital costs and related soft costs (including environmental health hazard mitigation costs), associated with the new

[2] Community Development Block Grant Disaster Recovery Policy Guidance for Grantees (2019)
[3] 49 CFR Part 24
[4] 24 CFR § 570.202 - Eligible rehabilitation and preservation activities

construction or rehabilitation of affordable housing developments related to the repair of disaster-impacted property. Reimbursement is also applicable to the repair of individual houses that cater to LMI residents.

c. When practical and warranted, reimbursement for cost of mitigating future damage (including elevation when practical and cost effective) for properties located within a 100-year floodplain.

d. "Gap financing" for Low Income Housing Tax Credit projects to reduce debt service and increase long term viability.

e. Assistance for cost-effective mitigation activities including but not limited to:

i. The replacement of disaster-impacted non-luxury residential appliances
ii. Elevation of substantially damaged properties located within the 100-year floodplain.
iii. If elevating, the structure must be elevated to at least 2 feet above the Base Flood Elevation or to a level dictated by the local building authority and environmental agencies (if applicable).
iv. Elevation of electrical systems and components
v. Securing of fuel tanks
vi. Use of flood resistant building materials below base flood elevation
vii. Installation of backflow valves (only if structure is elevated)
viii. Installation of roof strapping (only if structure is elevated)
ix. Installation of window shutters

3.6 Ineligible Activities

(1) Activities are ineligible for CDBG funding if the activity:

a. Does not respond to an identified Typhoon Mangkhut or Super Typhoon Yutu-related impact.

b. Is restricted in the Public Laws appropriating the CDBG-DR funds (Public Law 116-20) or in the Housing and Urban Development Block Grant Disaster Recovery
   - Federal Register Notices (Docket numbers FR-6066-N-01, FR-6109-N-01 and FR-6136-N-01).

c. Is a prohibited activity in the CDBG-DR authorizing Public Laws or Federal Register Notice(s) for the CDBG-DR funding.

d. Is ineligible according to CDBG Program requirements (and a waiver has not been granted).

e. Fails to meet an appropriate national objective.

3.7 Eligible Applicants

Eligible applicants include governmental and non- governmental entities and owners of multi-family housing rental development dedicated for low-and moderate-income households. Owners shall be any individual, joint venture, partnership, limited partnership, trust, corporation, limited liability company, other legal entity, or any combination thereof which meets the requirements below:

a) Be organized on a for-profit, including limited profit, or nonprofit basis, and

b) Must demonstrate experience relevant to owning and developing affordable rental housing through evidencing current capacity (including financial resources, an office and payroll), and one or both of the following:

(1) Successful prior ownership and development of affordable rental housing, or

(2) Employment of a staff with demonstrated experience owning and developing affordable rental housing.

c) If the Owner entity is a joint venture and qualifies as an eligible Applicant Owner under a) and b) above based on the experience of only one joint venture partner, that partner must have a controlling interest in the joint venture and a substantial and continued role in the Project's ongoing operations, as evidenced in the documents governing the joint venture.

3.8 Estimated Start and End Dates

Acquisition, reconstruction and/or rehabilitation activities will occur between 2021 through 2026, and/or as detailed in the CDBG-DR Action Plan and Amendments.

3.9 Geographic Area(s) Served

The geographic areas served will be within the CNMI.

3.10 Maximum Award

(1) The maximum CDBG-DR award amount for a housing project is $31,120,667, and a per unit construction cost cap of up to $200,000 has been set. Circumstances where additional costs may be incurred will be reviewed against cost reasonableness requirements approved on a case-by-case basis. Awards will be in the form of either a loan or a grant; however, in some instances a loan will be the required structure for financing rental development. If this is the case, the terms of the loan may be forgivable.

(2) The maximum CDBG-DR award amount for the individual houses program used or to be used for rental housing of LMI residents is $5,000,000. A cap of up to $200,000 per unit has been set. Reimbursement of actual costs of rehabilitation must be provided and materials used must not be luxurious. New construction or reconstruction of individual houses to be used as rental housing is also capped at $200,000.

(3) To direct sufficient levels of assistance to those most in need, especially low- to moderate-income and minority households, a higher overall dollar cap amount may be applied to those properties that provide a significant number of units designated for Very Low Income (VLI) households (whose incomes do not exceed 30% AMI), special needs, and other vulnerable populations or including Low Income Housing Tax Credits which do not allow households above 60% AMI.

(4) Projects that combine other sources of financing (local, federal, private, etc.) will be evaluated to ensure that no more CDBG-DR funding than is necessary to ensure successful development of the affordable housing units. Documentation demonstrating that other available financing sources have been maximized, resulting in the lowest amount of CDBG-DR funding necessary to assure project feasibility.

(5) To incentivize the development of this stock, the CNMI will provide financing appropriate to the project. Multi-family rental development of 8 units or more will be required to adhere to Davis Bacon requirements. Assistance will be provided as one of the following structures:

a. Amortized Loans:

i. Requires repayment (annually).
ii. Interest rates will range from zero percent (0%) to rates that will typically be lower than market lending rates (interest rates will be determined by cash flow projections and will be negotiated with the implementing agency (NMHC), plus allowable fees. A Deed of Trust will be secured for the length of the Affordability Period, or the term of the loan, whichever is longer.

b. Deferred Payment Loans:

i. Loan terms can be from 10 - 20 years, or at the sale or transfer of the property.
ii. Interest rates will range from zero percent (0%) to rates that will typically be lower than market lending rates (interest rates will be determined by cash flow projections and will be negotiated with the implementing agency (NMHC), plus allowable fees. A Deed of Trust will be secured for the length of the Affordability Period, or the term of the loan, whichever is longer.

c. Forgivable Loans

i. Loan forgiveness may occur at one point in time (at the end of the affordability) or forgiven incrementally over time. This is typically applicable to projects with subsidized rents.
ii. A Deed of Trust will be secured for the length of the Affordability Period, or the term of the loan, whichever is longer.

d. Non-Interest-Bearing Loans

i. Loan terms vary and will be negotiated with the implementing agency (NMHC). Interest rate is zero percent (0%).
ii. The principal is paid back on a regular basis (annually), but no interest is charged.
iii. A Deed of Trust will be secured for the length of the Affordability Period, or the term of the loan, whichever is longer.

e. Surplus Cash Loans

i. If full amortization is not feasible due to limited cash flow, funds shall be repaid from an agreed upon percentage split of surplus cash on an annual or bi-annual basis. Borrowers must provide an Annual Cash Flow Analysis Report that demonstrates the calculation and accrual of applicable surplus cash funds.

f. Grants

i. Provided with no requirement or expectation for repayment. NMHC elects to provide grant funding as the first choice for all rental program developers.
ii. Most commonly used for projects with special needs populations or target below the low-

income AMI threshold populations.

iii. A Deed of Trust will be secured for the length of the Affordability Period, or the term of the loan, whichever is longer.

3.11 Federal Labor Standards

(1) Every CDBG-DR project with a construction contract, regardless if it is for construction or rehabilitation of 8 or **more** CDBG-DR-assisted units is required to comply with all of the following federal labor standards: the Davis Bacon and Related Acts (DBRA), the Copeland "Anti- Kickback" Act (the Anti-Kickback Act), the Contract Work Hours and Safety Standards Act, as amended (CWHSSA), and the Fair Labor Standards Act of 1938, as amended (FLSA). The term "CDBG-DR Assisted Unit" means the housing units developed with the assistance of CDBG-DR funds, including non-construction related assistance such as land acquisition or down payment assistance.

(2) The Davis-Bacon and Related Acts, published in Chapter 3, section 276(a) 7 et seq. of U.S.C. Title 40 ensures that mechanics and labors employed in construction work under federally-assisted contracts are paid wages and fringe benefits equal to those that prevail in the locality where the work is performed. According to the Department of Labor (DOL) regulations, the term mechanics and laborers "includes at least those workers whose duties are manual or physical in nature (including those workers who use tools or who are performing the work of a trade), as distinguished from mental or managerial... " The term does not apply to workers whose duties are primarily administrative, executive or clerical, rather than manual.

(3) Federal prevailing wages must be paid on CDBG-DR projects involving site development, construction, and rehabilitation where there are 8 or more CDGR-DR assisted units.

4.0 UNDERWRITING CRITERIA AND PROGRAM COMMITMENTS

Underwriting is the performance of due diligence evaluating the critical elements of a development or rehabilitation proposal and assesses any risk factors. The evaluation entails a multi-level review of key aspects of the decision-making process to determine the eligibility and viability of the proposed project to ensure that:

a. The submitted project is consistent with the CDBG-DR Action Plan goals.
b. The funding request is feasible.
c. There is a tie back to Typhoon Mangkhut or Super Typhoon Yutu.
d. The developer has the experience and capacity to complete the proposed development.
e. The developer has the experience in running a federal housing program such as Section 8 Housing Choice Voucher Program, LIHTC Program, etc.
f. The costs associated with the development portion of the proposal are necessary, reasonable, and financially feasible.
g. The projected operational costs are necessary and reasonable, and that the proposed development is sustainable for the duration of the Affordability Period.
h. The sources and uses of funds statement and lender commitments reflecting sufficient resources to complete the proposed development (usually for LIHTC projects).
i. The total amount of government assistance is not more than is necessary to produce the project.

The underwriting review documentation will be maintained in the project files Project Scope and Budget, review memoranda, project review checklists and templates, and determination summaries.

4.1 Timing of Underwriting Reviews

(1) NMHC will review a project's feasibility over the 15- or 20-year compliance period, based on the required Affordability Period (the Affordability Period for rehabilitation projects is a minimum of 15 years; new construction projects require a minimum of 20 years Affordability). These reviews will occur at different stages.

(2) Non-LIHTC projects will be underwritten prior to commitment of CDBG-DR funds, and if applicable, again at the time when permanent loan closing occurs.

(3) For approved LIHTC projects that want to include CDBG-DR commitments, the program will require proof that the reviews have been concluded, as required by Section 42 of the Internal Revenue Code. These supporting documents include:

a. LIHTC application
b. Reservation Letter
c. Carryover Allocation Agreement
d. Ten Percent (10%) Cost Certification (when available)
e. Final Cost Certification (when available)
f. Form 8609 (when available)

(4) For initial LIHTC projects that want to include CDBG-DR commitments but have not completed the review and approval process, NMHC will follow its QAP procedures when conducting three reviews, as required by Section 42 of the Internal Revenue Code: 1) prior to making an award of credit, 2) at 10% Cost Certification, and 3) at Placed in Service (Subsection 3) c. under this section. The following is a breakdown of how this provision will apply to each of the underwriting stages in the allocation process and what this provision will mean in practice:

a. Initial Application/Prior to LIHTC Award - In order to receive an initial award of credit, the project must be financially feasible for the 15-year compliance period utilizing the underwriting standards as applied to the proforma.

b. 10% Cost Certification - NMHC will review the sources and uses of funds and the total financing planned for the project to ensure that the amount of credit being allocated to the project does not exceed the amount necessary for the project to be financially feasible during the entire initial 15-year compliance period. NMHC will continue to monitor a project's income and expenses during this phase of the allocation process, but will not hold up the issuance of Carryover documentation because of this portion of the review.

c. Placed in Service Issuance of IRS Form 8609 (Low-Income Housing Credit Allocation form) NMHC will review the sources and uses of funds and the total financing planned for the project to ensure that the amount of credit being allocated

to the project does not exceed the amount necessary for the project to be financially feasible for the 15-year compliance period. NMHC will continue to monitor a project's income and expenses during this phase of the allocation process, but will not hold up the issuance of 8609s to a project because of this portion of the review.

d. Consistent with industry best practices, and for §42(m)(2) of the LIHTC Code, CDBG-DR awarded funding will be limited to providing for the financing gap necessary to make the transaction viable.

(5) **Collateral**

CDBG-DR shall provide Gap Financing grants to Developers. To secure the financing provided by CDBG-DR ("Gap Financing Grant"), the Developer shall execute and deliver to the NMHC certain documents to the CDBG-DR program. At Closing, Developers shall deliver the following documents:

a. CDBG-DR Leasehold Mortgage (Construction Security Interest) Assignment of Leases and Rents and Security Agreement and any Addenda thereto (the "Leasehold Mortgage"). The Leasehold Mortgage will be recorded against the Property in the Office of the Recorder of Deeds and shall be subordinate to a construction loan for the construction of improvements on the Property and a permanent loan obtained by the Developer to finance such improvements after completion.

b. CDBG-DR Gap Financing Loan Agreement. The CDBG-DR reserves the right to assign interest rates when required for financing and shall be enforceable for a term of Ten (10) years (the "CDBG-DR Loan").

c. CDBG-DR Multi Family Gap Financing Note. All Grants will be assigned an interest rate of 0%. The Repayment of the Grant shall be made in the event of the sale or refinancing of the Property.

4.2 Evaluation of Project Development Costs

(1) NMHC has established minimum underwriting standards (i.e., QAP and NCSHA best practices) for evaluation of project development costs. Where required, NMHC will also consider more stringent underwriting requirements imposed by other lenders, equity providers, or the credit enhancer. Requests for use of alternative standards other than those established by NMHC must be supported by written explanation and appropriate documentation. The use of the NMHC maximum cost limits or any alternate standards for determining reasonableness of the development costs of the proposed project is at the sole discretion of NMHC.

a. The minimum project cost underwriting requirements apply to all projects; therefore, all applications should meet the underwriting standards listed below when submitted.

b. NMHC determines that the cost of the project as presented is not reasonable using NMHC's cost standards or the alternative standards at the time of initial application review, the project will not be recommended for an allocation of LIHTC.

c. The following standards will be applied to specific cost items. Even if the specific line item is not being paid with LIHTC equity or NMHC CDBG-DR funds, any excessive cost, regardless of the source of financing, increases the gap and affects the public subsidy needed by a transaction. As a result, NMHC reserves the right to require any applicant to provide a justification of any development cost line item.

4.3 Acquisition

(1) In all cases and regardless of which proposed funding source will pay for the acquisition price, an appraisal will be used to assess the reasonableness of the acquisition price in the project budget. A CNMI-licensed independent professional appraiser will perform the appraisal and the applicant will pay the costs of any required appraisals. However, NMHC, in its sole discretion, may accept an appraisal that is required by another lender and prepared by an independent professional appraiser for that lender.

(2) For purposes of this section, the acquisition price does not include: Reasonable and necessary soft costs related to the acquisition, such as legal expenses associated with zoning, title expenses, relocation costs, and engineering fees; or off-site improvements, such as extensions of infrastructure necessary to prepare the site for its intended use, provided that the absence of such improvements is clearly noted and accounted for within the appraisal's estimate of "as is" value.

(3) For purposes of this section, an Arms-Length Transaction is one between parties made freely and independently of each other, and without a special relationship such as family relationship, other business relationship, or the existence of a controlling interest between the parties. In contrast, a Related Party Transaction includes one between parties where familial, business, controlling interests, or other close ties exist prior to the transaction.

(4) In general, the acquisition price must meet the following requirements:

a. In the case of an Arms-Length Transaction, the acquisition price must be less than or equal to the "as is" appraised value of the property.

b. In the case of a transaction involving a change of use, the acquisition price must not exceed the lesser of the "as is" appraised value or the "as completed" appraised value based on the project's projected end use.

c. In the case of a Related Party Transaction where the property was acquired less than two years before the application date, the acquisition price must not exceed the lesser of the "as is" appraised value or the applicant's original acquisition price plus carrying costs acceptable to NMHC.

d. In the case of a Related Party Transaction where the property was acquired two or more years before the application date, the acquisition price does not exceed the "as is" appraised value of the property.

e. Any portion of the acquisition price in excess of the "as is" value may not be financed or reimbursed by CDBG-DR or other project sources, may not be used in calculating the developer fee, and may not be reimbursed from cost savings at final closing. The excess must be paid with non-project sources such as proceeds of the developer fee.

Exceptions to the acquisition price standards may be submitted to NMHC on a case by case basis. Waivers to the acquisition price limitations will be in NMHC's sole discretion, and NMHC expects the approval of such excess acquisition prices to be extremely limited.

4.4 Construction Hard Costs

NMHC must be given the opportunity to review the development plans and to comment on the project design.

Construction hard costs are the actual cost of constructing or rehabilitating housing including multifamily housing. These costs include the following:

(1) For new construction projects: costs to meet the new construction standards set forth by NMHC consistent with currently adopted codes by the Department of Public Works:

(2) For rehabilitation: costs to meet the property standards for rehabilitation standards set forth by NMHC consistent with currently adopted codes by the Department of Public Works:

(3) For both new construction and rehabilitation project costs:

(i) To demolish existing structures:

(ii) To make utility connections including off-site connections from the property line to the adjacent street: and

(iii) To make improvements to the project site that are in keeping with improvements of surrounding, standard projects. Site improvements may include on-site roads and sewer and water lines necessary to the development of the project. The project site is the property, owned by the project owner, upon which the project is located.

(4) For both new construction and rehabilitation of multifamily rental housing projects, costs to construct or rehabilitate laundry and community facilities that are located within the same building as the housing and which are for the use of the project residents and their guests.

(5) Costs to make utility connections or to make improvements to the project site may be eligible in connection with acquisition of standard housing.

4.4.1 Construction Hard Cost Contingency

(1) Construction hard cost contingencies will be limited to the following:

a. All new construction projects shall have a construction hard cost contingency line item of **no more than ten percent (10%)** of total construction hard costs, including general

requirements, builder's profit and overhead.

b. Rehabilitation or rehabilitation and adaptive reuse projects may include a hard cost contingency line item **not to exceed ten percent (10%)** of total hard costs with the proper justification.

c. Rehabilitation or rehabilitation and adaptive reuse project applicants with a proposed contingency **in excess of ten (10%) must request for a waiver;** the waiver request shall include a detailed explanation of the reasons for the increased contingency. NMHC will evaluate waiver requests for reasonableness on a case-by-case basis to determine compliance with the threshold requirements. Waiver requests must include documentation supporting cost reasonableness of items leading to the increased contingency needs.

4.5 Maximum Rents

Mainly for LIHTC development, maximum unit rents (inclusive of tenant paid utilities (utility allowance rates as published by NMHC) may not exceed 30% of the imputed gross income limit applicable to each unit based on an assumption of 1.5 persons per bedroom for units with one or more bedrooms and 1.0 persons per bedroom for efficiency or Single Room Occupancy (SRO) units. For example, the maximum rent calculation for a two-bedroom unit targeted to households at 40% of the area median income would be calculated by dividing 40% of the area median income for a three (3) person household by twelve (12) and multiplying by 30%. For units restricted to elderly households, the imputed household size may not exceed three persons regardless of the number of bedrooms. For example, in a non-age restricted unit, the rent for a three- bedroom unit would be based on a 4.5 person household, but if designated as an elderly unit the maximum rent must be calculated based on a household of three people. Area Median Income charts, including adjustments for household size, are published annually by HUD and posted by NMHC.

In evaluating the long-term viability of the project, NMHC requires that rents and other revenues from the project be projected to increase by no more than 2% annually.

4.6 Vacancy Rate

All projects will be underwritten with a minimum vacancy rate of 5%.

4.7 Operating Expenses

(1) Annual operating expenses, including all real estate taxes but excluding replacement reserve deposits and debt service, should be no less than $3,000 per unit per year and no more than $5,500 per unit per year. Waivers may be requested for small projects of up to forty (40) units and for projects with master-metered (i.e. project paid) utilities.

(2) For projects with RD loans, the operating expenses will be based upon the current RD approved operating budget.

(3) In evaluating the long-term viability of the project, NMHC requires that operating expenses must

be projected to increase by not less than 3% annually.

(4) The proposed management agent (or management staff if there is an identity of interest) must sign a statement (to be submitted with the full application) agreeing that the operating expense projections are reasonable.

4.8 Reserves

4.8.1 Rent-up Reserves

(1) All project budgets must include provision for deposit of a reasonable amount per unit for rent-up reserve. The amount must be established based on the projected rent-up time considering the market and target population, but in no event shall be less than $300 per unit. These funds must be available to the management agent to pay rent-up expenses incurred in excess of rent-up expenses budgeted for in the PDC description. The funds are to be deposited in a separate bank account and evidence of such transaction provided to the Agency ninety (90) days prior to the expected placed in-service date. All funds remaining in the rent-up reserve at the time the project reaches ninety-three (93%) occupancy must be transferred to the project replacement reserve account.

(2) Tax-exempt bond projects may apply for a waiver from this requirement. For those projects receiving loan funds from the U.S. Department of Agriculture (USDA) Rural Development (RD), the 2% initial operating and maintenance capital established by RD will be considered the required rent-up reserve deposit.

4.8.2 Replacement Reserves

(1) All project budgets must include provision for deposit of a certain minimum amount per unit per year in reserves for replacement (RFR) deposits. All new construction projects must budget replacement reserves of a minimum of $350 per unit per year. Rehabilitation and adaptive reuse projects must budget replacement reserves of $450 per unit per year. The replacement reserve must be capitalized from the project's operations, escalating by four percent (4%) annually.

(2) In both types of renovation projects mentioned above, the Agency reserves the right to increase the required amount of annual replacement reserves if the Agency determines such an increase is warranted after a detailed review of the project's physical needs assessment. For those projects receiving RD loan funds, the required funding of the replacement reserve will be established, administered and approved by RD.

(3) NMHC reserves the right, in its sole discretion, to require a capital needs assessment (CNA) prepared by a qualified third party. Replacement reserve deposits must be adequate to support the project as determined by the CNA. Additionally, NMHC reserves the right, in its sole discretion, to require a new CNA every five to ten years and adjust RFR deposits based upon such new assessment, if necessary.

4.8.3 Operating Reserves

As part of the development budget, each project (except those receiving loan funds from RD) must establish an operating reserve equal to the greater of a) $1,500 per unit or six months of underwritten operating expenses, debt service payments, and required deposits to reserves. At a minimum, capitalized operating reserves must remain in place at this level until the project has achieved a minimum 1.15 debt service coverage ratio, economic break-even operations for one complete fiscal year as confirmed by the project's annual audit, and reached and sustained 90% occupancy for twelve (12) consecutive months. In the discretion of NMHC, the operating reserves may be reduced over the next three (3) years to not less than three months of underwritten operating expenses, debt service payments, and required deposits to reserves provided the project continues to achieve economic break-even operations and sustains 90% occupancy. Upon release, operating reserves generally may be used to pay any outstanding deferred developer fee, reduce any State loan, fund other reserves, fund project betterments, or otherwise be applied as approved by NMHC. The operating reserves must be maintained for the duration of the extended use period. The operating reserves can be funded by deferring the developer fees of the project. If this method is utilized, the deferred amounts owed to the developer can only be repaid from cash flow if all required replacement reserve deposits have been made.

4.9 Debt Service Coverage Ratio

All projects must be underwritten to a minimum debt service coverage ratio (DSCR) of 1.15 1.20 in the first year of stabilized operations. The DSCR will be calculated including all non-discretionary debt service payments. Project must reflect a 1.10 Debt Coverage Ratio (DCR) for the period of debt service or affordability period (rehabilitation requires 15 years; reconstruction requires 20 years), whichever is longer.

4.10 Investor Services Fees

Investor services fees must be paid from net cash flow and not be calculated into the minimum debt coverage ratio.

5.0 PROGRAM ADMINISTRATION

(1) NMHC will administer and oversee all activities and expenditures in connection with the CDBG-DR funds. NMHC employees, along with contractors procured to aid NMHC staff, will ensure that the activities undertaken meet all program requirements, including: the disaster threshold, eligibility, national objective, compliance, fair housing, labor standards, nondiscrimination, environmental regulations, and procurement regulations.

(2) NMHC will monitor the activities in accordance with HUD, CDBG-DR and NMHC monitoring and compliance requirements so that each activity funded will meet the disaster threshold and one of HUD's national objectives, with emphasis on eligible activities achieving the rehabilitation or reconstruction of affordable housing units primarily benefiting low- and moderate-income persons.

5.1 Eligible Implementation Entities

(1) NMHC, as the HUD CDBG-DR grantee, is responsible to administer, monitor and perform compliance oversight of the overall CDBG-DR program. Per the waiver provided in Federal Register Docket No. FR-6066-N-01, NMHC may also carry out eligible activities, and will undertake the development of affordable housing units, both projects within the NMHC portfolio and projects being developed by private or non-profit developers.

(2) NMHC and/or other future potential subrecipients, will manage the preparation and publication of notices of funding availability and of award projects pursuant to appropriate selection or procurement process. NMHC, when carrying out development activities, and NMHC as a Subrecipient, will be involved in all aspects of each specific project, including preparation of documents, discussion of potential and selected investors, meetings with contractors, consultants and stakeholders and selection of key team members. NMHC will have approval rights and program compliance oversight responsibilities for all CDBG-DR projects.

(3) Additionally, NMHC and/or future subrecipients are required to maintain appropriate and adequate documentation for all CDBG-DR expenditures and projects.

5.2 Northern Marianas Housing Corporation (NMHC) Role as Grantee

(1) NMHC, as the HUD CDBG-DR grantee representing the CNMI, will retain administrative management and compliance oversight responsibilities of all CDBG-DR activities and will establish and maintain financial accountability for CDBG-DR funds, compliance with CDBG-DR requirements and establish and maintain project files and records. NMHC will also provide technical assistance to developers when applicable, conduct eligibility and feasibility reviews, and conduct project underwriting.

(2) NMHC is responsible for ensuring compliance with CDBG-DR statutory, regulatory, and programmatic requirements including but not limited to the following:

a. Compliance with National Objectives and eligible activates
b. Duplication of Benefits (DOB) review
c. Davis-Bacon compliance and monitoring
d. National Environmental Protection Act (NEPA) compliance
e. HUD Section 3 compliance
f. Uniform Relocation Act Compliance
g. Federal Fair Housing EEO
h. Americans with Disabilities (ADA) compliance, as applicable and Section 504 compliance

5.3 Program Marketing

NMHC CDBG-DR Division will fund housing projects after reviewing for eligibility and feasibility. If additional funding becomes available, a Notice of Funding Availability would be published in local printed media, NMHC'S website and other online publication sites.

5.4 Eligibility Criteria

(1) For the existing allocation, NMHC will be considered a qualified developer. If funding becomes available as noted in the Action Plan or Amendments, other qualified developers may be for-profit or not-for-profit housing developers applying to rehabilitate, reconstruct or develop new rental housing. The application, review, award, implementation and compliance processes will be released upon notification of funding availability. Developers listed on CNMI or federal debarment lists are ineligible for assistance. Developers must demonstrate capacity to undertake the project as verified through underwriting. Projects must demonstrate viability for the entire duration of the Affordability Period.

(2) To be eligible for assistance, projects must:

a. Be located in the CNMI.

b. Demonstrate a tangible connection to addressing a recovery need arising from the disaster. Evidence such as FEMA report on damage to housing stock in the project's market area, indications that the storm exacerbated a shortage of housing in the area served by the project, local government statements that the project meets a housing or economic recovery need arising from the storm and similar documentation demonstrate tie-back to the storm(s).

c. Provide housing primarily for Low- and Moderate-Income persons.

5.5 Affordability Period

(1) Per Federal Register 6109-N-01, multi-family rental projects with 8 or more units that receive funds for rehabilitation or reconstruction will be required to adhere to an affordability period of 15 years, while new construction of multi-family rental projects with five or more units will be required to adhere to an affordability period of 20 years.

(2) Affordability Period restrictions will be enforced through recorded deed restrictions, covenants, or other similar mechanisms. Other financing sources may impose long-term affordability restrictions, enforceable by Regulatory Agreement or similar binding agreement. The CDBG-DR Affordability Period may run concurrent to other funding source affordability periods. The Program retains responsibility for monitoring compliance with occupancy requirement throughout the regulatory period. **Note:** Multi-family rental projects or scattered unit owners of less than 8 units that receive funds for reimbursement of the cost of repairs will be required to adhere to an affordability period of 10 years, while new construction of multi-family rental projects or scattered units with less than five units will be required to adhere to an affordability period of 15 years.

5.6 Relocation

A CDBG-DR assisted project that includes acquisition of real property must include the costs of relocation in the project scope and budget. See the requirements in Section 5.19 Cross-Cutting Federal Requirements Tenant Protection Under Uniform Relocation Act (URA) below.

5.7 Project Selection

NMHC will act as the initial developer and take precedence over other developers and if no other

housing projects are construction-ready for rehabilitation or new construction. NMHC will review other projects according to Program priorities and criteria for funding. Eligible and feasible projects submitted through this process are reviewed by NMHC CDBG-DR Division for available funding.

5.8 Prioritization of Projects

(1) Due to limited funding, NMHC CDBG-DR Division will prioritize NMHC projects (including LIHTC projects), including rehabilitation and new construction, which will be reviewed based on the Initial Scope and Capacity Assessment submissions.

5.9 Technical Assistance and Review of Project Scope and Budget

(1) NMHC and all development partners will be provided Technical Assistance throughout the implementation process, including through project initial rent-up. Technical Assistance sessions may include:

a. Review of the project description, recovery rationale, budget including source and use of funds and operating budget for review.
b. Discussion of NMHC staff review project readiness and alignment with program policies and priorities.
c. CDBG-DR program eligibility requirements, including "tie-back" to the storm and green building requirements.
d. Cross-cutting federal requirements for compliance with Davis-Bacon, Uniform Relocation Act (URA), Section 3, Fair Housing.

5.10 Pre-Award Verifications

Applicants are responsible for providing truthful, accurate and complete applications to the Program. However, prior to making an award, the Program is responsible for reviewing each project file to verify all information is complete, applicant eligibility is verified, and all benefit calculations are completed correctly.

5.11 Award Calculation for Project Scope and Budget Proposals

(1) CDBG-DR is the funding of last resort and cannot be used to displace other available funding. As such, CDBG-DR is considered as "gap-filler" financing and awards will be the minimum amount of financing necessary to reduce the project's debt service and to ensure long term project viability.

(2) This process assures that CDBG-DR funds are only used to fund the projects' unmet need after all other sources of financing are committed. Each project Scope and Budget Proposal will be reviewed, along with source documentation, evidencing total project financing. This strategy leverages a significant number of other sources of capital subsidy to support and promote high quality, construction-ready projects that may advance one of the specific housing priorities of the CNMI.

(3) NMHC will provide funding up to the unmet need amount for the selected projects, subject to a maximum award of $31,120,667, and $200,000 per unit cap. For individual scattered housing projects, the maximum total award is $5,000,000 with a $200,000 per unit cap. Circumstances where additional costs may be required will be reviewed on a case-by-case basis, utilizing cost-reasonableness requirements. The unmet need is the financing gap identified in the project underwriting, less any assistance classified as duplicative in the Duplication of Benefits review.

(4) Project Scope and Budget Proposals must demonstrate that the rent proceeds or other funding sources will allow for adequate resources to meet capital needs for the length of the affordability period.

5.12 Evaluation of Projects

NMHC will review the projects for:

a. Tie to the storm
b. CDBG-DR eligibility
c. Meet LMI National Objective
d. Duplication of Benefits
e. Cost Reasonableness

5.13 Duplication of Benefits (DOB)

(1) Section 312 of the Robert T. Stafford Disaster Assistance and Emergency Relief Act (42 U.S.C. §5155) prohibits any person, business concern, or other entity from receiving financial assistance with respect to any part of a loss resulting from a major disaster for which he has received financial assistance under any other program or from insurance or any other source. In accordance with the Stafford Act, Disaster Recovery funds issued through the Department of Housing and Urban Development's CDBG-DR program may not be used for any costs for which other disaster recovery assistance was previously provided for the same purpose.

(2) As mandated by law, all projects receiving CDBG-DR funding must undergo an analysis of duplication of benefits to ensure no funds have been or will be received for the same purpose as the intended CDBG-DR grant. This Program provides "gap financing" to qualified affordable housing Development Partners to finance construction of new affordable housing in storm- impacted communities or rehabilitate existing properties. All projects will be underwritten to these Program standards. Developers must disclose all sources of funding for project finance in accordance with the following list of potential sources of funding that may result in a duplication of benefits.

(3) Generally, financial assistance received from any other source that is provided for the same purpose as the CBDG-DR funds is considered a Duplication of Benefit (DOB). The CNMI's policy is in accordance with HUD's guidance on duplication of benefits.

(4) The Program must consider the total assistance available to the Developer for the project. This includes all benefits, including cash, insurance proceeds, grants from FEMA, SBA loans, as well as any other assistance received by the applicant from other local or federal programs, or private or nonprofit charities. Developers should pay special attention to the following potential sources of benefits:

a. **National Flood Insurance Program (NFIP):** Insurance proceeds received must be disclosed by the project owner and/or Subrecipient.
b. **Private Insurance:** All insurance proceeds received must be disclosed by the Developer.

Where necessary, the Program will look for "undeclared" insurance benefits as well as confirming those disclosed by the project owner and/or Subrecipient.

c. **FEMA:** FEMA proceeds received must be disclosed by the project owner and or Subrecipient.

d. **Other:** Funds received from other sources must be disclosed by the project owner and/or Subrecipient and verified by the Program. Examples include nonprofits, other governmental agencies, and social groups.

(5) CDBG-DR funds cannot supplant other funding; project budget, sources and uses documents will be reviewed to ensure an appropriate amount of CDBG-DR assistance. Project Developers are required to report all assistance reasonably anticipated. Reasonably anticipated funds include assistance that has been awarded, but has not yet been received, as well as funding the Developer anticipates will be making an application. If excessive funds are reported or identified, the CDBG-DR funds will be the funding source reduced.

5.14 Project Funding and Disbursement

(1) CDBG-DR funds may be available at either a Grant or Construction Loan closing, in which not only CDBG- DR, but all funds needed to complete the project will be confirmed as available. Closing may not take place until title clearance has been obtained. Any required flood and other applicable insurance will be confirmed at the closing.

(2) Each development project will be registered as a separate activity in DRGR and CDBG-DR funds will be drawn down accordingly. The development partner shall provide all documents of the expenses for which reimbursement is sought, as required by NMHC's financial management policies. Acceptable documentation may include invoices, receipts, evidence of payment (if appropriate), engineer/architect cost certification, as well as other items, such as inspection reports, based on the expense.

5.15 Agreements

(1) NMHC will enter into an agreement with developer partners which will include the following federal requirements including, but not limited to those listed below:

a. **Administrative, contractual, or legal remedies in instances where contractors violate or breach contract terms and provide for such sanctions and penalties as may be appropriate. (Contracts more than the simplified acquisition threshold);**

b. Termination for cause and for convenience by the grantee or subrecipient including the manner by which it will be affected and the basis for settlement. (All contracts that exceed $50,000);

c. Compliance with Executive Order 11246 of September 24, 1965, entitled, "Equal Employment Opportunity," as amended by Executive Order 11375 of October 13, 1967, and as supplemented in Department of Labor regulations (41 CFR chapter 60). (All construction contracts that exceed $50,000 by grantees and their contractors or subrecipients);

d. Compliance with the Copeland "Anti-Kickback" Act (18 U.S.C. 874) as supplemented in Department of Labor regulations (29 CFR part 3). (All contracts and subgrants for construction or repair);

e. Compliance with the Davis-Bacon Act (40 U.S.C. 276a to 276a-7) as supplemented by Department of Labor regulations (29 CFR part 5). (Construction contracts exceeding $2,000 awarded by subrecipients, grantees and subrecipients when required by Federal grant program legislation);

f. Compliance with Sections 103 and 107 of the Contract Work Hours and Safety Standards Act (40 U.S.C. 327- 330) as supplemented by Department of Labor regulations (29 CFR part 5). (Construction contracts awarded by grantees and subrecipients exceeding of $2,000, and in excess of $2,500 for other contracts which involve the employment of mechanics or laborers);

g. Compliance with Sections 503 and 504 of The Rehabilitation Act of 1973 (29 U.S.C 794) as supplemented by Department of Labor regulations (41 CFR Part 60-741 and 24 CFR 8);

h. Compliance with Uniform Relocation Act;

i. Notice of awarding agency requirements and regulations pertaining to reporting;

j. Access by the grantee, the subrecipient, the Federal grantor agency, the Comptroller General of the United States, or any of their duly authorized representatives to any books, documents, papers, and records of the contractor which are directly pertinent to that specific contract for the purpose of making audit, examination, excerpts, and transcriptions;

k. Retention of all required records for three years after grantees or subrecipients make final payments and all other pending matters are closed;

l. Compliance with all applicable standards, orders, or requirements issued under section 306 of the Clean Air Act (42 U.S.C. I 857(h)), section 508 of the Clean Water Act (33} U.S.C. 1368), Executive Order 11738, and Environmental Protection Agency regulations (40 CFR part 15). (Contracts, subcontracts, and subgrants of amounts in excess of $100,000);

   i. Mandatory standards and policies relating to energy efficiency (if applicable)

   ii. Subrogation agreement, subrogation is the process by which duplicative assistance received by the Development Partner after receiving CDBG-DR funding is remitted to the Program to avoid a duplication of benefit.

m. The agreements and legal documents with the developer or contractor, NMHC will include all the performance and compliance requirements for each project, including but not limited

to:

i. Project budget
ii. Development and 15 or 20 year pro forma depending on affordability requirements
iii. Project description, number of units, unit type, design, construction standards
iv. Unit breakdown
v. Rent schedule
vi. Affordability requirements
vii. Lease requirements
viii. Tenant selection criteria
ix. Compliance with Commonwealth and local tenant-landlord laws
x. Conditions for faith-based organizations
xi. Lead-Based Paint requirements
xii. Fair housing and equal opportunity provisions
xiii. Fund disbursement
xiv. Record keeping and reporting provisions
xv. Enforcement provisions
xvi. Procedures for securing rent increases
xvii. Compliance requirements, including the monitoring checklist that will be used
xviii. Builder procured

5.16 Construction Monitoring

(1) NMHC will select construction contractors and/or developers and manage construction for NMHC developed projects, including the inspection process, which is defined in the monitoring agreement and construction contracts. NMHC is responsible to ensure financial and construction compliance through source documentation review, progress inspections and periodic quality reviews. NMHC is responsible to ensure project occupancy meets all required household mix, based on financing requirements.

(2) For NMHC developed projects, NMHC will select construction contractors and/or developers and monitor project construction and occupancy.

(3) NMHC will also oversee and monitor partner developments. Specifically, NMHC will provide oversight to the construction through progress inspections for payments as well as periodic quality reviews. NMHC will monitor partner projects for compliance, which includes:

a. Overall management systems;
b. Financial management;
c. Eligible costs;
d. Cost allowability;
e. Cost allocation;
f. Construction management;
g. Bond requirements;
h. Written agreements deadlines, milestones or other requirements;
i. Property standards;
j. Relocation;
k. Labor standards;

l. Production outcomes;
m. Construction contracts;
n. Reporting;
o. Initial and ongoing occupancy;
p. Requirements for properties located in a special flood hazard area; and
q. Requirements as outlined in Subrecipient Agreement (if applicable).

5.17 Documents Required Upon Completion of Construction

(1) Upon completion of the funded project, the developer will provide the following documents
(2) Required Documents:
(3) All required Program Eligibility Documents or any updates thereto;
(4) Certificate of Occupancy;
(5) Certificate of Completion;
   a. Elevation Certificate (if elevated)
   b. Proof that project was completed according to the applicable Green Building Standard selected in the application and/or commitment letter; which may consist of documentation from construction monitor or project architect;
   c. Current title;
   d. Satisfactory indication that all compliance obligations including Fair Housing, Davis Bacon, Section 3, Section 504 and M/WBE are up to date;
   e. Copies of all Program approved change orders;
   f. Permits as required and applicable.

5.18 Lease-Up Compliance and Monitoring

5.18.1 Determining Tenant Eligibility

(1) The executed grant agreement defines the number of affordable housing units that must be included in the project. The Developer and any subsequent project owners must ensure that all tenants of the affordable housing units, both at initial lease up and throughout the project's Affordability Period, meet income and other eligibility requirements.

(2) Tenant eligibility for NMHC projects will be based on income and rent determinations as defined in 4350.3 HUD Handbook.

(3) Property owners or management firms will report project compliance at initial lease up and on an annual basis for a minimum term of the Affordability Period. Reporting will be submitted to the agency that executed the agreement. NMHC will ensure project compliance for any Affordable Rental Housing projects implemented for the CDBG-DR activity. NMHC Housing and Compliance and Monitoring managers will confirm that each project has leased the number of affordable housing units required in the executed grant agreement to LMI households throughout the Affordability Period.

(4) Project owners of projects where NMHC implemented the CDBG-DR activity will be required to report project compliance at initial lease up and on an annual basis for a minimum term of the Affordability Period.

(5) Compliance monitoring of initial project rent-up monitoring will include but is not limited to the review of tenant eligibility and income documentation, rent rolls, project budgets and financial records.

5.18.2 Monitoring Plan

(1) NMHC is responsible for all oversight and compliance for all activities funded with CDBG-DR, regardless of the entity undertaking the implementation of the activity. Monitoring fee of $200 per unit per year shall be assessed.

(2) Although the CDBG-DR funding has a six-year expenditure deadline (from signing of the initial grant agreement), NMHC has compliance responsibilities throughout the term of the HUD grant through closeout, and for long-term compliance of the NMHC and other partner developer projects throughout each project's Affordability Period.

(3) NMHC must ensure compliance with applicable regulations, which include but are not limited to: record keeping, overall administration, financial management, environmental compliance, citizen participation, conflict of interest, procurement, Davis-Bacon Labor Standards, housing qualify standards, affordability period compliance, production outcomes, written agreement milestones and requirements, cost allocability, cost allowability, duplication of benefits, civil rights regulations (Minority and Women's Business Enterprise), Section 3, Fair Housing, Limited English Proficiency, and American with Disabilities Act), property acquisition and management, displacement, relocation, requirements for properties located in a special flood hazard area, and unit replacement.

(4) The CDBG-DR Program has established a Monitoring Plan to ensure that all programs and projects comply with applicable federal, Commonwealth, and local regulations and effectively fulfills the goals set forth in the Action Plan and the Action Plan Amendments.

(5) The Monitoring Plan serves to identify risks, deficiencies, and remedies relating to NMHC directly administered programs, administrative and financial management, and programs administered via NMHC partners. The Monitoring Plan seeks to accomplish the following objectives:

a. Determine if a developer/partner is carrying out its obligations, and its activities as described in the Action Plan for CDBG-DR assistance and its related grant or partner agreement.
b. Determine if a developer/partner is carrying out its activities in a timely manner, in accordance with the schedule included in the partner agreement.
c. Determine if a developer/partner is charging costs to the project that are eligible under applicable laws and CDBG-DR requirements, and reasonable in light of the services or products delivered.
d. Determine if a developer/partner is conducting its activities with adequate control over program and financial performance, and in a way that minimizes opportunities for waste, mismanagement, fraud, and abuse.
e. Assess if the developer/partner has a continuing capacity to carry out the approved project, as well as future grants for which it may apply.

f. Identify potential problem areas and to assist the developer/partner in complying with applicable laws and regulations.
g. Assist developers/partners in resolving compliance problems through discussion, negotiation, and technical assistance (TA) and training.
h. Provide adequate follow-up measures to ensure that performance and compliance deficiencies are corrected by affordable rental housing developers/partners, and not repeated.
i. Comply with the federal monitoring requirements of 24 CFR 570.50 I(b) and with 2 CFR 200, as applicable.
j. Determine if any conflicts of interest exist in the operation of the CDBG-DR program per 24 CFR 570.611.

(6) Long term compliance review will be conducted by NMHC. These reviews will include, but not be limited to documentation covering:

a. Evidence that required records are maintained to demonstrate compliance with applicable regulations.
b. Annual rent rolls and income certifications for all tenants in affordable units.
c. Annual inspection reports for UPCS requirements of all units.

5.19 Cross-Cutting Federal Requirements

Implementation Partners are subject to the Cross-Cutting Federal Requirements described herein. These include compliance with the Uniform Relocation Act, Davis-Bacon and Related Acts, Minority- and Women-Owned Business Enterprises contracting provisions, Section 3, Fair Housing, Equal Employment Opportunity, and environmental requirements of the National Environmental Protection Act.

5.19.1 Tenant Protection Under Uniform Relocation Act (URA)

(1) NMHC assure that the Uniform Relocation Act requirements have been followed and that both displaced occupants and any current occupants of the project are identified. These occupants are entitled to advisory services, in the form of notices and counseling, moving and/or storage expenses, and coverage of all displacement costs for temporary or permanent relocation pursuant to formula and applicable Federal Register notices. The program will monitor displaced and current tenants and maintain records from the inception of the project. Failure to do so can lead to unexpected and substantial costs and work delay.

(2) **Demonstrable Hardship** - A demonstrable hardship is a substantial change in an applicant's financial situation that will prohibit or severely affect their ability to provide a minimal standard of living or the basic necessities of life including food, housing, clothing and transportation without causing economic distress well beyond mere inconvenience as shown by objective evidence. A demonstrable hardship must be occurring after the named storms. The demonstrable hardship must be of a severe, involuntary and unexpected nature. It must not be one that is generally shared by other applicants affected by the named storms. Examples of demonstrable hardships may include job loss, failure of a business, divorce, severe medical illness, injury, death of a family member or spouse, unexpected and extraordinary medical bills, disability, substantial income reduction, unusual and excessive amount of debt due to a natural disaster, etc. None of the listed examples above, individually or taken together, automatically establish a demonstrable hardship nor is the listing above exhaustive as there may be other factors relevant to the issue of demonstrable hardship

in a particular case. If an applicant believes that they are in the state of demonstrable hardship and that the demonstrable hardship causes them to not comply with any of the program policies, they may present their existence of a demonstrable hardship to their case worker (housing or loan specialist) and the Program will evaluate on a case-by-case basis after review of all of the circumstances. Applicants claiming a Demonstrable Hardship shall be required to provide evidence of such claimed Demonstrable Hardship to the case worker.

(3) ***Not Suitable for Rehabilitation*** – properties where the cost of rehabilitation exceeds the after-rehab appraisal and there is not a compelling historical or community justification to save the property.

5.19.2 Fair Housing

Development Partners are subject to NMHC's Affirmative Fair Marketing requirements and will be required to provide a marketing plan and report on compliance in accordance with NMHC's policy. The Affirmative Marketing Plan must be in compliance with applicable Fair Housing laws and demonstrate how the applicant will affirmatively further fair housing.

5.19.3 Section 504

(1) Section 504 of the **Rehabilitation Act of 1973,** Pub. L. No. 93-112, 87 Stat. 394 (Sept. 26, 1973), prohibits discrimination. The Act requires that any alterations of multifamily (5+ units) rental projects, a minimum of 5 percent of the dwelling units in the project (but not less than one unit) must be accessible to individuals with mobility impairments. An additional 2 percent of the dwelling units (but at a minimum, not less than one unit) must be accessible to individuals with sensory impairments (i.e., hearing or vision impairments).

(2) In buildings with 5 or more dwelling units and at least one elevator, all dwelling units and all public/common use areas are subject to Section 504 requirements. In buildings with 5 or more dwelling units and no elevator, all ground floor units and public and common use areas are subject to Section 504 requirements.

(3) For new construction, Section 504 applies only to Projects that include 5 or more units. Projects with 5+ units must be designed and constructed to be readily "accessible" to and usable by persons with disabilities (including the common areas). "Accessible," when used with respect to the design, construction, or alteration of an individual dwelling unit, means that the unit is located on an accessible route and when designed, constructed, altered, or adapted can be approached, entered, and used by individuals with physical handicaps.

(4) A 15+ unit Project, with rehabilitation costs that are 75% or more of the replacement cost of the completed facility, is considered substantial rehabilitation. In this case, a minimum of 5 percent of the dwelling units in the Project (but not less than one unit) must be accessible to individuals with mobility impairments, and an additional 2 percent, at a minimum (but not less than one unit), must be accessible to individuals with sensory impairments.

(5) Per unit cap on the maximum amount of assistance may be exceeded when necessary to provide accessibility features as a reasonable accommodation for a person with a disability.

5.19.4 Davis-Bacon and Related Acts I Labor Standards

Prevailing wage rates and compliance requirements will apply to all developments with 8 or more units where more than $2,000 CDBG-DR funds are expended on construction. DBRA requires the payment of locally prevailing wages and fringe benefits to laborers and mechanics for on-site construction, alteration, or repair (including painting and decorating) of public buildings or public works on federally funded or assisted contracts in excess of $2,000. See Federal Requirements, which includes Federal Labor Standards Provisions. All Development Partners must account for prevailing wage in their Project Proposal. Locally prevailing wages are determined for specific employee classifications by the US Department of Labor (DOL) and made available to the public as "wage decisions".

5.19.5 Minority-and Women-Owned Businesses (WMBEs)

All Development Partners are required to comply with Article 15-A of the Executive Law, which promotes the participation of minority- and women-owned businesses (MWBEs) in contracting opportunities. All projects financed under the Program must comply with NMHC's M/WBE participation requirements applicable at the time of application submitted to the RFQ.

5.19.6 Section 3

(1) Awardee shall comply with 12 U.S.C. 170lu and its regulations ("Section 3"). In compliance with Section 3, the CDBG-DR Program will require fund recipients to establish training, employment, contracting and other economic opportunities arising from HUD funding. The requirements of Section 3 apply to recipients of HUD funding for Section 3 covered project(s) in which the amount of the assistance is in excess of $200,000. Contractors and Subcontractors are also subject to Section 3's requirements when performing *any* type of activity on Section 3 covered projects for which the amount of funding is in excess of $200,000 and the contract or subcontract exceeds $100,000.

(2) If these thresholds are met, the Section 3 requirements apply to the entire project or activity that is funded with Section 3 covered assistance, regardless of whether the Section 3 activity is fully or partially funded with Section 3 covered funds.

(3) (If applicable) if a Subrecipient receives Section 3 covered housing construction or infrastructure or economic revitalization assistance in excess of $200,000, but no individual contract exceeds $100,000, Section 3 requirements will only apply to the recipient (e.g. hiring and training goals).

(4) When Section 3 is triggered by the thresholds mentioned above, all parties must attempt, to the "greatest extent feasible," to meet the minimum numerical goals as follows:

a. At least 30% of all hires must be Section 3 Residents; and
b. At least 10% of the total dollar amount of all Section 3 covered contracts for housing rehabilitation, construction, and other public construction should be awarded to eligible Section 3 Business Concerns; and,
c. At least 3% of the total dollar amount of all Section 3 covered non-construction (e.g., professional services) contracts should be awarded to eligible Section 3 Business Concerns.

5.19.7 Environmental Review

(1) CDBG-DR funding from HUD is contingent on compliance with the National Environmental Policy Act (NEPA) and related environmental and historic preservation legislation and executive orders. All projects are also subject to historical review by the Office of Historic Preservation.

(2) All projects using CDBG-DR funding must undergo some level of environmental review, depending on activity and project scope. All awards will be considered conditional and no choice limiting actions can be taken until the environmental review is complete.

5.19.8 Green Building Standards

All reconstruction and new construction of residential buildings and substantially damaged homes must adhere to the extent practicable to the Green Building Checklist or another Green Building standard approved by HUD. Repair of buildings must follow guidelines in the HUD CPD Green Building Retrofit Checklist or another Green Building standard approved by HUD.

5.19.9 Bonding Requirements

For construction and facility improvement contracts exceeding $150,000, the Contractor/Subcontractor must comply with, at minimum:

(1) A bid guarantee from each bidder equivalent to five percent of the bid price. The "bid guarantee" shall consist of a firm commitment such as a bid bond, certified check, or other negotiable instrument accompanying a bid as assurance that the bidder will, upon acceptance of his bid, execute such contractual documents as may be required within the time specified.
(2) A performance bond on the part of the Contractor/Subcontractor for 100 percent of the contract price. A "performance bond" is one executed in connection with a contract to secure fulfillment of all the Contractor's/Subcontractor's obligations under such contract.
(3) A payment bond on the part of the Contractor/Subcontractor for 100 percent of the contract price. A "payment bond" is one executed in connection with a contract to assure payment as required by law of all persons supplying labor and material in the execution of the work provided for in the contract.

5.19.10 Insurance Requirements

Contractors/Subcontractors must maintain liability insurance for protection against claims for damages because of bodily injury or death, claims for damages, to property which may arise out of or result from the Contractor's operation under a contract whether such operations be by the Contractor or by any Subcontractor or anyone directly or indirectly employed by any of them. This amount shall be in the amount as determined by NMHC's Procurement Policy. Contractor shall present the Agency with a certificate of such insurance. Additionally, Contractor is required to carry Workers' Compensation insurance.

Property owners are required for carrying enough physical and liability insurance coverage to fully protect the CDBG-DR program asset throughout the period of affordability or loan, whichever is longer, with NMHC listed as a lienholder on all policies. When the project is placed into service, hazard insurance coverage for the whole property with replacement cost coverage, including all buildings,

project contents and revenues during the affordability period or loan, whichever is longer.

5.19.11 Floodplain, Floodway and Costal High Hazard Area Policy

Executive Order 11988- Floodplain Management requires Federal activities to avoid impacts to floodplains and to avoid direct and indirect support of floodplain development to the extent practicable. All Project recipients must comply with these federal regulations. However, at this time, NMHC will not be providing financial assistance on properties located in a floodplain.

5.20 Flood Insurance Policy

(1) Development Partners that receive any assistance from the Program and the property is located within the "100-year" floodplain then the owner is required by federal regulations to maintain flood insurance in perpetuity and, in the event of a transfer of property, the owner is required, on or before the date of transfer, to notify the transferee in writing in the documents evidencing the transfer of ownership of the property, of the requirements to obtain and maintain flood insurance in perpetuity. If a transferor fails to provide notice as described above, the transferor shall be held liable.

(2) As per Federal regulations, if an owner previously received Federal Assistance for the subject property - personal, commercial, or residential - and failed to obtain and maintain flood insurance then the owner is ineligible to receive assistance from CDBG-DR. For more information, refer to Section 582 of the National Flood Insurance Reform Act of 1994 (42 U.S.C.5 154a).

5.20.1 Validation of Development Costs and Inspections

Once a project is determined to be eligible and is selected for participation in the Program the NMHC Construction Contractor will assign a building contractor from the Program pool of pre- approved building contractors who will work with existing plans or the A/E firm to determine/verify the cost to construct the rental unit(s).

5.20.2 Lead-Based Paint Risk Assessment

Based on the determination that the home was constructed prior to 1978 and in accordance with 24 CFR 35.930(a), paint on all surfaces will be presumed to be regulated. In accordance with 24 CFR 35.930(d) for residential properties receiving more than $25,000 per unit in Rehabilitation Assistance per the HUD definition, the program will abate all lead-based paint hazards (soil-lead and dust-lead) and deteriorated paint identified during the Lead (Pb) Risk Assessment. A Lead (Pb) Risk Assessment is required to identify hazards in all target housing properties that are determined feasible for rehabilitation, including the interior/exterior surfaces of the damaged unit and in common areas that service the unit. Projects receiving reconstruction are not required to be tested for lead hazards. Lead (Pb) Risk Assessments must be done by a permitted risk assessor. Homes determined to contain lead-based paint will be subject to the clearance testing requirements of the HUD Regulations.

5.20.3 Mold Assessment and Remediation

(1) Mold assessment consists of visual assessment only, performed by the Project Manager or Inspector. Mold assessment and/or testing of the existing structure are not performed on

reconstruction projects. If a visual inspection reveals the presence of mold, additional testing via collection of bulk, swab and air samples is not necessary, unless recommended by the assessor or requested by the homeowner and agreed to by the project Manager. Testing for mold should always be performed by a qualified person. The qualified person shall be trained industrial hygienist or an indoor air quality environmental professional. Testing services will only be provided to homeowners who have signed their grant award and are in the Rehabilitation Program Managed Option.

(2) Visual inspection is the most important initial step in identifying a possible mold problem and in determining remedial strategies. The extent of any water damage and mold growth should be visually assessed and the affected building materials identified. Visual inspection should also include observations of hidden areas where damages may be present, such as crawl spaces, attics, and behind wallboard to the extent feasible without destructive testing or removal of apparently undamaged building materials.

(3) Remediation: Currently there are no governmental standards pertaining to acceptable levels of indoor airborne mold spores and structures. Mold is present everywhere in the environment.

(4) For all projects, identified moisture sources should be eliminated prior to further remediation. Post remediation dehumidification may be necessary to dry the remaining structural framing materials prior to any rehabilitation. In cases where this occurs the Project Manager will incorporate the cost into the ECR. Areas where mold was or is identified as part of the ISI, the Walk Through or construction will be required to be remediated by the builders. Materials harboring mold will be cleaned or replace.

5.20.4 Asbestos Survey Requirement (if applicable)

(1) In accordance with Federal laws and regulations, a qualified asbestos inspector must perform a comprehensive building asbestos survey that is based on a thorough inspection to identify the location and condition of asbestos containing materials (ACMS) throughout any structure. When present, small amounts of drywall, mud, floor time, mastic, etc. will be collected for sampling. Every effort will be made to collect the required samples in the least destructive manner possible. Presumed asbestos containing materials (PACM) will be documented and recorded.

(2) Proper removal and disposal of ACMs will be included in the ECR. ACMs which are friable, or which will be disturbed or removed by renovation or demolition must be removed and disposed in accordance with Federal and Commonwealth regulations by firms and individuals properly licensed for the work. If asbestos should become apparent once construction begins, procedures align with Commonwealth and local abatement procedures as well as HUD and the Environmental Protection Agency (EPA) will be followed. The builder will be responsible to retain a qualified asbestos inspector to assess suspected ACMs to be disturbed and identified subsequent to execution of the contract. Costs for additional assessment and/or removal will be handled as a change order to the builder. All asbestos abatement shall be done in accordance with EPA requirements for air pollution prevention and OSHA requirements for worker protection. The builder shall provide the Construction Manager with a copy of the *Asbestos Waste Disposal Manifest* for all ACMs removed from the site, as a condition precedent to final payment.

5.20.5 Environmental Inspection Request and Clearance

Projects that involve any Choice Limiting Actions will not eligible for CDBG-DR funding. See Environmental Policy and Procedures for details on the environmental review process, including timing for actions.

6.0 RECORD KEEPING AND REPORTING

(1) NMHC, including contractors, will comply with 24 C.F.R. Part 5.2, Compliance with the Privacy Act, which requires the safeguarding of personally identifiable information (PII) by:

a. Minimizing the use of PII on program documents and records.
b. Providing access to PII only to those who require it for official business.
c. Securing PII appropriately for paper or electronic forms.
d. Training for data security and compliance with the Privacy Act will be provided to all employees and contractors as part of their onboarding process.

(2) In accordance with HUD regulations, as a grantee and recipient of CDBG-DR funds, NMHC follows the records retention as cited in 2 CFR Part 200.333-337, which includes financial records, supporting documents, statistical records and all other pertinent records are maintained for five years after closeout of the grant between HUD and NMHC. NMHC established requirements in its contractor agreements for compliance with all HUD cross cutting requirements outlined in 2 CFR 200: Appendix 11, including record keeping requirements. Records such as grant agreements and other legal documents enforcing provisions of long-term affordability shall be maintained for five (5) years after the termination of the compliance period.

(3) Additional information regarding Records retention, how the program will manage Personally Identifiable Information (PII), and file security, please refer to NMHC Recordkeeping and Reporting Policy.

APPENDICES

CNMI CDBG-DR

CDBG-DR GAP-FILLER TO LOW-INCOME
HOUSING TAX CREDITS PROGRAM

(LIHTC PROGRAM)

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NORTHERN MARIANAS HOUSING
CORPORATION

CDBG-DR PROGRAM GUIDELINES

CDBG-DR GAP-FILLER TO LOW-INCOME HOUSING TAX CREDITS (LIHTC)

VERSION CONTROL

VERSION NUMBER	DATE REVISED	DESCRIPTION OF REVISIONS
1.0	Dec. 31, 2020	Original Guidelines
2.0		Amendments to Sections: Addition of Sections:

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Established Periods of Time

Unless otherwise specified, all established periods of time addressed in this and all CDBG-DR Program Guidelines will be considered calendar days.

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1 Program Overview

The Commonwealth of the Northern Mariana Islands (CNMI) faces an increased need for rental housing stock in the aftermath of Super Typhoon Yutu. The substantial reduction in available housing units exacerbated by the storm's destruction, combined with a number displaced residents in need of housing, represents a major hindrance to long-term recovery. Incentives are required to spur development and replenish the current inventory of new, resilient, and affordable rental housing. In line with many grantees' strategy to combat the shortfall, effective utilization of the Low-Income Housing Tax Credits (**LIHTC**) leverages such an incentive.

The CDBG-DR Gap-filler to Low-income Housing Tax Credits Program, hereinafter referred to as the '**Program**,' as approved on the Action Plan, will provide the incentive required to spur development and replenish the current inventory of new, resilient, and affordable rental housing.

The Program objective is to leverage LIHTC to extend the impact of CDBG-DR funding with the aim of increasing the inventory stock of affordable multifamily rental units. To accomplish this, the Northern Marianas Housing Corporation (NMHC) intends to optimize the use of CDBG-DR funds by providing gap funding and if needed, interim and permanent loans, to leverage available LIHTCs to create/rehabilitate affordable rental housing. All developments funded through this Program will benefit low- and moderate-income populations.

2 Definitions

- **Accessible**: when used with respect to the design, construction, or alteration of a facility or a portion of a facility other than an individual dwelling unit, means that the facility or portion of the facility when designed, constructed or altered, can be approached, entered, and used by individuals with physical handicaps. The phrase *accessible to and usable by* is synonymous with accessible. See 24 C.F.R. § 8.3 and § 8.4.

- **CNMI Action Plan:** defines how the CDBG-DR funding allocation by the Department of Housing and Urban Development (HUD) will be utilized in order to meet the urgent humanitarian needs of the CNMI's residents through the implementation of a transformative recovery program. The Action Plan provides an analysis of the first damage calculation and reports on the programs that will meet urgent needs of housing, planning, economic recovery and infrastructure. The Action Plan was approved by HUD on October 16, 2020. The Action Plan is the basis of this Program. See https://www.cnmi-cdbgdr.com/action-plan-documents/.

- **Americans with Disability Act (ADA):** the ADA is a civil rights law that prohibits discrimination against individuals with disabilities in all areas of public life, including jobs, schools, transportation, and all public and private places that are open to the general public.
- **Area Median Family Income (AMFI):** the median household income adjusted by family size for a given area. This number varies by municipality and/or Metropolitan Statistical Area (MSA), depending on the actual median income of a municipality or MSA.
- **Award:** means the date of execution of the *Binding Commitment for a Certificate of Reservation for a Low-Income Housing Tax Credit Allocation* and/or *Carryover Allocation Agreements*.
- **Broadband infrastructure**: cables, fiber optics, wiring, or other permanent (integral to the structure) infrastructure –including wireless infrastructure– as long as the installation results in broadband infrastructure in each dwelling unit meeting the Federal Communications Commission's (**FCC**) definition in effect at the time the pre-construction estimates are generated. The FCC defines broadband speeds as 25 Megabits per second (Mbps) download, 3 Mbps upload (83 FR 51867).
- **Cost reasonableness**: construction costs that are deemed reasonable and consistent with market costs at the time and place of construction in compliance with Federal Register Volume 83, No. 157 (August 14, 2018), 83 FR 40318.
- **CDBG-DR Agreement:** the contractual agreement for the use of CDBG-DR funds as gap financing to low income housing tax credits between NMHC and the Developer. Funds cannot be released without a signed agreement in place.
- **Community Development Block Grant – Disaster Recovery (CDBG-DR):** a term for the HUD funding stream that is allocated to eligible disaster recovery entities via congressional appropriations.
- **Developer:** any individual, association, corporation, joint venture or partnership undertaking a LIHTC development under this Program. When referring to the operational aspect of a project the applicable entity may actually be the Owner.
- **Environmental Review Record (ERR):** a detailed record containing the existence of negative impacts on a site, the means to mitigate negative impacts, alternatives to the project (if needed), and the rejection of the proposed activities if all other options fail and it becomes the most prudent action to take.
- **Fair Housing Act (FHA):** the Fair Housing Act requires all grantees, sub-recipients, and/or Developers funded in whole or in part with HUD financial assistance to certify that no person was excluded from participation in, denied the benefit of, or subjected to discrimination in any housing program or activity because of their

age, race, color, creed, religion, familial status, national origin, sexual orientation, military status, sex, disability or marital status.

- **Housing and Community Development Act of 1974 (HCDA),** Section 109: prohibits discrimination on the basis of race, color, national origin, disability, age, religion, and sex within Community Development Block Grant (CDBG) programs or activities.

- **Internal Revenue Code (IRC):** is the body of law that codifies all federal tax laws and are implemented by the Internal Revenue Service (IRS) through its Treasury Regulations and Revenue Rulings.

- **Low Income Housing Tax Credits (LIHTC):** included in the Tax Reform Act of 1986 approved by Congress, which introduced the Internal Revenue Code Section 42. There are two type of credits: nice percent (9%) available for new construction or rehabilitations that are not financed with tax-exempt bonds and four percent (4) available for existing housing (acquisition) or for new construction or rehabilitations financed with tax-exempt bonds.

- **Low- to Moderate-Income (LMI):** low to moderate income people are those having incomes not more than the "moderate-income' level eighty percent (80%) Area Median Family Income) set by the federal government for the HUD assisted Housing Programs. This income standard changes from year to year and varies by household size, county, and the metropolitan statistical area.

- **Management Agent:** an entity that has day-to-day frontline responsibilities for a HUD-insured and/or assisted multifamily housing property. The Developer is responsible for seeking out and selecting a management agent that meets the standards outlined in the Management Agent Handbook (**Handbook 4381.5**), Chapter 2. The HUD-Developer management agent relationship is defined and subject to the requirements and procedures set forth in Handbook 4381.5.

- **Place in Service:** the date when at least one (1) unit of the project is suitable for occupancy, and this is validated with the submittal of a Certificate of Occupancy issued by the Building Safety Code Office of the Department of Public Works.

- **Northern Marianas Housing Corporation (NMHC):** The agency that has been designated as the entity responsible for administering the CDBG-DR funds allocated for the recovery from disasters caused by Typhoon Mangkhut and Super Typhoon Yutu of 2018. NMHC is also the administering agency for the LIHTC Program.

- **Responsible Entity (RE):** under 24 C.F.R. Part 58, is a grantee that receives CDBG assistance. The responsible entity must complete the environmental review process. The RE is responsible for ensuring compliance with the National Environmental Policy Act (**NEPA**) and the Federal laws and authorities has been achieved, for issuing the public notification, for submitting the request for release

of funds and certification, when required, and for ensuring the Environmental Review Record (**ERR**) is complete. The responsible entity must designate a Certifying Officer – the "responsible Federal official" – to ensure compliance with NEPA and the Federal laws and authorities cited at 24 C.F.R. § 58.5 has been achieved. In addition, the funding recipient is responsible for designating an Environmental Officer.

- **Substantial rehabilitation:** for the purposes of determining when installation of broadband infrastructure is required as part of substantial rehabilitation of multifamily rental housing, unless otherwise defined by a Program, means work that involves:
    - (1) Significant work on the electrical system of the multifamily rental housing. "Significant work" means complete replacement of the electrical system or other work for which the pre-construction cost estimate is equal to or greater than seventy five percent (75%) of the cost of replacing the entire electrical system. In the case of multifamily rental housing with multiple buildings with more than four (4) units, "entire system" refers to the electrical system of the building undergoing rehabilitation; or
    - (2) Rehabilitation of the multifamily rental housing in which the pre-construction estimated cost of the rehabilitation is equal to or greaterthan seventy five percent (75%) the total estimated cost of replacing the multifamily rental housing after the rehabilitation is complete. In the case of multifamily rental housing with multiple buildings with more than four (4) units, the replacement cost must be the replacement cost of the building undergoing rehabilitation. 85 FR 4681
- **Uniform Federal Accessibility Standards (UFAS):** proscribes uniform standards for the design, construction, and alteration of buildings that ensure individuals with disabilities have ready access to and use of them in accordance with the Architectural Barriers Act, 42 U.S.C. § 4151-4157.
- **United States Department of Housing and Urban Development (HUD)**: is the principal federal agency responsible for programs concerned with housing needs, fair housing opportunities, and improving and developing U.S. communities.

3 Program Description

The Program responds to the need for safe, quality, and affordable rental housing in the CNMI. Typhoon Mangkhut and Super Typhoon Yutu devastated the already existing shortage of affordable rental housing stock. The total destroyed rental units according to FEMA was 228 with a smaller number attributed to owner destroyed units. A recorded 5,492 rental households applied for the Federal Emergency Management Agency Individual Assistance (**FEMA IA**) as a result of Typhoon Mangkhut and Super Typhoon Yutu.[1] The number of units with confirmed damage may increase as assessment of damage and inspections for code compliance post-storm continues. In the rental market

[1] FEMA data

recovery, there is a strong need to formalize the Island-wide rental market reporting and housing standard compliance. Aging buildings impacted by the storms will need to be addressed with a focus on resilience. NMHC's New Construction Program multifamily units under HUD were constructed in the late 70s to early 80s. Before the typhoons, there were 217 persons on the multifamily housing waiting list and 185 (as of October 2018) on the Section 8 waiting list. Current numbers (as of November 2020) on the waiting list for the multifamily housing and Section 8 are 516 and 223, respectively. Further, there are about 16,708 rooms in housing units and about 1,092 rooms that are overcrowded by one (1) or more persons.[2]

NMHC will utilize Community Development Block Grant-Disaster Recovery (**CDBG-DR**) to provide gap funding to augment other public and private financing for the construction of affordable rental housing units under the LIHTC program. Under a typical LIHTC program, a Developer secures a construction and/or permanent loan from a private lender or public agency, gap financing from a public or private source, and equity from private investors in exchange for LIHTCs. This CDBG-DR funding will meet any capital shortfalls (gaps) and expedite the pace of qualified, new construction and/or rehabilitation projects which are shovel-ready.

The LIHTC program, described by HUD as "the most important resource for creating affordable housing in the United States today,"[3] allows individuals and legal entities to claim federal income tax credits in exchange for delivering affordable rental housing. LIHTC offers two forms of tax credits, namely, nine percent (9%) for new construction/rehabilitation, and four percent (4%) for new construction/rehabilitation projects that are partially financed with tax-exempt obligations. In the CNMI, NMHC only offers the nine percent (9%) form of tax credits. According to the Internal Revenue Code (**IRC**), over a ten-year period, the respective applicable tax credit percentages are those that yield credits with a present value equal to seventy percent (70%) and thirty percent (30%) of the qualified basis of a project. See 26 U.S.C. §42(b)(1)(B).

These guidelines outline the policies that the Program uses to provide services and fund LIHTC projects that qualify for nine percent (9%) LIHTCs only. Policies related to funding capital gaps for projects supplemented by four percent (4%) LIHTCs are not included in these guidelines.

4 National Objective

The national objective of this Program is to benefit low- and moderate-income (**LMI**) persons (below eighty percent (80%) Area Median Family Income (**AMFI**) according to the HUD Income Limits. The objective will be realized when each Project is occupied by fifty-one percent (51%) of LMI households.

5 Program Criteria

Under the Qualified Allocation Plan 2017-2018 (**QAP 2017-2018**) funding cycle, there are two existing shovel-ready projects in the nine percent (9%) LIHTC pipeline which are

[2] 2017 CNMI Labor Force Survey
[3] See https://www.huduser.gov/portal/datasets/lihtc.html.

expected to be completed within **twenty-four (24) months** of the signed CDBG-DR Agreement. CDBG-DR funds with nine percent (9%) LIHTC will be leveraged to stretch both funding sources.

In addition to creating affordable rental housing stock, this Program will include eligible activities, such as, housing construction, acquisition, implementation of the Green Building Standards, and other activities to supplement the existing LIHTC program.

Projects funded through this Program must maintain affordable housing in accordance with the affordability period required by the Federal Register Vol. 83, No. 157 (August 14, 2018), 83 FR 40314, or the affordability period required by LIHTC, whichever is longer. Affordability periods outlined in 83 FR 40314 are as follows:

- Rehabilitation or reconstruction of multi-family rental projects with eight (8) or more units must remain affordable for a period of no fewer than **fifteen (15) years**.
- New construction of multi-family rental projects with five (5) or more units must remain affordable for a period of no fewer than **twenty (20) years**.

LIHTC compliance periods are specified in the property's *Carryover Allocation Agreement* with NMHC and are specific to each property.

All approved projects under these Guidelines are governed by Section 42 of the Internal Revenue Code, 24 C.F.R. § 570, 83 Federal Register, No.157 (August 14, 2018), Vol. 84 No. 33 (February 19, 2019), *et seq.*, and any other applicable federal statutes or regulations governing the CDBG-DR Program by Congress, HUD, and NMHC. Modification of any relevant statute or regulation may become effective immediately and apply to the Projects funded under this Program.

6 Eligible Projects

Eligible projects include rental housing developments that have been awarded/reserved in 2018, 2019, 2020, and 2021 LIHTCs from the QAP 2017-18, QAP 2019-20, and QAP 2021-22 cycles.[4] The selection criteria and other weighting can be found in the state's QAP. NMHC will allocate CDBG-DR grants and/or loans to fill any existing financial gaps.

The QAP 2017-18 and QAP 2019-20 which can be found at the NMHC website (www.nmhcgov.net) in conjunction with these program guidelines as reference for detailed responsibilities and compliance requirements.

6.1 Construction Requirements

The CDBG-DR Agreement, as previously defined, cannot be executed until compliance with the following requirements is certified. The implementation of the requirements included in this section, with the exception of the Environmental Review, will be evaluated and certified by the CDBG-DR Compliance Manager with the assistance of the Department of Public Works and CRMO as part of their technical review before the execution of the CDBG-DR Agreement, and, thereafter, during scheduled inspections.

[4] For CDBG-DR purposes, the term *"award," with regards to the LIHTC program,* means the date of execution of the *Binding Commitment for a Certificate of Reservation for a Low-Income Housing Tax Credit Allocation* and/or *Carryover Allocation Agreements.*

Projects under construction and *shovel ready* (those able to begin construction once the CDBG-DR Agreement is signed) will have priority. Readiness to proceed will be validated by the NMHC's review of the technical evaluation of plans, studies, permits and governmental endorsements, among other documents, that Developers will provide.

6.2 Implementation of Green Building Standards

As required by 83 FR 5844, and amended by 84 FR 4836, all new construction of residential buildings and all replacement of substantially damaged residential buildings must comply with a HUD-approved Green Building Standards. Therefore, LIHTC projects that meet criteria for new construction or replacement of substantially damaged buildings are required to obtain a minimum of one of the listed certifications:

- ENERGY STAR® (Certified Homes or Multifamily High-Rise),
- Enterprise Green Communities,
- Leadership in Energy and Environmental Design (**LEED**) (New Construction, Homes, Midrise, Existing Buildings Operations, and Maintenance, or Neighborhood Development),
- ICC–700 National Green Building Standard,
- Environmental Protection Agency (**EPA**) Indoor AirPlus (ENERGY STAR® a prerequisite), or
- Any other equivalent comprehensive green building program acceptable to HUD.

As part of the CDBG-DR project submission, the Developer shall identify at least one Green Building Standard and include a checklist, or other suitable documentation, which demonstrates adherence to the selected standard(s).

For rehabilitation of non-substantially damaged structures, Developers shall adhere to the guidelines specified in the HUD Community Planning and Development Green Building Retrofit Checklist[5], to the extent applicable, of the rehabilitation work undertaken, including the use of mold resistant products when replacing surfaces such as drywall. When rehabilitation work includes replacing older or obsolete products, the Developer must use ENERGY STAR® -labeled, Water Sense-labeled, or Federal Energy Management Program (FEMP)-designated products and appliances.

NMHC will verify the CDBG-DR project applications for compliance as part of the technical review required as a prerequisite before the CDBG-DR Agreement can be signed.

6.3 Broadband Infrastructure Requirements

Under 83 FR 5844, projects are required to include installation of broadband infrastructure at the time of new construction or substantial rehabilitation for multifamily rental housing that is funded or supported by HUD.

NMHC aims to narrow the digital divide in low-income communities served by HUD. Installing unit-based broadband infrastructure in multifamily rental housing that is newly constructed or substantially rehabilitated with or supported by HUD funding will provide

[5] https://files.hudexchange.info/resources/documents/CPD-Green-Building-Retrofit-Checklist.xls

a platform for individuals and families residing in such housing to participate in the digital economy and increase their access to economic opportunities.

Projects are excluded from this requirement only if one of the below exclusions can be documented and validated by NMHC:

- the location of the new construction or substantial rehabilitation makes installation of broadband infeasible;
- the cost of installing broadband infrastructure would result in a fundamental alteration in nature of its program, or activity, or in an undue financial burden; or
- the structure of housing, to be substantially rehabilitated, makes installation of broadband infrastructure infeasible.

While Projects are only required to include one form of broadband infrastructure, it is recommended to install more than one form as this will promote competition among service providers on quality and price for residents.

CDBG-DR Compliance Manager will verify the CDBG-DR project application for compliance as part of the technical review, which is required as a prerequisite before the CDBG-DR Agreement can be signed.

6.4 Accessibility Requirements

All LIHTC developments must comply with the following accessibility requirements:

- Five percent (5%) of the total ground floor and/or elevator-serviced unit inventory must be made fully mobility-accessible under the 2010 ADA Standards and, wherever applicable, the Uniform Federal Accessibility Standards (UFAS).

- Three percent (3%) of the total unit inventory must be made sensory-accessible under the 2010 ADA Standards and, wherever applicable, the Uniform Federal Accessibility Standards (UFAS).

Prior to commencing construction, the Developer shall provide the following obligations:

- Preliminary drawings of the proposed new construction and/or rehabilitation including a site plan, building elevations, and unit floor plans must be provided. The project architect shall certify that the development will comply with the accessibility requirements of the FHA and, wherever applicable the 2010 ADA standards and UFAS.
- Proof of professional liability insurance covering the project's architect for an amount not less than ten percent (10%) of the estimated construction cost, in case of, negligence.
- Proof of performance or surety bond for no less than fifty percent (50%) of the construction contract.
- A signed certification from a qualified architect and/or engineer retained for the accessibility inspection of the new construction and/or project rehabilitation must be provided as verification that covered units and project common areas comply with the structural accessibility mandates of the FHA and, wherever applicable,

the 2010 ADA standards and UFAS.

Pursuant to the regulatory requirements of 24 C.F.R. § 8.53(a) and 28 C.F.R. § 35.107(a), all Management Agents who employ fifteen (15) or more individuals shall designate a Section 504/ADA Coordinator. These coordinators are responsible for the performance of 504/ADA-related responsibilities, including providing prompt and equitable resolution of disability discrimination complaints.

The CDBG-DR Compliance Manager will verify the CDBG-DR project application for compliance as part of the technical review, which is required as a prerequisite before the CDBG-DR Agreement can be signed.

7 Environmental Requirements

7.1 Environmental Review

The purpose of the Environmental Review is to ensure that all projects subsidized with CDBG-DR funds follow all applicable federal laws and authorities identified in 24 C.F.R. part58: Environmental Review Procedures for Entities Assuming HUD Environmental Responsibilities. The Environmental Review is required to determine the environmental eligibility of a proposed project(s) or activity(s) to allow any environmental mitigation requirements to be performed prior to or during construction work.

No work may start on a proposed project before the environmental review process is completed, even if that work is being done using non-HUD funds, such as signing a construction contract, etc., specifically, environmental clearance must be obtained for each project prior to the firm commitment of federal or non-federal funds. (24 CFR §58.22). **A violation of this requirement may jeopardize federal funding to a project and disallow all costs that were incurred before the completion of the Environmental Review.**

NMHC (by designation from the Office of the Governor) is the Responsible Entity for environmental matters. NMHC will maintain a written Environmental Review Record (ERR) of the environmental review process meeting the legal requirements and documenting NMHC review and compliance with the related federal authorities listed in 24 C.F.R. part 58 which includes, as appropriate, the following:

- Describes the project and activities that NMHC has determined to be part of a project;
- Evaluates the effects of the project or the activities on the human environment; Documents compliance with applicable statutes and authorities, in particular, those cited in 24 CFR § 58.5 and § 58.6; and
- Records the written determinations and other review findings required by this part (e.g., exempt and categorically excluded projects determinations, and findings of no significant impact.

7.2 Lead-Based Poisoning Prevention Act

In order to successfully fulfill the requirements in the Environmental Review, Developers must be compliant with the Lead-Based Poisoning Prevention Act (42 U.S.C. § 4821-4846) and all regulations and procedures stipulated by the Bureau of Environmental

Health/CHCC and any amendments thereof.

7.2.1 Lead-Based Paint Poisoning Prevention in Certain Residential Structures

All housing units assisted using CDBG-DR funds must comply with the regulations regarding lead-based paint found at 24 C.F.R. part 35 on Lead-Based Paint Poisoning Prevention in Certain Residential Structures.

The requirements established by this regulation are as follows:

- Notification
  - Lead Hazard Information Pamphlet - All program Applicants must receive a Lead Hazard Information Pamphlet at the time of application as well as sign an acknowledgement form, a copy of which will be placed into the Applicant's file.
  - Notice of Lead Hazard Evaluation – Developers and tenants of program assisted properties must receive results of any lead hazard evaluation work within fifteen (15) days of the evaluation. A copy of this notice will be kept within the Applicant's file.
  - Notice of Lead Hazard Reduction Activity – Developers and tenants of program assisted properties must be notified of the results of any lead hazard reduction activity within **fifteen (15) days** of clearance. A copy of this notice will be kept within the Applicant's file.
- Lead Hazard Assessment/Evaluation – Including visual assessments, paint testing, and risk assessments. Each method has specific requirements defined in subpart R of the regulation and must be done by qualified professionals,
- Lead Hazard Reduction – Including paint stabilization, interim controls, standard treatments, or abatement. Each method has specific requirements defined in subpart R on Methods and Standards for Lead-Paint Hazard Evaluation and Hazard Reduction Activities and must be done by qualified professionals. (24 C.F.R. part 35 §§ 35.1300 - 35.1355).

Homebuilders will retain demolition contractors to properly mitigate, demolish and properly dispose of construction debris for houses built before 1978-when EPA banned lead-based paint- that are to be demolished to clear a lot for new house construction.

A lead-based paint assessment will be conducted by a licensed lead-based paint assessor on those houses that were built before 1978 but are eligible for rehabilitation.

7.3 Residential Lead-Based Paint Hazard Reduction Act

Congress passed the Residential Lead-Based Paint Hazard Reduction Act of 1992, also known as Title X, to protect families from exposure to lead from paint, dust, and soil. Section 1018 of this law directed HUD and EPA to require the disclosure of known information on lead-based paint and lead-based paint hazards before the sale or lease of most housing built before 1978. (42 U.S.C. Ch. 63A)

7.3.1 Sale or Lease

Before ratification of a contract for housing sale or lease, sellers and landlords must:

- Give an EPA-approved information pamphlet on identifying and controlling lead-

based paint hazards ("Protect Your Family from Lead in Your Home" pamphlet)

- Disclose any known information concerning lead-based paint or lead-based paint hazards. The seller or landlord must also disclose information such as the location of the lead-based paint and/or lead-based paint hazards, and the condition of the painted surfaces.
- Provide any records and reports on lead-based paint and/or lead-based paint hazards which are available to the seller or landlord (for multi-unit buildings, this requirement includes records and reports concerning common areas and other units, when such information was obtained as a result of a building-wide evaluation).
- Include an attachment to the contract or lease (or language inserted in the lease itself) which includes a Lead Warning Statement and confirms that the seller or landlord has complied with all notification requirements. This attachment is to be provided in the same language used in the rest of the contract. Sellers or landlords, and agents, as well as homebuyers or tenants, must sign and date the attachment.
- Sellers must provide homebuyers a 10-day period to conduct a paint inspection or risk assessment for lead-based paint or lead-based paint hazards. Parties may mutually agree, in writing, to lengthen or shorten the time period for inspection. Homebuyers may waive this inspection opportunity.

7.4 Flood Insurance Program Requirements

Projects located in a Special Flood Hazard Area (**SFHA**) (also known as the 100-year floodplain) that receive assistance under CDBG-DR must obtain and maintain flood insurance in the amount and duration prescribed by FEMA's National Flood Insurance Program. Section 102(1) of the Flood Disaster Protection Act of 1973, 42 U.S.C. § 4012(a) mandates the purchase of flood insurance protection for any HUD-assisted property within a Special Flood Hazard Area.

FEMA recommends, although not required, to purchase flood insurance for those properties outside the SFHA that are prone to flooding in order to better protect the Developer from the economic risks of future floods and reduce dependence on Federal disaster assistance in the future.

8 Compliance Monitoring

The aforementioned QAPs include a Compliance Monitoring Plan, pursuant to the requirements stated in 26 U.S.C. § 42, the NMHC will follow in notifying the Internal Revenue Service (**IRS**) of noncompliance with the LIHTC program.

In accordance with the QAP's Compliance Monitoring Plan, pursuant to 26 U.S.C. § 42, Developers or Management Agents are required to provide annual certifications of qualified low-income tenants, including tenant income and rents charged, the number of qualifying low-income units, as well as any other information pertinent to determine compliance. See Section V. COMPLIANCE MONITORING PLAN of the QAP.

Developers are advised that NMHC is required to perform compliance monitoring. To facilitate monitoring, NMHC and its designees will have access to all project information,

including but not limited to, physical access to the project, financial records, and tenant information for the purpose of monitoring compliance with 26 U.S.C. § 42 and with CDBG-DR requirements.

In the case of a noncompliance incident, NMHC will advise the Developer, as well as, notify the IRS or any other federal agency, as deemed necessary. Further note that regardless of the status of the noncompliance incident (resolved or not) all incidents related to the LIHTC laws and regulations will be reported to the IRS.

8.1 Occupancy Requirements

To be considered an eligible housing activity under CDBG-DR funding, rental housing must be occupied by LMI households. The rents must be considered "affordable" to meet this criterion. LIHTC rents are set at 30 percent (30%) of the income of the AMI tied to the unit. This is calculated with an assumed family size of 1.5 persons per bedroom.

Household income at move-in must not exceed the applicable income limit designated for the household's family size in accordance with the affordability requirements defined by HUD. These are published annually at www.huduser.gov/portal/datasets/il.html.[6] Prior to moving in or taking possession of a unit, the Developer or Management Agent is required to certify that the household meets the income requirements. Certification of residents after move- in may impact the Developer's ability to claim tax credits for the unit.

If a family's income increases after they move in, the family is not disqualified from staying in the unit-even if the increase is about the unit's income requirements. In buildings that have a mix of tax credits units and other types of units (such as units that are market rate), the Developer must follow the "next available unit rule". This means that if a tenant in a LIHTC unit's income increases to more than one hundred forty percent (140%) of the AMI, the next available unit must be rented to someone within the appropriate income level for admission. However, the tenant with the increased income is still eligible to remain in his/her unit.

All Developers under contract to NMHC must comply with federal, state and local laws that prohibit discrimination on the basis of disability, including but not limited to the Federal Civil Rights Act (Title VI), the Federal Fair Housing Act (Title VIII), Section 504 of the Rehabilitation Act of 1973 (504) and the Americans with Disabilities Act (ADA). In addition, Developers cannot discriminate against voucher families and must accept Section 8 voucher tenants.

All new and existing LIHTC projects with fully accessible units for occupancy by individuals with mobility and/or sensory impairments shall provide a preference for those accessible units as follows:

- Preference will be given to the occupant of another unit within the same project having disabilities requiring accessibility features of the vacant unit and who is occupying a unit lacking such features.
    - If no such occupant exists, then preference will be given to an eligible

[6] https://www.huduser.gov/portal/datasets/il/il2020/2020summary.odn

qualified applicant on the waiting list having disabilities requiring the accessibility features of the vacant unit.

- In the case that the unit is offered to an applicant without disabling conditions needing of the unit's accessibility features, then the Developer and/or manager shall require the applicant to agree to move to a non-accessible unit whenever it becomes available and within the delivery of a written notification.

Developers and Management Agents shall adopt suitable means to ensure the information regarding the availability of accessible units reaches eligible individuals with disabilities and shall undertake reasonable nondiscriminatory steps to maximize the utilization of such units by eligible individuals.

9 Financing Requirements

9.1 Subsidy Layering Review and Underwriting

The Subsidy Layering Review (**SLR**) will certify that there is no overlap of government subsides when combining housing assistance programs with other forms of federal funds administered by Federal, CNMI, or local agencies.

To perform this review, NMHC will evaluate each project for determining a reasonable level of profit or return on a Developer's or Developer's investment. Based on this determination, NMHC will determine whether and how much the Developer must invest, and/or which other funding sources and types can be applied to the project. The review will ensure that costs are eligible under each project, and all income and expenses are reasonable and within the prescribed standards.

Pro-forma statements will be prepared by NMHC based on the analysis described above, which will include recommended sources and uses of funds, as well as projected operating income for the term of affordability. These will include the amount of LIHTC that a project would be eligible to receive, as well as the amount of permanent financing based on the established parameters, governmental subsidies, capital contributions, CDBG-DR funds, and funds from NMHC or other state or private programs.

NMHC will ensure that:

- Project costs are reasonable;
- All sources of project financing are committed;
- To the extent practicable, CDBG-DR funds are not substituted for non-Federal financial support;
- The project is financially feasible;
- To the extent practicable, the return on the Developer's equity investment will not be unreasonably high; and
- To the extent practicable, CDBG-DR funds are disbursed on a pro-rata basis with other finances proved to the project.

NMHC will underwrite the rents according to LIHTC limits except for projects that intend to use project-based rental assistance (e.g., Section 8, Project Based Vouchers, PHA, or similar legislation), which will be underwritten as per applicable regulations, provided written evidence is submitted (e.g., award letter indicating gross rents approved for the project or executed rental subsidy agreement). Also, when combining LIHTC properties

with a project-based rental assistance program, the Developers shall ensure that they meet both sets of program rules regarding income limits application.

9.2 CDBG-DR Funding Considerations

Further, CDBG-DR funds may not be used in conjunction with NMHC's HOME Program. CDBG-DR awards must meet LIHTC's rent and income limits, use, and compliance monitoring limitations, as well as any other existing or future regulatory requirements.

CDBG-DR allocations will be based on equity gaps determined for each submitted application, once the project is evaluated as per the QAP requirements and applicable underwriting guidelines, along with any specific CDBG-DR requirements, with updated sources and uses budget and any additional financial information NMHC may require. CDBG-DR funds will be awarded first to projects that received a LIHTC award during the 2017-2018 allocation cycle(s).

Funds will be disbursed monthly on a draw basis. No disbursements are allowed unless the CDBG-DR Agreement is signed and dated by both parties (NMHC and Developer). Refer to the Section on *Responsibilities of the Developer,* for a detailed description of the Developer's duties before the execution of the CDBG-DR Agreement, during construction and after completion of construction.

9.3 Allowable Expenditures

Only costs identified in the CDBG-DR Agreement will be considered eligible for payment by this Program. All construction costs shall be considered to be cost reasonable in accordance with 83 FR 40318. Extended overhead costs required to complete the CDBG-DR proposal submission are not allowable costs.

The development budget will identify the payment source of each line item. Developers must ensure that only CDBG-DR eligible costs are included in invoices submitted to the program. CDBG-DR funds may be used for capital investment in eligible LIHTC projects. Capital investment means costs that are included in the eligible basis of a project under the IRC. See 26 U.S.C. § 42 on Low-income housing credit.

Accounting of disbursements and projects' expenditures will be ongoing to ascertain that funds are expended according to the terms of the CDBG-DR Agreements. This process will help identify those projects that do not comply with deadlines. Quarterly, NMHC will track fund commitments and expenditures, and beneficiary information when available.

Developers shall commit to the development funding plan (schedule of performance and development budget)[7] outlined in their respective CDBG-DR Agreements and must be acceptable to NMHC, confirming that:

- Development of the qualified rental property will be constructed and placed in service by the date stipulated in the LIHTC Carryover Allocation Agreement.

[7] The development funding plan refers to the development budget and schedule of performance for each project. It is incorporated as part of the CDBG-DR Agreement.

- Developers shall file a monthly report providing confirmation of progress toward meeting the established expenditure deadlines. The assigned NMHC/CDBG-DR Finance Manager will review the plan and enforce compliance.
- A Project that is not completed in accordance with the terms and conditions of the CDBG-DR Agreement shall be considered terminated prior to completion, and all CDBG-DR funds will be recaptured.

The Developer will be subject to liquidated damages as related to their timeframes of performance under the Program. Timeframes of performance will be established in the CDBG-DR Agreement. Developers shall pay to NMHC, as liquidated damages, the amounts set forth on the CDBG-DR Agreement for each calendar day that the completion of works is late until deemed in compliance.

The CDBG-DR Agreement will set forth all CDBG-DR program and crosscutting federal grant requirements. These will be enforceable through the recordation of a restriction binding on all Developers and successors. This is achieved with a public deed recorded at the Commonwealth Recorder's Office.

NMHC reserves the right to exercise its prudent discretion when the circumstances so warrant it. NMHC will recapture funds not expended within the terms stipulated in the CDBG-DR written agreements. Recaptured funds will be returned to the program for future use.

9.4 Change Order Requests

Depending on each project's percentage of completion and an assessment of whether any project delays will affect meeting CDBG-DR deadlines, Developers may be responsible for any equity gap they may face. Changes in plans or specification after the CDBG-DR Agreement has been executed including any increase or decrease to the quantity of work to be performed or materials, equipment, or supplies to be furnished shall not be allowed without the express written permission of NMHC.

Requests for change orders shall only be considered if the Developer demonstrates the change is necessary, reasonable, and cannot be funded through the Project's contingency budget or through funding sources other than CDBG-DR. Request for change order should not result in an increase of more than five percent (5%) of the approved budget in the executed CDBG-DR Agreement.

NMHC will evaluate all requests for a change order to determine whether costs are necessary and reasonable for the timely completion of the Project or to protect the initial investment of CDBG-DR funds. Approval of change orders is subject to the discretion of NMHC, and availability of CDBG-DR funds. Change order requests for an increase in the value of the CDBG-DR Agreement in excess of five percent (5%) will only be considered if the Developers can demonstrate that the change order is required due to a substantial or unexpected change in Project circumstances beyond the control of the Developer. Requests for change orders in excess of five percent (5%) will be considered on a case-by-case basis.

Any work performed outside of the approved scope of work without prior authorization by means of a Change Order is not reimbursable under the CDBG-DR Agreement.

Developers shall be responsible for all costs incurred due to activities performed beyond the approved scope of work without prior authorization by a duly authorized change order.

9.5 Program income

Any and all collection of payments for CDBG-DR funds disbursed as interim loans shall be considered Program Income and maintained by NMHC under the direction of NMHC. These are to include loan payments – inclusive of principal and interest – from the Developer, as well as any loan or grant repayments as a result of program non-compliance.

To the maximum extent feasible, program income shall be used or distributed before additional withdrawals from the U.S. Treasury are made, in accordance with 83 FR 5844. NMHC will establish an independent, no-interest bearing account for program income received from the Program.

Program income does not include any operating income generated by the project after any loans funded through CDBG-DR funds are repaid, and the Project is occupied.

10 Responsibilities of the Developer

10.1 Before Execution of the CDBG-DR Agreement

This section sets forth the responsibilities and obligations that the Developer must meet in order to enter into a binding CDBG-DR Agreement with NMHC.

All existing LIHTC projects under this Program will be required to submit a new proposal as part of the CDBG-DR Agreement. This proposal shall include, but is not limited to, a revised development funding plan accounting for the costs and timeline of implementing the CDBG-DR requirements, an updated design and plan specifications, updated threshold review documentation (i.e. Designer's Preliminary Opinion Letter, Valid Construction Permit, etc.) and other documentation as requested by NMHC.
At the discretion of NMHC, CDBG-DR funding will be made available to pay for the eligible costs related to the update of the design to meet the CDBG-DR design requirements. The cost must be evaluated as cost reasonable as part of the independent cost analysis of the project.

If any of the above certifications are incorrect for any cause attributable to the Developer, NMHC shall have just cause for terminating the CDBG-DR Agreement immediately.

The following documentation must be received and accepted by NMHC prior to the execution of the CDBG-DR Agreement:

- A written report by the CDBG-DR Compliance Manager:
    - the Plans have been received and have been approved by all pertinent Governmental Authorities;
    - the Improvements as shown by the Plans will comply with all applicable zoning and construction laws, ordinances, and regulations;
    - the Construction Contract satisfactorily provides for the construction of the Improvements;

  - all roads and utilities necessary for the full utilization of the Improvements for their intended purposes have been completed or are contemplated within the Improvements or the presently installed and proposed roads and utilities are sufficient for the full utilization of the Improvements for their intended purpose; and
  - the construction of the Improvements theretofore performed, if any, was performed in accordance with the Plans and will be finished along with all necessary roads and utilities on or before the Construction Completion Date.

- Current Financial Statements of the Authorized Representative of the Developer, and/or Owner, and any other financial documents and/or data deemed reasonably required by NMHC;
- Evidence of payment and performance bonds and labor and materials payment bonds, each for penal sums equal to the amount of the Construction Contract, and (if applicable) a Wage Payment Bond for twenty percent (20%) of such amount, or as otherwise provided by law, each naming NMHC as obliges, with a company having a rating of A or better and a financial size of V or better with Best Rating Service and acceptable to NMHC, the Workman's Compensation Fund and other insurance policies (together with evidence of the payment of premiums) required hereunder and/or under any other Loan Document, and all documents related to construction, including without limitation, the Construction Contract, and agreements with and from the Contractor and Developer's Architect.
- Copy of the Construction Contract and a copy of the Developer's agreement with the Developer's Architect certified by the Developer;[8]
- The Project Cost Statement;
- A copy of the public instrument (deed, lease agreement, sales contract, option agreement, among others) relating to the Developer's acquisition of the Developer's Interest in the Premises and all documents related therewith;
- The Developer must provide evidence that it has met all conditions defined in its LIHTC-Operating Agreement as of the date of the Initial Advance with respect to ensuring that the Capital Contributions have been compiled with to the extent possible;
- Environmental Review see section "Environmental Review" of the Program Guidelines. This includes the Approved Request for Release of Funds (**RROF**) and Finding of No Significant Impact (**FONSI**), if applicable.
- Copies of any inspection and/or test records and reports made by or for the Developer's Architects;
- A construction schedule for the Improvements;
- A progress schedule showing the interval of time over which each item of Direct Cost and Indirect Cost is projected to be incurred and paid, as well as, a breakdown of all Direct Costs to be incurred for the construction of the Improvements; and
- Evidence of compliance with CDBG-DR funding requirements, including but not limited to, adherence to, at least, one Green Building Standard and the inclusion

[8] The terms and conditions of such agreements must be acceptable to NMHC.

of Broadband Infrastructure requirements.

The following items must be received and reviewed by NMHC's Legal Counsel prior to the execution of the CDBG-DR Agreement:

- (If in a form of a loan) the Loan Documents and any other document reasonably required by NMHC;
- Evidence of paid Title Insurance policy;[9]
- Evidence that all taxes and other levies imposed upon the Premises or on the Developer's Interest in the Premises and/or improvements are fully paid and current;
- Copies of all applicable authorizations as determined by NMHC's Counsel (on behalf of NMHC):
    - Plot plan and subdivision approvals;
    - Zoning variances;
    - Sewer, building, flood, and all permits required for construction, use, occupancy, and operation of Premises;
- Agreements from Developer's Architects and the Contractors, including but not limited to, design agreement(s), construction contract agreement(s);
- A survey of the Premises certified by a civil engineer or surveyor acceptable to NMHC and the Title Insurer showing:
    - The location of the perimeter of the Premises by courses and distances;
    - All easements, rights-of-way, and utility lines referred to in the title policy required by the agreement or which actually service or cross the Premises;
    - The lines of the streets abutting the Premises and the width thereof, and any established building lines;
    - Encroachments and the extent thereof upon the Premises;
    - The Improvements to the extent constructed, and the relationship of the Improvements by distances to the perimeter of the Premises, established building lines and street lines; and
    - If the Premises are described as being on a filed map, a legend relating the survey to said map;
- Copy of the operating agreement of the Developer, as amended, and a copy of the organization documents of the Managing Member of the Developer, and the appropriate legal authorizations of Developer issued by agencies of the Commonwealth of Puerto Rico and/or the state of incorporation (to the extent required); and
- An opinion of Developer's counsel covering, among other matters, the organization and existence of the Developer, the power of the Developer to enter into the Loan Documents and to perform all transactions contemplated by the agreements referred to therein, and the due execution, validity and enforceability of the Loan Documents, Note(s), Security Agreement and all other documents and instruments pertaining to the Loan.

It is the responsibility of the Developer to ensure that the applicable Building Codes are

[9] The paid title insurance policy must be equal to the Mortgage and issued by the Title Insurer. The Title Insurer shall insure the Mortgage to be valid first lien on the Mortgaged Property free and clear of all defects, liens, claims and encumbrances and shall contain reference to a survey.

applied, and permits obtained.

10.2 Prerequisites for Initial Disbursement

Upon signature of the CDBG-DR Agreement, the Developer shall provide proof of payment and performance bonds, labor bonds, and materials payment bonds before the initial disbursement.

10.3 During Construction

The Developer must begin construction no later than **forty-five (45) days** from signing the CDBG-DR Agreement with NMHC. In the case of delays caused by events beyond the Developer's control, construction can begin within **sixty (60) days**. Further delays beyond the aforementioned time requirements will be handled on a case-by-case basis.

10.4 Monitor Construction Progress

Throughout the duration of the construction, the Developer shall comply with all restrictions, covenants, and easements affecting the Premises, Developer's Interest in the Premises, or the Improvements and cause the satisfaction of all material conditions of the agreement.

In order to monitor construction progress, NMHC and its representatives, shall be granted access during normal business hours, to enter the construction site to perform the following activities, as deemed necessary:

- Inspect improvements and all materials to be used in the construction;
- Examine all available detailed Plans;
- Compliance with all applicable cross-cutting regulations and program guidelines; and
- Any other activities NMHC deems necessary to the success of the Project.

Until the Date of Conversion to permanent financing, the Developer shall submit monthly reports to NMHC indicating the state of completion of the Improvements compared to estimates, and such other information as NMHC may reasonably request. The reports shall be delivered in an acceptable form and substance to NMHC.

10.5 Contractor Management

The Developer should include the following provisions as part of the Construction Contract with the Contractor:

- the Contractor will deliver to NMHC copies of all major subcontracts, Change Orders, and any other contract, purchase order, or subcontract covering labor, materials, equipment, or furnishings to or for the Improvements;
- the names of all persons with whom the Contractor contracts for the construction of the Improvements or the furnishings of labor or materials.

Further, the Developer shall acknowledge that ten percent (10%) from each construction payment will be withheld and that said retainage will be paid subject to the terms of the CDBG-DR Agreement, the Bonds, and the Construction Contract. All such subcontractors to be utilized by the Contractor in the development and construction of the Improvements shall be reasonably acceptable to NMHC.

10.6 Regulatory Compliance

Upon demand of NMHC or its representatives, the Developer shall be required to correct any defects (including structural) in the Improvements or any departures from the Plans not approved by NMHC.

If the Developer fails to comply with federal statutes, regulations or the terms and conditions of the CDBG-DR Agreement, NMHC may take one or more of the following actions:

- Take other remedies such as temporarily withholding cash payments pending correction of the deficiency by the Developer;
- Disallow all or part of the cost of the activity or action not in compliance;
- Initiate suspension or debarment proceedings as authorized under 2 C.F.R. § 180 (OMB Guidelines to Agencies on Government-wide Debarment and Suspension (Non-Procurement); or
- Withhold further Federal awards for the project or program;
- Entitled to take any remedies deemed necessary and that may be legally available.

The Contractor shall cooperate and deliver data or documents in connection with the Improvements to NMHC as requested. NMHC reserves the right to request copies of all contracts, bills of sale, statements, receipted vouchers, or agreements in the following cases:

- Developer claims title to any materials, fixtures or articles incorporated in the Improvements; or
- Subject to the lien of the Mortgage; or
- Incurred costs which are entitled to CDBG-DR funds.

10.7 Financial Management

The Developer is responsible for paying all Direct Costs, Indirect Costs, and expenses for completion of the Improvements and satisfying all of the conditions outlined in the CDBG-DR Agreement, including without limitation:

- All document and stamp taxes, recording and filing expenses and fees, in connection with the transactions contemplated hereby,
- All taxes, insurance premiums, liens, security interests or other claims or charges against the Premises, Developer's Interest in the Premises, or Improvements; and
- All costs of completion of the work to be performed by Developer in space to be occupied in the Improvements (including public space outside the property boundaries) to permit the lawful occupancy thereof for the purposes contemplated by the operating agreement.

The Developer shall maintain a standard and modern system of accounting of its dealings and business affairs in accordance with generally accepted accounting principles, and permit NMHC or any of its agents or representatives to have access to and to examine all of its books and records at any time or times hereafter during business hours and copy from any and all of said books and records; cause its books to be audited

annually by a reputable accounting firm licensed in the CNMI.

The Developer shall pay and discharge all taxes, assessments and governmental charges and levies imposed upon it or upon its income or profits, or upon any property belonging to it, on or prior to the date in which penalties attached thereto, provided that Developer shall not be required to pay any such tax, assessment, charge, levy or claim, the payment of which is being contested in good faith, by the proper proceeding and such non-payment will not create a lien on the Premises, on Developer's Interest in the Premises, or the Improvements.

The Developer shall be required to provide NMHC within **one hundred twenty (120) days** after the end of its fiscal year with an audited Financial Statements of the Developer without any qualification or exception reasonably deemed material by NMHC. In addition, the Developer may be requested to provide an unaudited Financial Statement signed by its Managing Member (no more than once monthly).

Pursuant to the above section, the Developer shall maintain the Premises, Developer's Interest in the Premises, and the Improvements free and clear of any and all liens, charges, claims, defects and encumbrances except the Mortgage, NMHC's restrictive covenants, and such others as shall have been previously approved in writing by NMHC.

Upon request of NMHC, the Developer may need to execute, deliver, obtain, and furnish, at their own expense, such documents as may be necessary:

- to perfect and maintain the Mortgage and the pledge and security interest hereunder and the other Loan Documents; and to
- fully consummate the transactions contemplated under the CDGB-DR Agreement and maintain the principal amount of the Mortgage and the additional credits thereunder in amounts -which in the sole, but reasonable, discretion of NMHC- will fully secure the payment and performance of all indebtedness, liabilities, and obligations under the Agreement and other Loan Document.

10.8 Legal Considerations

The Developer shall promptly notify NMHC of any claim, suit, proceeding, or matter brought against, or to the knowledge of Developer, which if adversely determined or otherwise would have a material adverse effect upon the Premises, Developer's Interest in the Premises, the Improvements, or financial condition or business affairs of Developer.

The Developer shall indemnify, defend and hold NMHC officials harmless from all losses, liabilities, costs, expenses (including reasonable attorneys' fees) that NMHC may suffer as a result of any claims or suits brought by any broker, finder, agent or similar entity claiming through or as a result of dealings with Developer relative to the acquisition of Developer's Interest in the Premises or in connection with the execution hereof or the consummation of the transactions contemplated hereby and Developer's obligations herein shall survive the expiration or termination of the Agreement and the payment of the Loan.

10.9 Substantial Completion

The Developer shall pay the amounts retained or held back from the Contractor in accordance with the terms of the Construction Agreement and the Bonds. In order to release the funds, the following is required:

- Receipt of the Certificate of Occupancy for the Improvements and the release from the bonding company that issued the Bonds.
- Written recommendation by the CDBG-DR Compliance Manager or hired A&E firm confirming that:
  - construction of the Improvements has been completed;
  - all necessary utilities and roads have been finished and made available for use;
  - receipt of satisfactory evidence of the approval and issuance of permits by all Governmental Authorities of the Improvements in their entirety for permanent occupancy; and of the contemplated uses thereof, to the extent any such approval is a condition of the lawful use and occupancy thereof;
- If requested by NMHC, a current final "as built" or "completion" survey of the Premises, certified to NMHC and the Title Insurer, showing the completed Improvements;
- Architect's certificate, confirming that the Improvements have been completed substantially in accordance with the Plans and acknowledging payment in full for the Architect's services;
- Developer's certificate, accepting as completed the Improvements;
- Final releases of payment from all persons who supplied material services, labor or materials for the Improvements and certificates from the Contractor and the sub-contractors acknowledging such payments, including an affidavit; and
- Such other evidence or documents as NMHC may deem reasonably necessary.

10.10 Rent Up Phase

Each project is required to achieve its Placed-in-Service by the 31st of December of the second year after signing the LIHTC Carryover Allocation Agreement; if not the Developer may lose the LIHTCs.

After Placed in Service is reached, the Developer has one year to certify full occupancy of the project, if not the LIHTC will be prorated by the number of occupied units and the portion of vacant units may result in lost LIHTCs.

Once approval has been given that the project is ready for occupancy, the Rent Up/Lease Up phase of the project is initiated. In this phase, the Management Agent is responsible for facilitating the leasing process and ensuring that households in in LIHTC units meet the income eligibility requirements. In order to ensure eligibility, the Management Agent shall verify all income, household characteristics, and any circumstances that may affect income eligibility and compliance with LIHTC requirements prior to signing a lease agreement.

In order to facilitate this process, other activities included may include advertising, maintaining a model unit, providing on-site office space for the Management Agent and staff, and any other activities to rent the property. Projects are considered complete only

after all units are 100% construction complete and certificates of occupancy have been issued.

The Compliance Monitoring Plan outlines the process, requirements, responsibilities, income validation, forms, etc.

11 Accountability and Transparency Requirements

All Information reported will be available, as part of NMHC's Quarterly Performance Reports (**QPRs**), at our CDBG-DR website www.cnmi-cdbgdr.com/reporting/. Reported data will be, but is not limited, to the following:

- Total amount of CDBG-DR funds received;
- Amount of CDBG-DR funds expended or obligated to projects or activities, and unobligated balance;
- List of projects or activities that expended or obligated CDBG-DR funds:
  - Name of the project;
  - Description of the project;
  - Evaluation of completion status of the project;
  - Information on beneficiaries served, when available.

12 Cross Cutting Requirements

Some federal and local requirements apply to all programs funded by CDBG-DR, such as financial management; environmental review; labor standards; acquisition; relocation; fair housing; among others. These requirements are outlined in the Cross-Cutting Guidelines, which apply to all programs described in NMHC's CDBG-DR Initial Action Plan and its amendments.

12.1 Uniform Relocation Act

As a HUD-assisted program, and in accordance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (**URA**), 42 U.S.C. § 4601 *et seq.*, the government wide implementing regulations found at 49 C.F.R. part 24; and Section 104(d) of the Housing and Community Development Act of 1974 (**HCDA**), except where waivers or alternative requirements have been provided by HUD, 24 C.F.R. § 42 (c). The primary purpose of these laws and regulations is to provide uniform, fair, and equitable treatment of persons whose real property is acquired or who are displaced in connection with federally funded projects.

All programs in the NMHC CBDG-DR portfolio, including this Program, is subject to URA regulations.

12.2 Section 3 Requirements

The purpose of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u, (Section 3) is to ensure that employment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible, and consistent with existing Federal, State and local laws and regulations, be directed to low- and very low- income persons, particularly those who are recipients of government assistance for housing, and to business concerns which provide economic opportunities to low- and very low-income persons.

Section 3 regulations at 24 C.F.R. part 135, and the Federal Register Vol. 83, No. 28 (February 9, 2018) require that recipients, sub-recipients, contractors, subcontractors, and/or Developers funded in whole or in part by CDBG-DR funding, to the greatest extent feasible, extend hiring opportunities and contracts to Section 3 eligible residents and businesses. The implementation of this provision is intended to ensure employment and other economic opportunities generated by CDBG-DR funding. For each project, there is a goal for thirty percent (30%) of new hires to be individuals who qualify as a Section 3 resident.

Section 3 residents are:

- Public housing residents;
- A low-or very low-income person who lives in the metropolitan are or non-metropolitan county where covered HUD funding is expended;[10] or
- The individual's annual wages or salary are at, or under, the HUD-established income limit for a one-person family for the jurisdiction.

Businesses qualify as a Section 3 Business Concern by meeting one of the following criteria:

- Fifty-one percent (51%) or more owned by Section 3 residents; or
- Employs Section 3 residents for at least thirty percent (30%) of its full-time, permanent staff; or were Section 3 residents within **three (3) years** of first hire date; or
- Provides evidence, as required, of a commitment to subcontract more than twenty-five percent (25%) of the dollar award of all subcontracts to businesses that meet the qualifications of the above mention criteria.

For recipients which receive more than $200,000.00 in CDBG-DR assistance, and contractors that are awarded covered contracts that exceed $100,000.00, it is required to have an approved Section 3 plan in place before the project is awarded and approved. For professional services contracts, there is a three percent (3%) goal while for construction contracts, there is a ten percent (10%) goal. The plan for compliance with Section 3 must be submitted for approval prior to the start of construction or professional services on any contract activity. See 24 C.F.R. § Part 135.

All documentation for Section 3 efforts should be provided to NMHC and should include metrics to indicate efforts for new hiring or subcontracting.

For reference on Section 3 requirements and provisions, please refer to www.hug.gov/Section3.

12.3 Title VI of the Civil Rights Act of 1964

Title VI was enacted as part of the landmark Civil Rights Act of 1964, 42 U.S.C. § 2000d et seq. It prohibits discrimination on the basis of race, color, or national origin in programs and activities receiving federal financial assistance. See the definition of federal financial

[10] https://www.huduser.gov/portal/datasets/il.html#null

assistance in HUD's Section 504 regulations at 24 C.F.R. § 8.3 and note that federal financial assistance does not include assistance made available through direct Federal procurement contracts or payments made under these contracts or any other contract of insurance or guaranty.

12.4 Architectural Barriers Act of 1968

The Architectural Barriers Act of 1968 (**ABA**) 42 U.S.C. § 4151 *et seq.*, applies to certain buildings financed with Federal funds to ensure that they are designed, constructed, or altered so as to be accessible to persons with disabilities. The Act applies to buildings, other than a privately owned residential structure, which are (1) constructed or altered by or on behalf of the United States; (2) leased in whole or in part by the United States after August 12, 1968, if constructed or altered in accordance with plans and specifications of the United States; or (3) financed in whole or in part by a grant or loan made by United States after August 12, 1968, if the structure is subject to standards for design, construction, or alteration issued under authority of the law authorizing such grant or loan.

For example, the ABA applies to housing provided by public housing agencies and through HUD's Community Development Block Grant Program. For more information on the ABA, see HUD's ABA regulations at 24 C.F.R. Parts 40 and 41.

12.5 Age Discrimination Act of 1975

The Age Discrimination in Employment Act of 1967, as amended, 29 U.S.C. §§ 621-634, prohibits discrimination on the basis of age in federally assisted and funded programs or activities, except in limited circumstances.

12.6 Executive Orders

Executive order 11063, issued November 20, 1962

Executive Order 11063, as amended, 27 FR 11527, prohibits discrimination in the sale, leasing, rental, or other disposition of properties and facilities owned or operated by the federal government or provided with federal funds.

Executive Order 12892, issued January 17, 1994

Executive Order 12892, as amended, 59 FR 2939, requires that federal agencies affirmatively further fair housing in their programs and activities and that the Secretary of HUD be responsible for coordinating the effort.

Executive Order 12898, issued February 11, 1994

Executive Order 12898, 59 FR 7629, requires that each federal agency conduct its programs, policies, and activities that substantially affect human health or the environment in a manner that does not exclude persons based on race, color, or national origin.

Executive order 13166- issued August 11, 2000

Executive Order 13166, 3 C.F.R. §13166, eliminates, to the extent possible, limited English proficiency (LEP) as a barrier to full and meaningful participation by beneficiaries in all federally-assisted and federally-conducted programs and activities. Costs for LEP-related activities are considered front-line management activities and may be charged to the

project operating account, provided that the costs are reasonable for the population that will be served. Entities should refer to HUD's "Final Guidance to Federal Financial Assistance Recipients Regarding Title VI Prohibition Against National Origin Discrimination Affecting Limited-English Proficient Persons" published in the Federal Register on January 22, 2007 (72 FR 2732).

12.7 Equal access regardless of sexual orientation or gender identity

As the Nation's housing agency, HUD policy is to ensure that its programs do not involve arbitrary discrimination against any individual or family otherwise eligible for HUD-assisted or insured housing and that its policies and programs serve as models for equal housing opportunity. Toward this goal, HUD revised its program regulations on February 3, 2012 (Federal Register Vol. 77, No. 5662) to ensure that its core programs are open to all eligible individuals and families without regard to actual or perceived sexual orientation, gender identity or marital status in housing assisted with HUD funds or subject to FHA insurance, and to prohibit inquiries on actual or perceived sexual orientation or gender identity for the purpose of determining eligibility for the housing or otherwise making such housing available.

12.8 Anti-lobbying Restrictions

The Program is subject to 31 U.S.C. § 1352 (Limitation on Use of Appropriated Funds to Influence Certain Federal Contracting and Financial Transactions and 24 C.F.R. Part 87 (New Restriction on Lobbying).

12.9 Drug-Free Workplace Act of 1988

The Program is subject to the Drug-Free Workplace Act of 1988, as amended, 41 U.S.C. §81, and 24 C.F.R. Part 21. Under this requirement, all contactors shall provide a drug-free workplace.

12.10 Citizen Participation

Throughout the duration of the grant, all citizen comments on NMHC's published Action Plan, any substantial amendments to the Action Plan, performance reports and/or other issues related to the general administration of CDBG-DR funds, including all programs funded by this grant, are welcomed. The Citizen Participation Plan is posted as a stand-alone document at www.cnmi-cdbgdr.com. For more information on how to contact NMHC, please refer to www.cnmi-cdbgdr.com.

12.11 Related Laws and Regulations

This Program Guideline makes reference as to how the provisions of certain laws apply to the LIHTC Program. However, other related laws may exist which are not included in these Guidelines. This does not negate or preclude the Program from applying the provisions of those laws, nor an applicant from receiving services, when applicable. Moreover, NMHC enact, or may have enacted, regulations that address how the laws mentioned in these Guidelines are managed.

If there are any discrepancies between these Guidelines and the laws and/or regulations mentioned in them, then the latter will prevail over the Guidelines. If at any time the laws and/or the applicable regulations mentioned in these Guidelines are amended, the new provisions will apply to the Program without the need to amend these Guidelines.

13 Reasonable Accommodation Policy

A reasonable accommodation is a change, modification, alteration or adaptation in policy, procedure, practice, program, or facility that provides a qualified individual with a disability the opportunity to participate in, or benefit from, a program (housing or non-housing) or activity.

NMHC and Management Agents must evaluate requests for reasonable accommodations to determine if and how requests can be accommodated. NMHC and its agents can deny the request if the request constitutes a fundamental alteration in the nature of the program or constitutes an undue financial and administrative burden. The determination not to grant a reasonable accommodation shall not be made without the concurrence of NMHC's Fair Housing Officer/504 Administrator. The Fair Housing Officer/504 Administrator is the person the NMHC designates as responsible for ensuring that NMHC complies with federal, state, and local laws that protect the rights of people with disabilities.

This will also be available for reference on-site at all regional and main offices where information for federally and/or state funded housing programs is made available to the general public.

NMHC, including its Developers, will create and maintain a reasonable accommodations and modifications log which shall track the following information: (1) date and time of the accommodation/modification inquiry or request, (2) nature of the inquiry or request, (3) action taken, (4) whether the request was rejected or a change was made to the originally requested accommodation(s), and (5) documentation reflecting the final disposition of each request.

14 Developer Project Closeout

Projects will be closed out through standard procedures. Although HUD record retention requirements generally apply to a period beginning **three (3) years** after closeout, NMHC's compliance monitoring plan requires retention of records for at least **six (6) years** after the due date for filing the federal income tax return for that closeout year. Additionally, records for the first year of the credit provided must be kept for at least **six (6) years** beyond the due date in order to file the federal income tax return for the last year of the compliance period of the building.

As required by 83 FR 5844, records will also be safeguarded to demonstrate that the rents charged on the set-aside units are restricted and income-eligible households occupy the units for at least:

1. **Fifteen (15) years** for rehabilitation or reconstruction of multi-family rental projects with eight (8) or more units, or a Section 42 of the IRC, use period; or
2. **Twenty (20) years** for new construction of multi-family rental projects with five (5) or more units, or a Section 42 of the IRC extended use period. See 26 U.S.C. § 42 on Low-income housing credit.

Authorized representatives of NMHC will monitor projects assisted with CDBG-DR funding.

15 Additional Documents

Throughout the Program NMHC may request from Developers additional documents in order to evaluate project applications or generally in order to comply with applicable State and Federal laws and regulations, as the case may be.

16 Program Oversight

Nothing contained herein is intended to limit the role of NMHC, HUD and corresponding authorities from exercising oversight and monitoring activities of the Program.

17 Severability Clause

If any provision of this Program Guideline, or the application thereof to any person, partnership, or corporation, or circumstance, is held invalid by a competent court, the remainder of this Program Guideline and the application of such provisions to any other person, partnership, corporation, or circumstance, shall not be affected thereby.

END OF GUIDELINES.

NORTHERN MARIANAS HOUSING CORPORATION

INFRASTRUCTURE PROGRAM POLICIES

VERSION: 1.0

[ENTER DATE OF APPROVAL HERE]

Prepared by:

Northern Marianas Housing Corporation – CDBG-DR Program Division

The policies stated in this manual are current as of [ENTER DATE OF APPROVAL HERE]. This Manual represents the current version of the Northern Marianas Housing Corporation's (NMHC) policies which provide general guidance for the operation of the Infrastructure Programs. All manuals will be reviewed periodically and updated. Therefore, users are strongly encouraged to visit our website: www.cnmi-cdbgdr.com to access the latest version.

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1.0 CONTENT

1.1 Version Policy

Version history is tracked in Table 1, with notes regarding version changes. The dates of each publication are also tracked in this table. The first version of this document is 1.0.

Substantive changes within this document that reflect a policy change will result in the issuance of a new version 2.0, an increase in the primary version number. Future policy changes will result in additional revision and the issuance of a new primary version number.

Non-substantive changes such as minor wording and editing, or clarification of existing policy, that do not affect the interpretation or applicability of the policy will be included in minor version updates denoted by a sequential number increase behind the primary version number. Such changes would result in a version number such as 2.1, 2.2, etc.

1.2 Agencies and Acronyms

BCA	Benefit Cost Analysis
DOB	Duplication of Benefits
CUC	Commonwealth Utilities Corporation
DLNR	CNMI Department of Lands and Natural Resources
DPL	CNMI Department of Public Lands
DPW	CNMI Department of Public Works
FEMA	Federal Emergency Management Agency
GIS	Geographic Information System
HCDA	Housing and Community Development Act
HMGP	Hazard Mitigation Grant Program
HPO	Historic Preservation Office
HUD	U.S. Department of Housing and Urban Development
NAI	No Adverse Impacts
NMHC	Northern Marianas Housing Corporation

NTP	Notice to Proceed
PW	Project Worksheet
QPR	Quarterly Status Report
USACE	United States Army Corps of Engineers
USDOL	U.S. Department of Labor
HSEM	CNMI Homeland Security and Emergency Management

1.3 Definitions

Action Plan: A plan to guide the spending of a HUD CDBG-DR grant award to address housing economic, and infrastructure needs after a disaster.

Allocation: 1) Amount of a grant award that has been determined for a particular grantee. 2) Amount of funding attributed to a program.

Community Development Block Grant-Disaster Recovery: Flexible grant assistance from HUD to help the CNMI recover from presidentially declared disasters, especially in low-income areas, subject to availability of supplemental appropriations.

Cross-cutting regulations: Regulations outside CDBG-DR regulations that apply to CDBG-DR programs. These include regulations pertaining to financial management, procurement, environmental, labor, acquisition, relocation, fair housing, and non-discrimination.

Davis Bacon and Related Acts (DBRA): Federal law requiring payment of prevailing wages as determined by the U.S. Department of Labor on certain federally funded projects or most HUD-assisted construction projects. It applies to contractors and subcontractors performing work on federally funded or assisted contracts in excess of $2,000 for the construction, alteration, or repair of public buildings or public works.

Duplication of Benefits (DOB): A duplication of benefit is the receipt of funding from multiple sources for the same purpose. The Robert T. Stafford Disaster Assistance and Emergency Relief Act (Stafford Act) prohibits any person, business concern or other entity from receiving financial assistance from CDBG Disaster Recovery funding with respect to any part of the loss resulting from a major disaster as to which he/she has already received financial assistance under any other program or from insurance or any other sources. It is an amount determined by the program that may result in the reduction of an award value.

Eligible Activity: Activities eligible to be assisted under the CDBG program. All CDBG-DR grantees must: (1) use CDBG funds only for activities that fall under an authorized category of basic eligibility; (2) properly classify the activity; and (3) provide adequate documentation as required by the category it selects for each such activity.

Emergency work: FEMA's Public Assistance program designation for disaster response tasks including debris removal (Category A) and emergency protective measures (Category B) that occur immediately after a disaster.

Emergency Review Record (ERR): The document resulting from required environmental review which includes a description of activities, evaluation of environmental impact, documentation of compliance with applicable environmental regulations, and an environmental determination.

FEMA Individual Assistance Program (FEMA IA): Provides financial help or direct services to those who have necessary expenses and serious needs if they are unable to meet these needs through other means. The forms of help available are housing assistance (temporary housing, repair, replacement) and other needs assistance (personal property, other items).

FEMA Public Assistance Program (FEMA PA): Provides grants to state, tribal, territorial, and local governments, and certain types of private non-profit organizations so that communities can quickly respond to and recover from major disasters or emergencies. Through the program, FEMA provides supplemental federal disaster grant assistance for debris removal, life-saving emergency protective measures, and the repair, replacement, or restoration of disaster-damaged publicly-owned facilities, and the facilities of certain private non-profit organizations.

Grantee: HUD grantees receive funding from HUD to support HUD's mission to create strong, sustainable, inclusive communities and quality affordable homes for all. HUD grantees include state and local governments, non-profit and for-profit organizations, public housing authorities, and tribal entities.

Implementing Partner: CNMI agencies that are provided CDBG-DR funds by a grantee for their use in carrying out agreed-upon, eligible activities through an Intergovernmental Agreement with NMHC.

Low- and Moderate-Income (LMI): A household considered to be of low- and moderate-income if the household income (including income derived from assets) is at or below 80 percent of an area's median income. All income is based on the Area Median Income limits set annually by HUD.

National Objective: The authorizing statute of the CDBG program requires that each activity funded, except for program administration and planning activities, must meet one of three national objectives. The three national objectives are: 1) Benefit to low- and moderate (LMI) persons; 2) Aid in the prevention or elimination of slums and blight; and 3) Meet a need having a particular urgency (referred to as urgent need). An activity that does not meet a national objective is subject to recapture.

Permanent work: FEMA's Public Assistance program designation for "recovery work" which restores or rebuilds a damaged asset and is comprised of five categories: roads and bridges (Category C); water control facilities (Category D); building and equipment (Category E); utilities (Category F); and parks, recreation facilities, and other facilities (Category G).

Project Worksheet (PW): FEMA form used to document the scope of work and cost estimate for a FEMA Public Assistance project. This form supplies FEMA with the information necessary to approve the scope of work and itemized cost estimate prior to funding.

Request for Release of Funds (RROF): An environmental review term for a process used by Responsible Entities (CNMI) when requesting the release of funds and the authority to use such funds for HUD programs identified by statutes that provide for the assumption of the environmental review responsibility by units of general local government and states. The approval of the RROF is required before environmental clearance may be provided to a recipient of CDBG-DR funds.

Section 3: A provision of the Housing and Urban Development (HUD) Act of 1968 that requires the recipients of HUD financial assistance, to the greatest extent feasible, provide training, employment, and contracting opportunities for low- or very-low-income residents in connection with projects and activities in their neighborhoods.

Section 504: A provision of the Rehabilitation Act of 1973 which provides that no qualified individual with a disability should, only by reason of his or her disability, be excluded from the participation in, be denied benefits of, or be subjected to discrimination under any program or activity receiving financial assistance.

2.0 INTRODUCTION

2.1 Summary

As a result of the 2018 typhoons Mangkhut and Super Typhoon Yutu, the Commonwealth of the Northern Mariana Islands (CNMI) received an allocation of Community Development Block Grant Disaster Recovery (CDBG-DR) funds which are being administered by the Northern Marianas Housing Corporation (NMHC). The U.S. Department of Housing and Urban Development's (HUD) allocations for the CNMI's CDBG-DR program total $243,946,000 to assist local entities with unmet recovery needs for housing, infrastructure, and economic development. This document represents the policies of implementation of the Infrastructure Programs, which include the Local Match for Federal Disaster Recovery Program, the Infrastructure Repair and Resilience Programs.

2.2 Background

In the wake of the storms, President Trump announced a Major Disaster Declaration for Typhoon Mangkhut (**DR-4396**) and another for Super Typhoon Yutu (**DR-4404**) to make federal disaster assistance available to the CNMI. Subsequently, the U.S. Congress approved Supplemental Appropriations for Disaster Relief Requirements (Public Laws 115-254 and 116-20, respectively, which made available $243,946,000 for the purpose of addressing disaster recovery unmet needs following the onslaught of Typhoon Mangkhut and Super Typhoon Yutu. The CNMI will be strategic in optimizing the mix of the allocation towards infrastructure programs to ensure effective

and efficient use of funds. The CNMI, through NMHC, requested for a *Tourism Waiver* by which HUD subsequently approved with certain conditions. *See* **Federal Register Notice No. 85 60821**

3.0 Infrastructure Programs Overview

3.1 Summary

The Infrastructure Programs, designed to conform with NMHC's CDBG-DR Action Plan addresses multiple unmet needs for proper functioning of its infrastructure systems. Reliance on these systems which include but not limited to public utilities, educational institutes, and transportation infrastructure, was clearly evident when many failed and closed following the aftermath of Typhoon Mangkhut and Super Typhoon Yutu.

The CNMI has identified multiple infrastructure priorities that must be addressed, many of which directly support housing needs. Residents not only suffered from direct damage to their homes from the 2018 disasters, but also endured the loss of critical services such as power due to damaged public infrastructure. Without water and power, residents were forced to evacuate their homes and seek shelter and emergency assistance.

3.2 Objectives

The objectives of this Infrastructure Programs' policy and procedural manual in addressing the unmet needs of the CNMI through:

(1) Comprehensive planning to identify resilience opportunities;
(2) Adoption and enforcement of codes to bring critical infrastructure up to industry standards;
(3) Holistic mitigation designs to meet future challenges and hazards; and
(4) Covering a portion of the CNMI's local match obligations.

All CDBG-DR programs must meet one of three HUD National Objectives: benefit low- to moderate-income persons (LMI), elimination of slum and blight, or address an urgent need. For the Infrastructure Programs, it is expected that most projects will seek to meet the Low- to Moderate-Income Area (LMA) Benefit as the National Objective. This objective is met when at least 51% of residents in the service area are classified as LMA. Projects seeking funding under these programs will need to assess the service area and beneficiaries of the project's impact as a part of the overall benefit requirement.

4.0 METHOD OF DISTRIBUTION

4.1 Prioritization Criteria Definitions

A standard set of criteria was developed through the Action Plan to ensure funding is allocated to projects that will have the biggest benefit to recovery first. Infrastructure Programs are designed

around the same set of criteria, which are used in the concept development and project design phases. These criteria are defined as follows:

(1) **LMI:** Project beneficiaries are documented to be at least 51% low- and moderate-income persons;
(2) **LMA:** Project service area has been determined to be at least 51% low/mod and is predominately residential;
(3) **Readiness:** Projects demonstrate they are ready to begin rehabilitation or construction. A project is considered "ready" if environmental review and engineering have already been completed, where required OR the project can demonstrate an accelerated timeline. For instance, external factors like gubernatorial executive orders or the approach of a new typhoon season may warrant a heightened priority.
(4) **Criticality:** Determined based on the extent to which the normal conduct of social, economic, or government processes is impeded without the project. Special consideration will be given to projects that have a strong tie to housing unmet needs or will contribute to long-term recovery and restoration of housing.
(5) **Resilience:** Project includes measures that prevent vulnerability in the future or provide innovative solutions to existing vulnerabilities.
(6) **Technical Feasibility:** The degree of specialized equipment or advanced technical capacity required.
(7) **Sustainability:** Degree to which modern sustainability standards or best practices are taken into consideration for the project.
(8) **Economic Benefit:** The project is evidenced to resolve an impediment to or create new opportunities for economic activities.

Documentation supporting the fulfillment of relevant criteria will be collected in coordination between Implementing Partners and NMHC during the Initial Scop and Budget Phase and the Detailed Scope and Budget Phase. Program staff will then determine the priority level of each project taking into account the criteria as well as the other project needs at the time and evaluation and selection will follow the methodology as prescribed in NMHC's Action Plan and in accordance to HUD requirements on the use of CDBG-DR funds.

Infrastructure activities will be based on a scoring criterion with concentrations on the islands of Saipan and Tinian as most impacted areas. It was also desired that infrastructure activities selected would benefit the Islands as a whole due to the fact that any block group and/or any combination of block groups qualifies as a low- and moderate-income benefit area and that over 90 percent of the population on any island are minority residents. These factors also ensure economic stability so residents can remain in homes and residences and retain their jobs because the infrastructure is improved. The actual size of the Islands also means that all persons will benefit from most of the infrastructure improvements.

The following scoring criteria will be utilized to select priority infrastructure projects and activities.

Scoring Criteria			Max Points
1	*All priority needs must support housing* **Priority Need:** Meets one of the priority needs identified in the CDBG DR Action Plan		25
	Priority 1	Support the restoration/improvement of utilities, water, and sewer facilities (25 points)	
	Priority 2	Support the restoration/improvement of roads and drainage systems (20 points)	
	Priority 3	Support the restoration/improvement of critical facilities such as the schools, hospital, and others that improve services to the general public (15 points)	
	Priority 4	Support the leverage of funding with other disaster assistance (such as FEMA and USACE) to ensure resiliency in infrastructure (10 points)	
	Priority 5	Support the restoration of other public facilities such as community centers, gymnasiums, etc. (5 points)	
2	**Storm Resilience:** In addition to addressing housing unmet needs, program or project proposals need to show how they would improve resilience to future storm-related damage.		15
3	**Overall LMI benefit (Percent LMI benefit of the activity):** Higher LMI benefit of the activity will receive a higher score. For example, a project with 100 percent LMI benefit would be scored higher than a project with 65 percent LMI benefit.		25
4	**Management Capacity:** Subrecipient, program manager, and/or developer presents a depth of program or project, case, and compliance management capacity to deliver services on-time and on-budget.		15
5	**Cost Reasonable Budget:** Budgets reflect cost reasonableness and affirmative efforts to leverage CDBG-DR funds with additional funding to address unmet needs. The budget narrative reflects research, quotes and/or contracted pricing.		20
	Total Maximum Points		**100**

4.2 Local Match for Federal Disaster Recovery Method

4.2.1 Program Administration

Administering Entities: NMHC and CNMI Public Assistance Office

Eligible Applicants: Governmental and quasi-governmental entities

Estimated Start and End Dates: November 24, 2020 to November 24, 2026.

Eligibility Criteria: The projects must be currently funded under a federal funding source that requires a local match and demonstrate a tie to the storm or have clear evidence of resiliency functions to prevent future damage. Infrastructure projects must exhaust other eligible funding sources, such as FEMA, prior to receipt of CDBG-DR. Applicants need not meet all prioritization criteria to be eligible.

Program Allocation: $107,361,835

Maximum Award: There is no maximum award for an individual project. Awards will be based on project cost estimates and benefit analysis.

National Objectives: Low- and Moderate-Income Area and Urgent Need

4.2.2 Program Description

Typically, federal disaster recovery programs require State or local governments to pay a share of the cost of a project, commonly referred to as "local match." In the aftermath of a disaster, the local match requirements can be burdensome on grant recipients with limited resources that have been overwhelmed and depleted by emergency and relief work and further exacerbated by lost government revenues.

To address this financial burden, Congress allows CDBG-DR funds to be used to provide the local match. The CNMI, through NMHC, has developed the Local Match for Federal Disaster Relief Program (Match Program) to provide the cost share for CDBG-DR eligible projects. Priority will be given to infrastructure projects providing critical services directly related to housing needs. CDBG-DR funds for local match will be used as the funding of last resort and only after an eligibility determination has been made and a duplication of benefits analysis is completed.

The CNMI is receiving FEMA PA funds through two disasters: FEMA-4396-DR for Typhoon Mangkhut and FEMA-4404-DR for Super Typhoon Yutu. As of 12/01/2020, FEMA has written one-hundred and twenty-four (124) Project Worksheets (PWs) for a total match of $16.5 million.

CDBG-DR funds are limited in the Match Program for FEMA PA-eligible PWs and other federal funding sources requiring a local match, such as EDA funding. For these projects, the CDBG-DR funds many not be used to expand a project beyond the scope already approved by the federal agency. In addition, to be eligible for CDBG-DR assistance, the activity must be an eligible activity and meet a national objective, per CDBG-DR rules and regulations. Similarly, the project must fully comply with all applicable rules and regulations, to include Davis Bacon and Related Acts,

Section 3, Section 504, procurement, environmental review and all other CDBG-DR, cross-cutting, local applicable statutes, rules and regulation.

All infrastructure under the FEMA PA program is being designed to consider mitigation components to protect against future damages. Proactive measures to promote risk-informed infrastructure development include diversification of power generation, relocation of critical facilities, and flood mitigated roads. All projects undertaken through the CDBG-DR program will be coordinated with the results of a planning process.

To align future CDBG-DR projects with existing CNMI capital improvement projects, Implementing Partners may be required to consult with the CNMI Department of Public Lands (DPL), CNMI Lands and Natural Resources (DLNR), CNMI Historic Preservation Office (HPO), and CNMI Department of Public Works (DPW). Given the historic and cultural significance of a multitude of buildings and areas, infrastructure projects should also address the historic preservation priorities of HPO. Much of the proposed power and water-related work through this Infrastructure Program are already aligned with the goals of capital projects envisioned by the Commonwealth Utilities Corporation (CUC) and NMHC's HUD-approved Action Plan.

Roles and Responsibilities

NMHC

NMHC administers the grant funds for the Match Program through its CDBG-DR Division. Program staff are responsible for ensuring projects comply with all applicable federal and local regulations, including but not limited to, Pub. L. 115-254 and Pub. L. 116-20, NEPA, HCDA, and local procurement regulations where applicable, and aligned with the CDBG-DR Action Plan. Program staff provide technical assistance to Implementing Partners to meet these requirements as needed. NMHC may proactively identify priority PWs for match based on reporting on PW obligation and draw status provided the PAO.

(1) Determine sufficient capacity and payment procedures are in place for Implementing Partners;
(2) Determine project eligibility and mechanisms to comply with crosscutting requirements;
(3) Disburse funds in accordance with NMHC financial policies;
(4) Complete desk, onsite, and formal monitoring of the project; and
(5) Prepare and maintain documentation of activities and compliance with requirements for monitoring and audits.

Implementing Partner

The Implementing Partner under the Match Program is the entity that serves as the project applicant under any federal program requiring local cost share for Mangkhut and Yutu. Implementing Partners coordinate between NMHC and PAO to ensure critical documentation of activities, such as invoices, timesheets, and records of construction are available for monitoring. Implementing Partners can request funds from the Match Program by submitting the Project Application form (*See* **Appendix B**).

- Meet the requirements of NMHC grant conditions
- Manage all aspects of design and construction
- Coordinate activities with the other federal and CNMI government agencies
- Report back to NMHC on a monthly basis
- Prepare and maintain documentation of activities and compliance with requirements for monitoring and auditing

PAO

PAO is the administering entity for federal cost share of FEMA projects. It is responsible for processing and approving drawdown requests under the FEMA programs requiring local cost shares. NMHC and PAO may be required to coordinate closely on the timing of draw requests, document sharing, and payment schedules to ensure eligible invoices are paid in a timely manner. PAO is responsible for reporting on the status of PW obligations and drawdowns to NMHC to assist in identifying priority PWs.

4.2.3 Method of Match Implementation

Once a project has been identified as a priority for the Match Program, NMHC intends to use a "coordinated match" approach to consolidate requirements and reduce administrative burden. Using the 10% local match requirement for FEMA PA as an example, the following scenarios demonstrate the advantages of a coordinated match strategy over a traditional approach.

4.2.3.1 Traditional Match

A traditional approach to matching the local cost share is to provide 10% of individual PW line items. This carries heavy administrative burdens as for each FEMA PW requiring a match, every single activity will have to adhere to CDBG-DR and crosscutting requirements, requiring a tedious line-item review. These requirements go beyond the requirements of FEMA, so applying them across the entirety of the project is a heavy administrative requirement and may result in ineligible projects.

4.2.3.2 Coordinated Match

Coordinated match approaches the required cost shares as a holistic package, then isolates 10% of the total activities to focus only on those that are HUD-eligible costs. A project may use CDBG-DR for design, FEMA PA for construction, for example. This reduces administrative burden and avoids duplication of benefits.

4.3 Infrastructure Repair and Resilience Program

4.3.1. Program Administration

Administering Entity: NMHC

Estimated Start and End Dates: November 24, 2020 to November 24, 2026

Eligible Applicants: Governmental and quasi-governmental entities

Eligibility Criteria: Must be a project that meets the proposed goals stated above. Infrastructure projects must exhaust other eligible funding sources such as FEMA prior to receipt of CDBG-DR. Applicants need not meet all prioritization criteria to be eligible.

Program Allocation: $107,361,835

Maximum Award: There is no maximum award for an individual project. Awards will be based on project cost estimates and cost benefit analysis.

National Objective: Low- and Moderate-Income Area benefit, Low- and Moderate-Income Limited Clientele, or Urgent Need.

4.3.2 Program Description

The goals of the Infrastructure Repair and Resilience Program (Repair and Resilience Program) are to:

- Repair and replace damaged infrastructure
- Harden infrastructure against extreme weather events; and
- Construct new infrastructure to improve the level and breadth of service to communities

The CNMI, through NMHC, shall ensure that there is no duplication of benefits and will follow the guidance for proper documentation and administration of the program. There will be a review process for project selection as contained in the Administrative Plan and based on the priorities identified and Intergovernmental Agreements as deemed necessary.

Program funds will be used to meet the three goals described below. Priority will be given to projects directly supporting housing needs and critical services. Roads and public and community facilities will be prioritized as they are sectors with the greatest unmet need.

- *Repair and Replacement:* The Repair and Resilience Program will pay for eligible costs to complete repairs and replacements for public infrastructure that have not yet been completed (e.g., repair of non-federal aid roads)
- *Hardening:* The Repair and Resilience Program will cover activities to harden infrastructure against severe weather conditions. This will include both structural and non-structural measures to harden facilities against high winds, heavy rainfall, flood exposure, storm water run-off, and their effects (e.g., erosion).
- *New Construction:* The Repair and Resilience Program will cover the cost of new construction to extend public services to populations that are not currently connected and/or to deliver services more effectively. This reduces the cost of each individual project, minimizes disturbances to traffic flow, and decreases the risk of damage to previously placed but unmarked utilities.

Roles and Responsibilities

NMHC

NMHC administers the grant funds for the Repair and Resilience Program through the CDBG-DR Division. Division staff are responsible for ensuring projects comply with all applicable federal and local regulations including but not limited to, Pub. L. 115-254 and Pub. L. 116-20, NEPA, HCDA, and local procurement regulations where applicable, and aligned with the CDBG-DR Action Plan. NMHC's responsibilities include:

- Determine sufficient capacity and payment procedures for Implementing Partners
- Determine project eligibility and mechanisms to comply with crosscutting requirements
- Disburse funds in accordance to NMHC's financial policies
- Complete desk, onsite, and formal monitoring of projects
- Prepare and maintain documentation of activities and compliance with requirements for monitoring and audits

Implementing Partners

The Implementing Partner under the Repair and Resilience Program refers to the entity managing and executing the project activities. Implementing Partners can request funds from the Repair and Resilience Program by submitting a Project Application (Appendix B). The Implementing Partner's responsibilities include:

- Meet the requirements of NMHC Capacity Assessment and grant conditions
- Manage all aspects of design and construction
- Responsibly manage project funds
- Coordinate activities with other federal and local agencies
- Implement crosscutting requirements
- Report back to NMHC on a monthly basis
- Prepare and maintain documentation of activities and compliance with requirements for monitoring and audits.

5.0 CDBG-DR PROGRAM REQUIREMENTS

The CNMI will ensure that each project that receives funding under the Infrastructure Programs corresponds to a CDBG-DR eligible activity, meets a national objective, and demonstrates a direct connection to the disaster. Funds will be provided as payment to governmental agencies, eligible organizations, or other entities for eligible activities within approved scopes with relevant documentation from Implementing Partners.

5.1 Overall Program Administration

NMHC will oversee all activities and expenditures in connection with the CDBG-DR funds. Existing NMHC employees, additional personnel and contractors will be hired to aid in the administration of, and to carry out, the recovery programs. These partners will ensure that the Program meets all requirements, including but not limited to: the disaster threshold, eligibility, national objective, compliance, fair housing, labor standards, nondiscrimination, environmental regulations, Section 3, and procurement regulations.

NMHC has created a Compliance and Monitoring Manual in accordance with CDBG-DR requirements so that each activity funded will meet the disaster threshold and one of HUD's three national objectives, which emphasis on eligible activities achieving the primary national objective of benefiting low- and moderate-income persons.

All projects must comply with any applicable federal laws and regulations and effectively meet their stated goals. In accordance with HUD requirements, NMHC will submit a Quarterly Progress Report (QSR) through DRGR no later than thirty days following the end of each calendar quarter. QPR's will posted on a quarterly basis until all funds have been expended and all expenditures have been reported. QPRs will be informed by monthly reports submitted by Implementing Partners to NMHC.

5.2 Tie to the Disaster

All activities funded with CDBG-DR in the Infrastructure Program must in some way respond to a direct to indirect impact of one of the following federally-declared disasters:

- Typhoon Mangkhut (DR-4396)
- Super Typhoon Yutu (DR-4404)

Match Program

FEMA disaster recovery programs, along with the EPA disaster recovery programs, require clear documentation showing a direct storm-related impact as a prerequisite for entry into these programs and funding. Only after an impact threshold has been met will the lead federal agency consider making disaster funds available to the applicant. It is assumed that if the applicant received funding and support through one of the federal recovery programs, set out above, the applicant was impacted by one or more of the declared disasters. For example, the FEMA PA program, a tie to the storm is documented by FEMA's approval of the PW.

Repair and Resilience and Electrical Power System Program

For non-FEMA projects, the tie to the disaster will be determined by one of the following:

- For physical losses – Damage, rebuilding estimates, or insurance estimates
- For economic or other non-physical losses – Post disaster analyses or assessments (documenting relationship between loss and disaster)[1]

[1] https://www.hudexchange.info/resources/documents/CDBG-DR-Eligible-Activities-Slides.pdf

- Funds may be used to address an unmet need that arose from a previous disaster, which was exacerbated by a disaster cited in the Appropriation.
- If an impact or need originating from a disaster identified in the Appropriation is subsequently exacerbated by a future disaster, funds may also be used to address the resulting exacerbated unmet need.

5.3 Eligible Activities

Table 5 below summarizes the total infrastructure CDBG-DR allocations in accordance with basic eligible activities per HCDA Section 105:

Table 5. Summary of Infrastructure Program Eligible Activities

Program	Sectors	HCDA Eligible Activities (Section 105(a))	Total Allocation
Local Match for Federal Disaster Relief Programs	• Educational Facilities • Energy • Government Facilities • Hospitals & Healthcare Facilities • Telecommunications • Transportation (including roads, ports, & airports) • Waste: Solid Waste/ Landfill • Debris Water & Wastewater	• Payment of the Non-federal Share • Acquisition of Real Property • Public Facilities and Improvements • Clearance, Rehabilitation, Reconstruction, and Construction of Buildings • Public Services • Relocation • Assistance to Institutions of Higher Education (must be facility)	
Infrastructure Repair and Resilience	Same as above	• Acquisition of Real Property • Public Facilities and Improvements • Clearance, Rehabilitation, Reconstruction, and Construction of Buildings • Public Services • Relocation • Assistance to Institutions of Higher Education (must be facility)	
Electrical Power Systems Enhancement and Improvements	Energy	• Acquisition of Real Property • Public Facilities and Improvements • Clearance, Rehabilitation, Reconstruction, and Construction of Buildings • Relocation • Payment of the Non-federal Share	
Total			

For each activity, the CNMI will determine the appropriate service area based on factors including: the nature of the activity; the location of the activity; accessibility issues; the availability of comparable activities; and boundaries for facilities and public services. The CNMI will ensure that projects will be prioritized to provide services to LMI persons and support unmet housing needs.

5.3.1 Ineligible Activities

The CDBG-DR program regulations identify certain activities as categorically ineligible. They also identify certain other activities that are ineligible unless they are carried out under the authority of §570.204.

The general rule in the CDBG-DR program is that any activity that is not authorized under the provisions of §570.201-570.206 (or, where applicable, the statute) is ineligible to be assisted with CDBG-DR funds. However, the eligible activities are so broad that it is easy to forget that some activities that are ineligible and to provide guidance in determining the eligibility of other activities frequently associated with housing and community development.

Categorically Ineligible

The following activities may not be assisted with CDBG-DR funds under any circumstance:

- General government expenses. Except as otherwise specifically authorized in Subpart C of Part 570 or under OMB Circular A-87, expenses required to carry out the regular responsibilities of the unit of general local government are not eligible for assistance under their part. Reference: §570.207(a)(2)
- Political activities. CDBG funds may not be used to finance the use of facilities or equipment for political purposes or to engage in other partisan political activities, such as candidate forums, voter transportation, or voter registration. However, a facility originally assisted with CDBG funds may be used on an incidental basis to hold political meetings, candidate forums, or voter registration campaigns, provided that all parties and organizations have access to the facility on an equal basis, and are assessed equal rent or use charges, if any. Reference §570.207(a)(3)

Generally Ineligible

The following activities may not be assisted with CDBG-DR funds unless authorized as Special Economic Development Activities under §570.203 or §570.204.

- Furnishings and personal property. The purchase of equipment, fixtures, motor vehicles, furnishings, or other personal property not an integral structural fixture is generally ineligible. CDBG-DR funds may be used, however, to purchase or to pay depreciation or use allowances (in accordance with PMB Circulars A-21, A-87, or A-122, as applicable) for such items when necessary for use by a recipient or its subrecipients in the administration of activities assisted with CDBG-DR funds, or when eligible as firefighting equipment, or when such items constitute all or part of a public service pursuant to §570.201(e)2. Also, these items are eligible when carried out by a for-profit business as

part of CDBG-DR assistance under the authority of §570.203(b). Reference: §570.207(b)(1)

- Operating and maintenance expenses. The general rule is that any expense associated with repairing, operating, or maintaining public facilities, improvements, and services are ineligible.
    - However, specific exceptions to this general rule are operating and maintenance expenses associated with public service activities [see §570.201(e)], interim assistance [see §570.201(f)], and office space for program staff employed in carrying out the CDBG program (see §570.206).
    - For example, the use of CDBG-DR funds to party the allowable costs of operating and maintaining a facility used in providing a public service (e.g., salaries, rent) would be eligible under §570.201 (e), even if no other costs of providing the service there are assisted with such funds. Examples of operating and maintenance expenses that are generally ineligible include:
- Maintenance and repair of publicly-owned streets, parks, playgrounds, water and sewer facilities, neighborhood facilities, senior center, centers for persons with disabilities, parking, and other public facilities and improvements. Examples of maintenance and repair activities for which CDBG-DR funds may not be used include the filling of pot holes in streets, repairing of cracks in sidewalks, the mowing of grass in city or county parks, and the replacements of street light bulbs.
- Payment of salaries for staff, utility costs, and similar expenses necessary for the operation of public works and facilities. Reference: §570.207(b)(2).

5.4 National Objectives

Per HUD CFR 570 Section 101(c), the primary objective of the Program is the development of viable communities by the provision of decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income. The statute further states that this is to be achieved in the CDBG program by ensuring that each funded activity meets one of three named national objectives. Those three objectives are identified as: benefiting low- and moderate-income persons; preventing or eliminating slums or blight; and meeting urgent needs. Federal Register FR-6109-N-01 states that each grantee must ensure that at least 70% of all CDBG-DR funds must be used for activities qualifying under the national objectives of Benefit to Low- and Moderate-Income Persons. The following national objectives are applicable to all Infrastructure Programs and all projects will be required to meet at least one of the national objectives below.

National Objective: Low- and Moderate-Income Area, Low- and Moderate-Income Limited Clientele, or Urgent Need, Slum and Blight.

5.4.1 Low- and Moderate-Income Area (LMA)

To be eligible as LMA, the project service area must be at least 51%LMI households and be predominantly residential. In instances where the infrastructure investment activity does not serve the entire island but a particular location, an LMA analysis will be conducted to determine the low- and moderate-income benefit.

5.4.2 Low- and Moderate-Income Limited Clientele (LMC)

In contrast to the area benefit category, it is not the LMI concentration of the service area of the activity that determines whether the activity will qualify or not, but rather the actual number of LMI persons that benefit from the activity. Activities in this category provide benefits to a specific group of persons rather than everyone in an area. It may benefit particular persons without regard to their residence, or it may be an activity that provides a benefit to only particular persons within a specific area.

5.4.3 Urgent Need

While at least 70% of the entire CDBG-DR grant will be used for activities that benefit LMI persons, for certain activities the Northern Mariana Islands will use the Urgent Need national objective. Activities carried out under the urgent need objective will not count towards the 70% LMI benefit.

5.4.4 Required Documentation

National Objective	Required Documentation
LMI Area Benefit	Boundaries of service area of activity; Census data including total persons and percentage LMI; Evidence area is primarily residential; and Survey documentation (if applicable).
LMI Limited Clientele	Documentation that the beneficiaries are or are presumed o be LMI (by category).
Urgent Need	Per 83-FR-5856, CDBG certification requirements for documentation of urgent need, located at 24 CFR 570.483(d), are waived and replace with: 1. Document how each program and/or activity funded under the urgent need national objective responds to a disaster-related impact. 2. For each activity that will meet an urgent need national objective, the grantee must reference in its action plan needs assessment the type, scale, and location of the disaster-related impacts that each program and/or activity is addressing over the course of the applicable deadline for the expenditure of obligated grant funds.

5.5 Duplication of Benefits

The Infrastructure Programs will include a duplication of benefits as part of the scope and budget review and award calculation process. The requirements of the Robert T. Stafford Act (Stafford Act), as amended, prohibit any person, business concern, or other entity from receiving federal funds for any part of such loss for which they have already received financial assistance under any other program, private insurance, charitable assistance, or any other source. This duplicative funding is called Duplication of Benefit (DOB). Any government entity that provides disaster

recovery assistance must both prevent and correct any DOB by the establishment and implementation of policies to identify and adjust for such duplicative assistance payments.

DOB may apply in the following circumstances: when assistance for the same purpose has been received; when assistance for the same purpose will be received; or when assistance for the same purpose is reasonably available from another source, such as insurance or legal settlements due to the property owner.

All Implementing Partners will be reasonable for accurately reporting the availability or receipt of duplicative grants, loans, insurance payments, legal claims, gifts or other payments pertaining to the property being mitigated. Reporting should occur at any point that such information becomes available, including:

- During scoping process development, pre-award, and approval;
- During the gran period of performance;
- During closeout; and
- After grant closeout, if duplicative funds are received at a later date.

Implementing Partners are responsible for reporting DOB information or NMHC. NMHC is ultimately responsible for ensuring that project participants comply with federal laws and regulations. Any agency receiving duplicate benefits is legally responsible for the repayment of those benefits.

5.5.1 Preventing Duplication

All Implementing Partners and subrecipients must complete the DOB calculations as part of the Initial Scope of Work, as well as the Project Application Form, with assistance from Program staff. Both forms request information about all other sources of funding the agencies must be aware of that may impact the DOB. Agencies must provide documentation of these sources but NMHC will also verify these funding sources with other federal partners. This process will be supported by TA from Program staff. Also included in these forms is the standard calculation method used by Program staff to determine if a duplication is present. Project DOB information must be maintained by the agency and reported to NMHC throughout the life of the project. The agency reviews reported DOB and makes appropriate deductions. Additionally, CDBG-DR funds may not be used to supplant local resources use for infrastructure projects.

NMHC maintains records in accordance with Federal grants requirements and assures that the agency has accurately completed DOB reviews and made deductions as appropriate. FEMA must also take steps to assure that it's disaster-related assistance funds do not duplicate other assistance by providing information to NMHC and agency, as needed, to clarify DOB requirements.
FEMA's role may include coordination with other Federal agencies, insurance companies, or any other public or private entity to request and provide access to records to assure there is no DOB.

5.5.2 Recapture

An applicant may be required to repay all, or a portion of the funds received. The reasons for recapture include but are not limited to the following:

- An Implementing Partner or subrecipient is determined to have provided false or misleading information to the Program;
- An Implementing Partner or subrecipient withdraws from the Program prior to completion of the project;
- An Implementing Partner or subrecipient does not complete construction;
- An Implementing Partner or subrecipient fails to meet a national objective of the Program;
- An Implementing Partner or subrecipient is found to have used program funds for an ineligible activity; and/or
- An Implementing Partner or subrecipient does not report the receipt of additional insurance, SBA, FEMA, non-profit assistance and/or any other duplication of benefits received after award.

The Program will develop a detailed recapture policy for the overall CDBG-DR program. The policy, once developed, will be referenced in an update to this manual.

5.6 Elevation Requirements

The following elevation standards apply to new construction, repair of substantial damage, or substantial improvement of structures located in an area delineated as a flood hazard area or equivalent in FEMA's data source identified in 24 CFR 55.2(b)(1).

Mixed-use structures with no dwelling units and no residents below two feet above base flood elevation, must be elevated or flood proofed, in accordance with FEMA floodproofing standards at CFR 60.3(c)(3)(ii) or successor standard, up to at least two feet above base flood elevation. Implementing entities should review the UFAS accessibility checklist available at https://www.hudexchange.info/resources/796/ufas-accessibility-checklist/ along with the HUD Deeming Notice, 79 FR 29671 (May 23, 2014) to ensure that these structures comply with accessibility requirements.

All Critical Actions, as defined as 24 CFR 55.2(b)(3) within the 500-year (or 0.2 percent annual chance) floodplain must be elevated or flood proofed (in accordance with the FEMA standards) to the higher of the 500-year flood plain elevation or three feet above the 100-year floodplain elevation. If the 500-year floodplain is unavailable, and the Critical Action is in the 100-year floodplain, then the structure must be elevated, or flood-proofed at least three feet above the 100-year floodplain elevation. Critical Actions are defined as an "activity for which even a slight chance of flooding would be too great, because such flooding might result in loss of life, injury to persons or damage property." Critical actions include hospitals, nursing homes, police stations, fire stations and principal utility lines.

5.7 Infrastructure Program/Specific Requirements

HUD established infrastructure planning and design requirements for Grantees of this and the Prior Notice. Grantees are required to address long-tern recovery and hazard mitigation planning in their Action Plan or substantial amendment by describing how projects will:

(1) Promote sound sustainable long-tern recovery planning informed by post-disaster hazard risks;
(2) Adhere to elevation requirements of Prior Notice;
(3) Coordinate with local and regional planning efforts, including how Grantee will promote community-level and/or regional post-disaster recovery and mitigation planning;
(4) For infrastructure allocations, Grantee must describe how mitigation measures will be integrated into rebuilding activities, how infrastructure activities will be informed by cost-benefits analysis, how Grantee will ensure infrastructure does not have adverse impact on vulnerable populations, how Grantee will align investments with other planning capital improvements and infrastructure efforts and work to foster and leverage funding from other sources, and how Grantee will employ adaptable and reliable technologies to guard against premature obsolescence of infrastructure. Subrecipients and Implementing Partners will also be held to the requirements.

5.7.1 Integration of Mitigation for Resilience

The CNMI is acutely concerned with the potential impacts of future storms and therefore will prioritize mitigation across all programs to build comprehensive resilience. Resilience is the state of a community in which the foundational systems are strong and capable of withstanding, or quickly bouncing back from, a disruption. Whether this is a natural or man-made hazard or an unanticipated economic downturn, the social cohesion, diverse economic opportunities, strong infrastructure, and emergency response capacities all contribute to such resilience.

All infrastructure under the FEMA PA is being designed to consider mitigation components and this will continue to be done under CDBG-DR. proactive measures to promote risk-informed infrastructure development may include diversification of power generation, micro-grid development, relocation of critical facilities, and flood-mitigated roads.
Recipients of funds may be required to provide a narrative in Project Application of how mitigation principles and practices will be incorporated before the signing of contract agreements to ensure mitigation is a key factor from the onset of project design. The specific mitigation measures and technologies included in the project or program will again be evaluated during a Detailed Scope and Budget phase. This may be done in collaboration with HMPG work to ensure coordination the CNMI's other approaches to mitigation. Potential infrastructure or resilience projects may also be evaluated based on guidance outline in FEMA's Hazard Mitigation Assistance Guidance including:

- Technical Feasibility
- Cost and cost-reasonableness
- Effects on the environment and cultural resources
- Community support
- Promotion of community resilience
- To what extent the project design reduces vulnerability

- To what extent the project includes measures to avoid or minimize adverse impacts to floodplains, wetlands, or other environmental and cultural resources
- Accessibility accommodations for individuals with disabilities and/or access and functional needs

5.7.2 Green Infrastructure

In addition to hardening infrastructure and following elevation requirements, the CNMI will seek to incorporate the "no adverse impacts" approach (NAI) set forth by the Association of State Floodplain Managers. This strategy relies on calculated mix of mitigation approaches to ensure infrastructure development does not increase flooding risks. A key consideration in NAI is green conveyance of water through communities. All proposed projects under the Infrastructure Programs will be required to provide a narrative summary of the green infrastructure components applicable to the project during the Initial Scope and Budget Phase and are encouraged to use the ASFPM's NAI How-to-Guide for Infrastructure to assist in effective project design.[2]

Green infrastructure and sustainable design may be incorporated in multiple stages of NMHC's process for the selection and design of projects. implementing Partners must describe again in the Detailed Scope and Budget Phase, how after more in-depth design, the project will incorporate green infrastructure components.

5.7.3 Costs and Benefits

Infrastructure projects typically carry a high cost of labor and materials, relative to the continental U.S., due to the isolated geography and limited workforce in the CNMI. Each project will be informed by a consideration of cost and benefits, considering these unique circumstances, but whenever possible, should utilize local/regional talent and materials to deduce costs.

The CNMI's approach to assessing costs and benefits may be based on two existing frameworks. The first, HMPG's Guidance on cost effectiveness, relies on a Benefit Cost Analysis, where projects for which benefits exceed costs are generally considered cost effective. The project cost estimate includes a line-item breakdown of all anticipated costs, including, as applicable:

- Costs for anticipated environmental resource impact treatment or historic property treatment measures
- Costs for engineering designs/specifications, including hydrologic and hydraulic studies/analyses required as an integral part of designing the project
- Construction/demolition/relocation costs, such as survey, permitting, site preparation, and material/debris disposal costs
- All other costs required to implement the mitigation project, including any applicable project-type specific costs

Benefits in this methodology are often calculated using standard loss of function estimates provided by relevant federal agencies, which may also be utilized by the CNMI.

[2] https//www.floods.org/ace-images/ASFPMInfrastructureFinalJuly28.pdf

Given the CNMI's approach to mitigation and resilience as giving full consideration systemic, inter-related processes that promote resilience, the method produced through the National Disaster Resilience Competition (NDRC) may help to supplement some of the factors.

Under this method, to the greatest extent possible, a narrative description may be produced to identify evidence-based practices as the basis for the project proposal. This method includes the following steps:

- A full proposed cost, including Federal, Territorial, and private funding, as well as expected operations and maintenance costs and functionally related to geographically related work;
- A description of the current situation and the problem to be solved (including anticipated changes over the analysis period);
- A description of the proposed project or program including functionally or geographically related elements and estimated useful life;
- A description of the risks to the community if the proposal and any land use, zoning or building code changes are not implemented, including costs that might be avoided if a disaster similar to the qualifying disaster struck again, including costs avoided if as a result of the project remaining effective in a future disaster;
- A list of the benefits and costs of the proposal and the rationale for including each effect using the table provided according to the following categories:
- Lifecycle Costs;
- Resiliency Value;
- Environmental Value;
- Social Value; and,
- Economic Revitalization.
- A description of risks to ongoing benefits from the proposed project or program; and
- An assessment of challenges faced with implementing the proposal.[3]

NMHC will determine applicability of these cost and benefit analyses at the time of the Detailed Scope and Budget development.

5.7.4 Opportunities and Impacts

A key target papulation for this program will be low-income residents and businesses that qualify under Section 3. The Section 3 program requires that recipients of certain HUD financial assistance, to the greatest extent possible, provide training, employment, contracting and other economic opportunities to low- and very low-income persons, especially recipients of government assistance for housing, and to businesses that provide economic opportunities to low- and very low-income persons. Each agency receiving funds under the Infrastructure Programs will receive technical assistance from NMHC and direct hiring and training assistance from CNMI DOL to ensure their projects are compliant with Section 3 to the greatest extent feasible.

[3] https://www.hudexchange.info/resources/documents/NDRC-Phase-2-NOFA-Appendix-H-Benefits-Cost-Analysis-Instrucctions.docx

It is a guiding principle of this allocation to combat the effects of disproportionate impacts for vulnerable populations. Each project will be assessed during design and implementation to determine who benefits from the resulting infrastructure repairs and improvements. For all three Infrastructure Programs, geographic and demographic analysis will be used to determine how oft-neglected communities will be impacted by a project. In the CNMI, low- and moderate-income residents will be the priority beneficiaries for all infrastructure work.

These guiding principles should be incorporated into the projects under the Infrastructure Programs and include:

- Design of processes and materials to facilitate access and full participation by at-risk groups.
- Facilitating access to financial resources, technical assistance, and logistics support to ensure adequate preparation and full participation.
- Ensuring that at-risk groups can articulate and represent their interests.
- Ensuring that assessment protocols for policies, programs, strategies, and projects include measures for assessing the impact on at-risk groups.

5.7.5 Covered Projects

Requirements under 83 FR 40314 state that projects surpassing a total investment of $200 million threshold or that are complex enough in the opinion of the Federal Permitting Improvement Steering Council will require enhanced oversight including additional environment reviews. While the CNMI has not identified any infrastructure projects that currently reach this threshold, should any projects meet this criteria, the CNMI may choose to complete these additional requirements under Fixing America's Surface Transportation, Title 41 (FAST-41), which established federally accepted procedure to improve early consultation and coordination among government agencies; increase transparency through the publication of project-specific timetables with completion dates for all federal authorizations and environmental reviews; and increase accountability through consultation and reporting on projects.[4] per the Federal Register Notice, CDBG-DR grantees may choose to participate in reporting on their environmental review and permitting of covered projects under FAST-41.

NMHC may be administering projects which meet this threshold through any of the two Infrastructure Programs. NMHC will be actively reporting environmental reviews and permitting for projects of all sizes to HUD and relevant Territorial agencies but does not currently plan to participate in FAST-41.

[4] https://www.energy.gov/oe/mission/transmission-permitting-and-technical-assistance-division/fast-41

APPENDIX

1. **Appendix A: Crosscutting Requirements and Process Overview**
2. **Appendix B: Project Application Form**
3. **Appendix C: HUD Rider**

APPENDIX A: CROSS CUTTING REQUIREMENTS AND PROCESS REVIEW

1.0 Crosscutting Requirements

1.1 Fair Housing

The Fair Housing Act requires all grantees, Implementing Partners and/or developers funded in whole or in part with HUD financial assistance to certify that no person was excluded from participation in,
denied the benefit of, or subjected to discrimination in any housing program or activity because of
their age, race, color, creed, religion, familial status, national origin, sexual orientation, military status, sex, disability or marital status. The Program complies with and enforces the Civil Rights requirements of Title I of the Housing and Community Development Act (HCDA) and the Fair Housing Law. Projects must also assess how planning decisions may affect members of protected classes, racially and ethnically concentrated areas, as well as concentrated areas of poverty; will promote the availability of affordable housing in low-poverty, non-minority areas where appropriate; and will respond to natural hazard-related impacts. Program staff will use demographic, geographic, and social vulnerability analyses to determine any positive or negative impacts to protected classes. Should a project present negative impacts, project scope or design will be re-assessed to mitigate such impacts.

1.2 Environmental Review

Early environmental coordination must be completed to ensure effective implementation of all CDBG-DR Programs. CDBG-DR funding is contingent upon compliance with both Territorial and
federal environmental regulations. This includes compliance with NEPA and related environmental and historic preservation legislation and executive orders. In general, NMHC serves as the lead agency for purposes of NEPA.

HUD's Environmental Review process allows grantees to serve as the "Responsible Entity" to assume environmental review responsibilities under NEPA. As the grantee, NMHC serves as the Responsible Entity as it relates to environmental review responsibilities under NEPA.

Within NMHC Environmental Review Staff will be responsible for performing environmental reviews and compiling the Environmental Review Records (ERR). Reviews are conducted either directly or using qualified environmental service contractors. NMHC's Corporate Director, as the Certifying Officer, is ultimately responsible with certifying that CNMI's environmental reviews are in compliance with NEPA and HUD environmental regulations.

Federal Register Notice FR-6109-N-01 authorizes recipients of CDBG-DR funds under the Appropriations Act to adopt any environmental review, approval, or permit performed by a Federal
agency for the same project to satisfy responsibilities with respect to environmental review, approval, or permit. NMHC will notify HUD in writing of its decision to adopt another agency's

environmental review. NMHC will also retain a copy of the review in its environmental records. Further information concerning the environmental review process is set forth in the Environmental
Policies and Procedures.

1.3 Labor Standards

The Davis-Bacon and Related Acts (DBRA) applies to all federally-funded or assisted construction
contracts in excess of $2,000. This may apply to projects that are fully or partially funded with CDBG-DR, including FEMA or FHWA match programs. In matched projects, only the scope of the CDBG-DR portion of the project are subject to crosscutting requirements DBRA requires all workers employed by contractors or subcontractors on CDBG-DR programs, be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with DBRA, as amended. DBRA also requires that workers on federally-assisted projects are paid not less than weekly.

Wage information for labor under CDBG-DR programs will be tracked in detail by both NMHC and relevant Implementing Partners and subrecipients throughout the life of the Program. Compliance for this requirement may be tracked in the following ways:

1. Additional NMHC Program staff hired to track wages and verify contractor and agency compliance

2. External contractor hired by NMHC to track DBRA compliance

3. Enhanced TA provided to Implementing Partners to track DBRA compliance

Procedures for this process are currently under development and will be incorporated in a future update to this document.

For prime contracts in excess of $100,000, contractors and subcontractors must also, under the provisions of the Contract Work Hours and Safety Standards Act, as amended, pay laborers and mechanics, including guards and watchmen, at least one and one-half times their regular pay for all hours worked over 40 in a work week. Additionally, NMHC must follow the reporting requirements per HUD and U.S. Department of Labor (DOL) regulations. This requirement also extends to NMHC Implementing Partner, and contractors.

The Fair Labor Standards Act of 1938 (FLSA), as amended, establishes the basic minimum wage levels for all work and requires the payment of overtime at the rate of at least one and one-half times the basic hourly rate of pay for hours worked in excess of 40 per week. These labor standards
are applicable to the entire construction contract whether or not CDBG-DR funds finance only a portion of the project.

1.4 Limited English Proficiency

Federal Executive Order 131661 requires NMHC and all satellite offices, programs, Implementing Partners, contractors, subcontractors, and/or developers funded whole or in part with CDBG-DR financial assistance to ensure fair and meaningful access to programs and services for families and individuals with Limited English Proficiency (LEP) and/or deaf/hard of hearing.

Compliance with this requirement is detailed in NMHC's Action Plan (LAP) and will be coordinated and tracked by the Monitoring and Compliance division at NMHC. Depending on the program, NMHC, Implementing Partners, and subcontractors will share the following expectations to comply with this Executive Order:

1. Document Translation: All documents defined as "vital documents" will be translated into the CNMI's three dominant languages: Chamorro and Carolinian, Implementing Partners, and sub-recipients. Vital documents will be made available in other languages upon request. A "vital document" is defined as a document that includes information regarding eligibility requirements, applications and instructions, program eligibility determinations, and appeals procedures. NMHC may provide assistance to ensure this requirement is met.

2. Where required, seek feedback from the community the project serves (advocacy groups serve vital role).

Language maps provided in the Action Plan will be used to determine the project's location and subsequent language context and if proactive LEP outreach will be required.

1.5 Minority and/or Women-Owned Business Enterprises

The Federal Executive Order 12432 guidelines require selected federal agencies to promote and increase the utilization of Minority-Owned and Women-Owned Business Enterprises (M/WBEs). Following procurement guidelines under 2 CFR 200.321, NMHC must make efforts to ensure that all Implementing Partners, contractors, subcontractors, and/or developers funded in whole or in part with HUD CDBG-DR financial assistance encourage participation in contracts and other economic opportunities by small and minority firms, women-owned business enterprises (WBEs), and labor surplus area firms whenever possible. NMHC will accept a MWBE certification from another state, local or regional, DPW, SBA HUB Zone, SBA 8-A certification (economically disadvantaged and 51% locally-owned), and other eligible certification processes. Documentation and goals regarding M/WBE percentages and reporting will be determined in the contracting agreements.

1.6 Section 3 Economic Opportunities

Section 3 is triggered when the award of CDBG-DR funds for new construction and rehabilitation projects creates the need for new employment, contracting, or training opportunities.

APPENDIX A: CROSS CUTTING REQUIREMENTS AND PROCESS REVIEW

Section 3 of the Housing and Urban Development Act of 1968 is to "ensure that employment and other economic opportunities generated by certain U.S. Department of Housing and Urban Development (HUD) financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed to low and very low-income individuals, especially recipients of government assistance for housing and to businesses which provide economic opportunities to low and very low-income individuals."

The Section 3 program requires that recipients of HUD CDBG-DR funds, to the greatest extent feasible, provide (a) employment and training, and (b) contracting opportunities for low- or very low-income residents in connection with construction projects in their neighborhoods.
It also specifically encourages economic opportunities for households who are recipients of government assistance for housing. NMHC and all administering entities will follow and require relevant contractors to follow Section 3 requirements in contracting.

Section 3 applies to the Commonwealth of the Northern Mariana Islands (CNMI), as recipient of HUD funding, as well as to Implementing Partners receiving HUD funding exceeding $200,000. Whenever any portion of HUD funding is invested into projects involving housing construction, demolition or rehabilitation, commercial/private improvements for economic development, or other public construction (e.g., roads, sewers, community centers, and public facilities), the requirements of Section 3 apply.

In conjunction with construction activity, Section 3 applies to projects that are fully or partially funded with CDBG-DR assistance, including projects that are financed in conjunction with CNMI, local, or private matching or leveraged funds, provided that the Section 3 monetary threshold requirements are met. In particular:

□ In conjunction with construction activities, Section 3 applies to contractors or subcontractors that receive contracts more than $100,000 for Section 3-covered projects/activities. Once it is determined that Section 3 applies to a project, the requirements apply to all contracts for construction work arising in connection with that project exceeding $100,000, including those not funded with CDBG-DR assistance. Contractors or subcontractors are required to comply with the Section 3 regulations in the same manner as the CNMI; and

□ "Section 3-covered contract" includes professional service contracts, provided that the work to be performed is generated by the expenditure of funds in furtherance of Section 3 covered work (e.g., housing construction, housing rehabilitation, and other public construction), arising relating to construction projects. Professional service contracts that may constitute Section 3-covered contracts include construction contract oversight, engineering, architectural, environmental and property evaluation, construction progress and draw inspections, and prevailing wage labor compliance.

The regulations pertain to new hires required to complete Section 3-covered projects and activities.

If the expenditure of funding for an otherwise covered project and activity does not result in new employment, contracting, or training opportunities, Section 3 reporting will still be required. When NMHC awards CDBG-DR funds to other governmental departments, nonprofit organizations, subrecipients or other funded entities, NMHC will require they document how reasonable attempts were made to reach numerical goals set forth at 24 CFR Part 135.30. NMHC will inform its Implementing Partners and other funded entities of the requirements of

Section 3, including the language required to be inserted into all construction-related contracts, assist them and their contractors with achieving compliance, and monitor their performance with respect to the Section 3 objectives and requirements.

Implementing Partners will receive training on this requirement and methods of compliance, technical assistance from Program staff, and continual monitoring from NMHC. Currently, a Section 3 Plan is under development, the details of which will be included in an update to this manual.

1.7 System for Award Management (SAMs)

SAM is the federal System for Award Management and is a requirement for doing business with the U.S. government. All vendors are required to register in SAM in order to be awarded contracts under the CDBG-DR program. Vendors are required to complete a one-time registration to provide basic information relevant to procurement and financial transactions. Vendors must update or renew their registration annually to maintain an active status.

1.8 Uniform Relocation and Real Property Acquisition Act (49 CFR 24)

The Uniform Relocation Assistance and Real Property Acquisition Act (URA), is a federal law that establishes minimum standards for federally funded programs and projects that require the acquisition of real property (real estate) or displace persons from their homes, businesses, or farms. The URA's protections and assistance apply to the acquisition, rehabilitation, or demolition of real property for federal or federally funded projects. The phrase "program or project" is defined in 49 CFR Part 24 as, "any activity or series of activities undertaken by a federal agency or with federal financial assistance received or anticipated in any phase of an undertaking in accordance with the federal funding agency guidelines."

The objectives of the URA are:

• To provide uniform, fair and equitable treatment of persons whose real property is acquired or who are displaced in connection with federally funded projects;

• To ensure relocation assistance is provided to displaced persons to lessen the emotional and financial impact of displacement;

• To ensure that no individual or family is displaced unless decent, safe, and sanitary (DSS) housing is available within the displaced person's financial means;

• To help improve the housing conditions of displaced persons living in substandard housing; and,

• To encourage and expedite acquisition by agreement and without coercion.

49 CFR 24.101(c)(1) provides that the subpart B requirements also apply to the acquisition of permanent and/or temporary easements necessary for the project. However, 49 CFR 24.101(c)(2) provides an exception for the acquisition of temporary easements which exclusively benefit the property owner.

2.0 Contracting Agreements

2.1 Implementing Partner and Subrecipient Criteria

As a CDBG-DR program Implementing Partner or subrecipient, entities should demonstrate the following qualities:

Prior experience with executing CDBG, CDBG-DR, or other federal funded projects including, but not limited to, knowledge or prior experience with the following:

□ 2 CFR 200 requirements;

□ Documentation that the project meets a CDBG National Objective; and

□ Documentation that the project's expenditures are for CDBG Eligible Activities.

Have internal staff capacity to effectively manage CDBG-DR grants, including but not limited to:

□ Capacity to perform financial management and oversight;

□ Capacity to perform grant management functions as demonstrated through prior experience with managing grants with in-house staff or with a grants management consultant;

□ Internal auditing capability;

□ Administrative staffing; and

□ Knowledge of both federal and local procurement and contracting requirements.

Knowledge and experience in financial management of Federal grant funds, specifically of CDBGDR funds; and the ability of financial systems to meet all federal and Territorial requirements including, but not limited to:

□ Accounting methods, and budget controls;
□ Proof that expenditures are necessary, reasonable, and directly related to the grant;
□ Monitoring and controls of timely expenditure of Federal funds;
□ Compliance with 2 CFR 200;

□ Completion and results of prior audits under 2 CFR 200 Subpart if applicable;
□ Completion and results of any other audits as it relates to financial capacity;
□ In good standing with the CNMI (for entities other than public entities); and,
□ Davis-Bacon and all labor standards, Section 3, M/WBE, Civil Rights, Section 504, Uniform Relocation Act, Fair Housing Act, ADA, Age Discrimination Act, and records management.

Based on the Capacity Assessment and Initial Scope and Budget Phase, NMHC will develop a Subrecipient Agreement between the agencies for the implementation of the CDBG-DR Programs.

2.2 Capacity Assessment and Initial Scope and Budget
Implementing Partners and subrecipients are required to produce a Capacity Assessment and Project Application Form (Appendix B) for the Program to develop the Intergovernmental Agreement. The Capacity Assessment and Project Application Form are based on a standard form provided by NMHC to all Implementing Partners.

The Capacity Assessment and Project Application submission is a package of information submitted to NMHC.

The purpose of the CDBG-DR Capacity Assessment is to proactively identify the capacity and management practices of the potential Implementing Partners of CDBG-DR funds being administered by NMHC. These types of assessments can be a useful tool in identifying ways to improve economy, efficiency, and effectiveness of disaster recovery operations, understand the level of compliance with relevant rules and regulations, and provide guidance and insight for ongoing monitoring of Implementing Partners.

The methodology to be used is based on the 2 CFR 200 requirements and also HUD's guidance on assessing capacity of Implementing Partners. The process includes assessing the Implementing Partner's history of grant management, program and activity experience, staffing capacity and experience, financial processes, and knowledge of relevant rules and regulations.

2.2.1 Capacity Assessment Process Overview

1. Independent research and information gathering – A review of publicly-available documentation shall be undertaken to provide context for interviews with stakeholders.

Documents to review shall include:

a. Current Action Plans and associated regulations
b. News/media articles related to the agency
c. Agency websites and online materials
d. Previous grant applications or public reports on previous grant funded spending
e. Prior federal/local OIG reports and other audit/inspection reports relevant to agency programs/projects or operations

f. or other annual audit reports

2. Analysis: Information will be reviewed, and observations will be compiled to identify areas/items for consideration in conducting site visits, additional stakeholder discussions and in preparing the overall summary.

3. Document request – A document request list will be sent to each agency regarding documentation which is needed from them in order to facilitate the process.

a. Accounting policies and procedures including record retention policy, system of internal controls, and source documentation retention policy.

b. Procurement policies and procedures

c. Grants management policy and procedures for disaster recovery funds (including fraud, waste, and abuse reporting).

d. Copy of last Single Audit final report (or applicable annual audit if not publicly available

4. Analysis: Policies will be reviewed for level of detail present and capacity to manage significant amounts of Federal disaster grant funding. Audit reports will be reviewed for information related to internal controls.

5. Site visit – a site visit meeting shall take place with key individuals involved in managing federal disaster grant funded projects, in particular the managing of CDBG-DR funded projects
a. Agency participants: Leadership, finance/accounting, procurement, grant managers, etc.

2.3 Project Application Form

The purpose of the Project Application Form is to document:

- How the project is tied to one of the two disasters.
- How all activities of the project are eligible under the Program
- How the project meets one of HUD's three National Objectives

The Project Application Form consists of:

1. Project eligibility review under 24 CFR 570.482

2. A project description (include general timeline and how the project could include mitigation)

3. Tie to the disaster

4. Assigned National Objective according to 24 CFR 570.483

5. Project cost estimate

6. Statement of justification and recommendation

7. Other relevant information

8. Initial Duplication of Benefits review

NMHC engages primarily with the entities who have relevant jurisdictional oversight for each project and selects a suitable Implementing Partner for each project by direct, discretionary selection.

2.4 Contract Agreement Details

NMHC works with Implementing Partners and subrecipients to execute the Subrecipient Agreement which serves as the mechanism for the transfer of funds to the agency and submission of required documents to establish proof of compliance with all federal and local laws as applicable. For projects receiving CDBG-DR funding for multiple project phases, individual amendments may be utilized for each phase. Each amendment will include the scope, budget, and performance metrics of the applicable phase.

2.4.1 Subrecipient Agreements

A subrecipient is considered a public or private nonprofit agency, authority or organization, or community-based development organization receiving CDBG-DR funds from NMHC (or another subrecipient) to undertake CDBG-DR eligible activities (24 CFR 570.500(c)). For the CDBG-DR Programs, NMHC enters into "subrecipient agreements" with these partners. These agreements allow NMHC to ensure that every subrecipient is prepared and understands requirements needed to satisfy applicable CDBG-DR award requirements, as well as local laws. These agreements may include provisions to help determine the subrecipient's procedures are sufficient to reduce risk of noncompliance and to ensure that NMHC can meet its own responsibility to HUD for performance and financial reporting.

2.4.2 Memorandums of Understanding (MOUs)

Most projects requiring funding from the CDBG-DR Programs will likely be implemented by Partner CNMI agencies, referred to hereafter as Implementing Partners. NMHC selects a suitable Implementing Partner for each project by direct, discretionary selection. Because many of the projects requiring a local cost share are designed to further the recovery of the local governments and repair critical infrastructure impacted by Typhoons Mangkhut and Yutu, NMHC engages primarily with the entities who have relevant jurisdictional oversight for these projects.

The agreements should include:

• Scope of Work that includes performance measures and completion of pertinent documents

• CDBG-DR Compliance Provisions: Equal Employment Opportunity, Section 504, Section 3, Access to Records, Duplication of Benefits, etc.

• Statement of Assurances that covers all federal regulations and CDBG-DR requirements

• Budget line-items with general categories such as Salaries & Benefits, Supplies, Travel, Professional Services, & Contracts: maintain detailed budget separately from the contract

• Term of Agreement

NMHC CDBG-DR Division staff and will work with Implementing Partners throughout implementation of disaster recovery programs' phases to ensure that:

□ An approved program is implemented in a manner that is consistent with application and public procurement process;

□ Approved activities are carried out and completed in a timely manner;

□ Activities and certifications are conducted in accordance with the requirements and the primary objectives of the Subrecipient Agreement, program requirements, and other applicable CNMI and federal rules, regulations, policies, and related statures; and,

□ Administrative systems, policies, and procedures provide adequate protection for the prevention and mitigation of fraud, waste, and abuse.

2.4.3 Fraud, Waste, and Abuse

HUD requires that specific policies are developed to prevent fraud, waste, and abuse. Therefore, the Program has established procedures for verifying the accuracy of information provided by program applicants, vendors, and Implementing Partners. The Program's Anti-Fraud, Waste and Abuse (AFWA) check is designed to identify discrepancies and risk-relevant issues in information provided by third parties that may be indicative of fraud, waste, and abuse. The Program will ensure that accurate information obtained from third party vendors and AFWA checks are conducted systematically, utilizing standardized research methodologies, and flag identification processes for consistency and equitable treatment across relevant sources. Flag codes, notations, and relevant supporting documents are checked for errors.

2.4.5 Timely Expenditure of Funds

As per the Supplemental Appropriations for Disaster Relief Requirements, 2018 (P.L.s 115-254 and 116-20), funds must be disbursed by November 24, 2026 - six (6) years from the signing of the initial Grant Agreement between HUD and NMHC.

3.0 Implementation

3.1 Inter-agency Liaisons

Inter-agency coordination will be a critical component of all projects implemented through the CDBG-DR Programs. As such, it is strongly encouraged that all Implementing Partners increase their staff capacity with a dedicated Interagency Liaison in order to effectively remain compliant with HUD CDBG-DR regulations, follow local planning and procurement requirements, as well as to coordinate timelines of complimentary projects with other government agencies. NMHC staff will provide TA to ensure this agency staff is trained to perform the role.

3.2 Technical Assistance (TA)

To assist Implementing Partners in complying with all CDBG-DR regulations and any NMHC policies, as well as to build capacity, CDBG-DR Program staff and project coordinators will provide Implementing Partners with necessary TA throughout the life cycle of the project. NMHC's TA is comprised of formal trainings (prepared materials, in-person presentations and webinars) and informal trainings (verbal or written advice, provided as needed, through in-person meetings, emails or telephone calls). The nature and rigor of TA is continuously tailored to meet the Implementing Partner's unique needs.

3.3 Detailed Scope and Budget Phase

Once a project's Initial Project Application is approved, the Implementing Partner or subrecipient completes and submits to NMHC the detailed project scope and budget. CDBG-DR Program staff and project coordinators (if applicable) provide the applicants with support in completing the detailed scope and budget. The full package of information developed at this phase provides:

- Information pertaining to CDBG-DR eligibility
- A detailed description of the project
- Tie to the disaster
- A detailed project cost estimate
- Detailed Duplication of Benefits documentation
- Project maps detailing location of project activities
- Project maps detailing project service area
- Project time schedule with relevant phasing and milestones
- Activity beneficiary form
- Green Infrastructure Components

□ Section 3 projection

Duplication of Benefits documentation refers to documents needed for the DOB Calculation. An example is provided below based on HUD's guidance, though additional line items may be added by the NMHC as necessary for individual projects.

3.3.1 Project Application Acceptance

Once a project is advanced by NMHC staff, the Implementing Partner will be notified of the decision via an acceptance letter that is sent electronically. A copy of this letter is placed in the project file. The results of all Duplication of Benefits checks will be available in the project file.

3.5 Project Development Phase

In the project development phase, NMHC provides substantial TA to Implementing Partners so they remain in compliance with all requirements through the life of Appendix A: Cross Cutting Requirements and Process Overview 11 the project including the project development phase. The following steps, if relevant to a project, are taken in the project development phase:

1. Procurement of Architectural and Engineering (A/E) professionals to design project if not previously procured.

2. Environmental review completed (unless already adopted by another federal agency).

3. Development of project design by A/E professionals.

4. Preparation of the environmental review record by NMHC.

5. Acquisition of real property, rights of way, permits, by Implementing Partners.

6. DPW agency approvals of plans and permits.

7. Creating and initiating Section 3, MWBE outreach strategies and plans for the project.

8. Obtainment of federal wage decisions and local wage decisions by Implementing Partners.

9. Environmental review record approved and formal "Release of Funds" for construction letter sent.

10. MOU amended for changes in scope or budget (if required).

11. Authorization to proceed to advertise for bids issued.

12. Preparation of the bidding documents for construction by Implementing Partners.

13. Authorization of the subrecipients/Implementing Partner to proceed to bidding/contract award by NMHC.

All projects may not proceed to procurement and construction until environmental review is complete.

3.6 Construction Services Bidding/Pre-construction Phase

NMHC provides substantial TA to Implementing Partners so they remain in compliance with all requirements through the life of the project. This is particularly true for the pre-construction bidding phases of the project. CDBG-DR Program staff and the project coordinators will review and work closely with the subrecipients and Implementing Partners in this phase. The contract should be awarded to the lowest-priced responsible bidder that has complied with the specifications. In some cases, the lowest bid received will exceed the amount of funds allocated for the project. When this happens, subrecipients and Implementing Partners must work with CDBG-DR Program staff to determine the best option to proceed. Agencies may advertise the Invitation For Bid (IFB) after receiving a letter, or e-mail notification from NMHC authorizing them to do so. This communication, letter or email follows:

- NMHC review of plans and specifications
- Environmental clearance of all project activities
- Verification that all necessary lands, rights-of-way, and easements have been acquired
- Verification that all other program requirements have been met.

Upon completion of bidding, subrecipients and Implementing Partners enter the pre-construction phase, which focuses on the subrecipients and Implementing Partners' understanding of CDBG-DR compliance. During this phase, specific pre-construction and construction phase TA is provided to keep agency projects HUD CDBG-DR eligible.

All Implementing Partners must comply with the detailed information on bidding and procurement, available in the Procurement Policies and Procedures.
During this phase:

1. NMHC will set up agencies/subrecipients and contractors in the system of record for financial reporting and compliance (Section 3, Davis-Bacon, M/WBE, and other NMHC requirements). Each project will contain a project file and be set up at the begging of each project to store evidence of compliance with each crosscutting requirement.

2. Agencies/Implementing Partners will report to NMHC staff on compliance with CDBG-DR and program requirements and NMHC staff will input the data into the system of record.
3. Change orders will be reviewed and approved/denied.

The exact procedures for this process are under development as the information management systems for these records have not been procured by NMHC. Upon procurement, a more detailed process flow of information for this phase will be included in an update to this manual.

3.7 Construction Phase

During the construction phase, subrecipients and Implementing Partners will be responsible for:

o Review of weekly Davis Bacon payrolls (or CNMI payrolls as applicable)
o Conducting interviews of workers for all contractors and sub-contractors
o Monthly status reports provided to NMHC
o Review and approval of contractor pay applications
o Review and approval or rejection of change orders
o Submission of claim vouchers to NMHC
o Contractor payments
o Implementing Partner continues to utilize the system of record to report on Section 3, Davis-Bacon, M/WBE, and other NMHC requirements

If a change to the project is necessary during construction, contractors must submit the preliminary construction change order to Implementing Partner for review. NMHC will review and revise the requested change order to ensure that all cost and changes are CDBGDR eligible and procured according to requirements of 2 CFR 200 for all Program activities; for those who administer procurement through the DPP, an additional review from that office will be required. The review requirements may include but are not limited to:

1. Sufficient grant or local funds are available to meet any increased costs;
2. Documentation that all items listed on the change order were reviewed for price reasonableness;

3. Documentation that all items listed on the change order are included in the scope of the environmental review record; and,

4. Documentation that all items listed on the change order are within the scope of the approved application.

If a change of scope or cost occurs after application approval, but before construction begins, NMHC will issue an application amendment.

4.0 Procurement

In addition to verifying the accuracy of information provided by program applicants, the Program verifies the accuracy of information provided by its vendors. As part of the NMHC's procurement process, contractors are required to complete a vendor background questionnaire and to report derogatory information relating to the contractor and/or its key personnel. Prior to Contract execution, the Program's procedures include, but are not limited to: reviewing debarment lists, searching known databases for information (such as tax liens and incorporation

documents), conducting internet research, and obtaining information available from CNMI and federal agencies (such as substantiated investigative findings and audit reports). The Program has established regular channels of communication with other CNMI and local government agencies who are contracting with various entities for services relating to storm recovery efforts in order to be on guard for issues relating to contractor fraud, waste, and abuse.

Implementing Partners who have a contract agreement with NMHC and any subsequent parties must follow federal and NMHC's procurement rules when purchasing services, supplies, materials, or equipment. The procurement requirements found in 2 CFR 200 establish CDBG-DR standards and guidelines for the procurement of supplies, equipment, construction, engineering, architectural, consulting, and other professional services.

Implementing Partners must also follow applicable conflict of interest provisions in Federal and local regulations. If a real or perceived potential conflict of interest is identified, Implementing Partners must contact NMHC for further guidance. Additional information on procurement requirements can be found in NMHC's Procurement Regulations

4.1 Conflicts of Interest

The CDBG-DR Division requires all program staff to disclose any relationship with an Implementing Partner or contractor. CDBG-DR Program staff, sub-grantees, program administrators, and contractors who disclose such relationships are placed in roles where there is no opportunity for them to display favoritism or collude in order to financially or otherwise benefit themselves, the agency, or the contractor. For example, a customer representative may not perform work on the application of a family member. For purposes of this regulation, "family" is defined to include spouse, parents, mother-in-law, father-in-law, grandparents, siblings, brother-in- law, sister-in-law, and children of an official covered under the CDBG-DR conflict of interest regulations at 24 CFR 570.489(h).

NMHC may consider granting an exception to the conflict of interest provisions per 24 CFR 570.489(h)(4) if NMHC has determined that the subrecipient has adequately and publicly addressed all of the concerns generated by the conflict of interest and that an exception would serve to further the purposes of Title I of the Housing and Community Development Act of 1974, as amended and the subrecipient has complied with the requirements listed in 24 CFR 570.489(h)(4)(i) and (ii).

NMHC would consider whether the:

1. exception provides a significant cost benefit or essential degree of expertise;
2. opportunity was provided for under open competitive bidding or negotiation;
3. person affected is an LMI person;
4. affected person has withdrawn from his or her functions or responsibilities;
5. interest or benefit was present before the affected person was in a position to benefit from the conflict of interest; or,

6. undue hardship results from failure grant the exception.

4.2 Professional Services

In order to develop a detailed project description and a conceptual cost estimate for a project scope and budget, NMHC or the Implementing Partner may engage the services of professional architects or engineers. If the agency engages the architect or engineer directly, the agency must comply with CDBG-DR procurement guidelines. The scope of the procurement may also include future services for design, surveying, and construction inspection/representation services. The CDBG-DR Programs may allow Implementing Partners to conduct professional services using force account labor with prior approval and with an understanding that additional oversight from NMHC to ensure cost reasonableness in lieu of competitive bidding.

The procurement of professional services process is as follows:

1. The Implementing Partner prepares and publicizes RFP/RFQ, soliciting responses from an adequate number of sources, through NMHC and conforming with NMHC's procurement regulations.

2. The Implementing Partner/NMHC conducts a technical evaluation of responses and selects the most advantageous offer.

3. The Implementing Partner/NMHC verifies response eligibility, using system for award management.

4. The Implementing Partner/NMHC conducts contract negotiations.

5. NMHC awards a contract to the selected contractor.

6. The Implementing Partner executes contract.

4.3 Construction Services

NMHC provides substantial TA to Implementing Partners so that projects remain in compliance with all requirements through the life of the project. This is particularly true for the pre-construction bidding and construction phases of the project. NMHC notifies the Implementing Partner that it will advertise for bids following the completion of:

- NMHC review of plans and specifications
- Environmental clearance of proposed construction activities
- Permit approval from local permitting agencies and/or federal agency as required
- Verification that all lands, rights-of-way and easements have been acquired
- Verification that all other program requirements have been met.

After notification to advertise for bids has been issued, the Implementing Partner may proceed with public advertising for bids in accordance with Federal and local procurement

standards.

5.0 Administrative Records

5.1 Recordkeeping

Implementing Partners and subrecipients must establish a system for recordkeeping that assists NMHC with the review of files for compliance. In other words, records should be kept in a manner that clearly tells the whole story of a Community Development Block Grant Disaster Recovery (CDBG-DR) project from beginning to end. The Implementing Partner is responsible for maintaining all records pertinent to a grant, including supporting documentation, for three (3) years from the date NMHC closes the CDBG-DR program with HUD. Because this required record retention period is not an exact date or time period, NMHC will notify Implementing Partners when the program has been closed with HUD and include the end date of the record retention period. A list of potential records, by activity, can be found in the Recordkeeping and Reporting Policy.

5.2 Reporting

Implementing Partners are required to submit a Monthly Performance Report (MPR) to NMHC. Monthly reports will be used to assess program progress, timeliness, and to justify needs. It is important because it provides NMHC with information that is required to be provided to the HUD on a quarterly basis. Therefore, reports must be submitted on time and accurately. Submission of the required Monthly Performance Report begins with the first report deadline after the Implementing Partner receives project approval and continues until the Implementing Partner has submitted the Final Monthly Performance Report and the closeout forms. The report template can be found in the Administrative Manual.

6.0 Official Monitoring Phase

NMHC will conduct interim official monitoring as needed through the life of the project. The official monitoring process includes the following:

More information on this phase is available in the Monitoring and Compliance Manual.

APPENDIX B: APPLICATION FORM

Northern Marianas Housing Corporation
Community Development Block Grant – Disaster Recovery (CDBG-DR) Program

CDBG-DR Project Application Form
(Scope, Eligibility, and Budget)

Company/Agency Name: _____

Project Name: _____

Northern Marianas Housing Corporation
Main Office
P.O. Box 500514
Saipan MP, 96950
Phone (670)234-6866

Northern Marianas Housing Corporation
CDBG-DR
(670)233-9447

GENERAL DESCRIPTION FORM INSTRUCTIONS

Mark the appropriate box at the top of the form to indicate whether this is the original application or amended application. An amended application must be submitted each time there is a change to the project. Please enter the amendment number that corresponds to each change. (ex: *First change to the original approved application would be Amended Application #1)*

1. In the **Applicant Name** box indicate the entity's name (ex: *Northern Marianas Housing Corporation*), the person in the applicant's office to be contacted regarding this application, address, phone numbers of the entity requesting funds and contact person, and e-mail address of contact person.

2. **Program.** Select program your proposed project falls under.

3. In the **Project Name** box indicate the name of the project (ex: *Building of Low/Mod Rental Units*).

4. In the **Architectural/Engineering Firm** box indicate the name, address, phone number, and e-mail address of the architectural/engineering firm for this project if one was hired by the applicant.

5. In the **Environmental Firm** box indicate the name, address, phone number, and e-mail address of the environmental firm for this project if one was hired by the applicant.

6. **Tie to the Disaster.** Provide a detailed explanation on how your project is tied to Super typhoon Yutu and/or Typhoon Mangkhut. ***Note:*** *Please provide before and after pictures if appliable, reports or data received to support your proposed activity.*

7. **Project Description.** Provide a concise description of the project for which you are requesting funds. The description should tell the entire story of the proposed project that will enable NMHC to make a sound decision on the eligibility of the project. Please respond to as many questions as possible that pertain to the proposed project in this section. If the question does not apply to the project, please enter "N/A".

8. In the **National Objective** box indicate which national objective will be addressed by the project.

9. **Eligible Activities.** Select the appropriate eligible activity that your proposed project will fall under. Most CDBG-DR appropriations require funds to be used for necessary expenses for activities related to disaster relief, long-term recovery, restoration of infrastructure and housing, and economic revitalization in the most impacted and distressed areas.

   The activity must be CDBG-DR eligible or allowed via a waiver, address a disaster-related impact in a Presidentially declared county, and meet a national objective. Disaster-related activities are those that demonstrate (1) a logical connection to the disaster, and (2) how the activity will contribute to long-term recovery. ***Note:*** *Grantee must determine what documentation is sufficient and reasonable to show how activities respond to disaster-related impact.*

10. **Duplicate of Benefits.** Provide information that may be seen as an additional funding source (ex. Insurance, monetary donations, FEMA, SBA) for the intended project.

Note: *The applicant's Organizational Head must initial the appropriate pages, sign and date the completed application and the project budget to signify approval. Type the* ***Organizational Head's*** *name and title in the appropriate boxes. A signature signifies the approval by the Organizational Head.*

Please attach additional sheet(s) if extra space is needed.

General Description Form

Place a check mark in the appropriate box: ☐ Original Application ☐ Amended Application #_____

1. Applicant Name, Contact Person's Name, Address, Phone Number, and Email Address:

2. Program:

☐ Housing ☐ Infrastructure ☐ Economic Revitalization ☐ Planning ☐ Public Services/Public Facilities

3. Project Name:

4. Name, Address, Phone Number, and Email Address of Architectural/Engineering Firm: ***(if applicable)***

5. Name, Address, Phone Number, and Email Address of Environmental Firm: ***(if applicable)***

Date of ERR:
(if applicable)

6. Describe in detail, your project's physical loss or social impact or economic impact or loss in function of a system, that will serve as a "Tie to the Disaster":

Organizational Head Initials ____ NMHC Initial ____ Page **3** of **21**

7. **Project Description** ***(Answer the questions below)***
a. Based on the CNMI action plan and the program selected in section 2 of this form, describe the proposed project to be funded with CDBG-DR funds. This section should include the project timeline.
b. Briefly explain the needs to be addressed with the proposed project
c. Show that the project considers and/or proposes a mitigation plan to minimize damage in the event of future floods or typhoons.
d. How extensive is the proposed construction? Is there site work, digging/earthwork, etc.?
e. Identify the proposed improvements, location of the proposed improvements, and/or project (making sure to answer who owns the property, what is near and around i.e. landmarks, and where it is located). Current size/capacity of and area served by the project, etc.

f.	**Describe whether the project will require the acquisition of property, easements, or right-of-way and the approximate number of parcels to be acquired.**
g.	**Describe how the project relates to existing infrastructure. For example, if you plan to install new sewage collection lines, then can the treatment plant handle the increase?**
h.	**Is there green infrastructure or other sustainability design components? To complete this section, green infrastructure is defined as the integration of natural systems and processes, or engineered systems that mimic natural systems and processes, into investments in resilient infrastructure. "Green Infrastructure" takes advantage of the services and natural defenses provided by land and water systems such as wetlands, natural areas, and vegetation, while contributing to the health and quality of life of those in recovering communities.**
i.	**For government and private developers, describe how people will benefit from the project and indicate whether the benefits will be direct and/or indirect. Direct benefits are defined as those that will take place on private property, such as an increased stock of housing units or utility hookups. Provide an estimated number of housing units or utility hookups, for example.**

j.	Identify who will retain ownership of the system/project deliverables after the completion of the project. Describe the method by which the applicant can ensure that adequate revenues will be available to operate and maintain the proposed project. The description must identify the source and the estimated amount of funds that will be generated for this purpose.
k.	Describe the physical boundaries of the target area(s) in relation to the beneficiaries of the project.
l.	Will the proposed project directly cause any demolition or conversion of any existing residential or commercial units resulting in the permanent, temporary, or economic displacement of existing tenants? If yes, indicate whether the households are low income and the estimated number of households that may be affected. **Note:** *Attach a plan describing the steps taken to minimize displacement, including what assistance/benefits will be provided to displaced households and what plans have been developed to replace the units and ensure that they stay at or below Fair Market Rent for XXXX years*
m.	If the property was built before 1978, is it exempt from lead-based paint abatement? If yes, list the reason. If no, has the property been evaluated? Please indicate if the property needs remediation. **Note:** *Attach record indicating year of construction and proof of exemption.*

n. For rehabilitation projects, has there been an evaluation of asbestos hazards? Does the property need Asbestos remediation?
Note: *Provide a copy of the reports.*

o. Was the building occupied at the time of typhoon(s)? ☐ Yes ☐ No

If yes, how many units were occupied? ___ Unoccupied units? ____ Total units? ____

Describe Buildings: ☐ Residential ☐ Commercial ☐ Industrial ☐ Other: _____

Describe Occupants: ☐ Owner ☐ Rental ☐ Lease

Who owns the property or building? _____ **Note:** *Submit a copy of the deed or lease.*

p. If this is a housing project, does it have more than five (5) units? If yes, at least 5% (or 1, whichever is greater) must be accessible to persons with mobility impairments and 2% (or 1, whichever is greater) must be accessible to persons with sensory impairments if the project is new construction or requires substantial rehabilitation. The remaining units must meet the accessibility requirements of the Federal Fair Housing Act, which requires that all units in elevator buildings and ground units in other buildings be ADA accessible.

q. Have steps been established to further Fair Housing? Please explain.

8. National Objectives to be addressed (check one).

To be eligible for the CDBG-DR funding, a project must meet at least one of the national objectives outlined in Title 24, Section 570.208 of the Code of Federal Regulations. Select from below the national objective(s) to be met by this project.

☐ Activities Benefiting Low/Moderate Income Persons

☐ *Area benefit activities* are one that benefits all residents of low to moderate-income in a particular area, which 51% of the residents are low to moderate-income persons. (**Note:** This selection is applicable only if the project will be located in a neighborhood or census tract where more than 51% of the persons or households qualify as low to moderate-income. *Please refer to the census maps attached at the end of the application*

☐ *Limited Clientele.* Limited to a specific group of persons and at least 51% of them qualify as low to moderate-income.

☐ *Housing activities*. An eligible activity carried out for a purpose of providing or improving permanent residential structures which, upon completion, will be occupied by low- and moderate-income households.

☐ *Job creation or retention activities*. An activity designed to create or retain permanent jobs where at least 51% of the jobs, computed on a full-time equivalent basis, involve the employment of low- and moderate-income persons.

☐ Prevention/Elimination of Slums or Blight including historic restoration to remove conditions that threaten health and safety. ***Please note that the designation of areas of "slum and blight" must have been established by local law.***

☐ Urgent Need. Activity designed to alleviate existing conditions which pose a serious and immediate threat to the health or welfare of the community which is of recent origin or which recently became urgent, that the applicant is unable to finance the activity on its own, and that other sources of funding are not available.

☐ None (Planning, Capacity Building, Administrative)

9. Eligible Activities

To be eligible for funding, a proposal must include one or more of the activities described in Title 24 570.200 to 570.206 of the Code of Federal Regulations. Select from the listing below the activity this proposed project entails.

☐ Acquisition of real property 201(a)
☐ Disposition 201(b)
☐ Public Facilities and Improvements 201(c)
☐ Clearance and remediations 201(d)
☐ Public Services 201(e)
☐ Interim Assistance 201(f)
☐ Relocation 201(i)
☐ Loss of Rental Income 201(j)
☐ Privately-Owned Utilities 201(l)
☐ Construction of Housing 201(m)
☐ Homeownership Assistance 201(n)
☐ Special Economic Development Activities 201(o); 203
☐ Microenterprise Assistance 201(o)
☐ Miscellaneous Other Activities 201 (g), (h), (p), (q)
☐ Rehabilitation and Preservation 202(a), (b), (c), (d), (e), (f)
☐ Planning activities 205(a)
☐ General management, oversight and coordination 206(a)
☐ Public information 206(b)
☐ Fair Housing Activities 206(c)
☐ Indirect Costs 206(e)
☐ Submission of applications for federal programs 206(f)
☐ Administrative expenses to facilitate housing 206(g)
☐ Section 17 of the U.S. Housing Act of 1937 206(h)

10. Duplication of Benefits.

Did the applicant file an insurance claim (or receive other funding) for the damages referenced in this application? If yes, what were the proceeds used for? If the funds were not used what will the funds be used for? Provide the dollar amounts in the High-Level Budget section of this application

☐ Yes ☐ No

HIGH LEVEL BUDGET INSTRUCTIONS

Indicate the total dollar amount of Project Funds expected from each funding source. Round all amounts to the nearest dollar. The **TOTAL FUNDS** amount should equal the total project cost. Identify the funding source and the status of each of those funds (*committed, applied for, etc.*).

Once the budget table is completed, provide the responses to the below question.

Note: *A cost analysis must be completed for this entire project to complete the budget. A detailed budget/cost summary will be required once your project is deemed eligible.*

CDBG-DR funding is the funding of last resort; therefore, if the proposed project activities were formerly part of your organization's annual budget please identify and indicate the amount below. Also, identify all other funding sources you have pursued and will become available to you during the life of the project. If your project will generate Program Income during the life of project, please indicate as well below. ***(Attach an additional sheet if more space is required.)***

Project Funds	Amount	Funding Source	Status of Funds
CDBG-DR			
Local Funds			
Private Funds			
Insurance Proceeds			
Federal Funds (ie. FEMA)			
Other Funds			
Program Income			
TOTAL FUNDS			

1. Please explain how your organization will generate program income?

PROJECT BUDGET INSTRUCTIONS

Section I – Project Information

- Please enter the perspective applicant name.
- Please enter the Intergovernment/Developer Agreement Number (Leave blank until the number has been assigned and communicated upon executed intergovernment/developer agreement.)
- Please enter the Project Number (Leave blank until the number has been assigned and communicated upon an executed Project Addendum)
- Provide the project name that will budgeted in Section II.

Section II – Budget Information

Fill out the section that applies and add additional lines as needed. The categories are defined below. (**Note:** *Subsequent payment requests will be required to be submitted by budgeted line items. Any increases or decreases in budgeted line item will have to be requested and approved by the Grantee).*

1. **Program Administration**: Costs associated with the administration, financial requirements, reports, documentation and compliance records, monitoring and oversight. **Note**: *This cost must be allowed by the Grantee in the Intergovernment/Developer's agreement.*

2. **Project Cost (Direct)**: This refers to both the hard and soft costs of the project, including design, environmental and construction services. This also includes any planned equipment purchased, which must be identified on a separate line item as a budget item.

3. **Project Cost (Activity Delivery Costs)**: All project related implementation activities per a written agreement between the grantee and/or agency/developer. It may include personnel cost for employees directly related to the day to day specific oversight and implementation of CDBG-DR eligible activities. Personnel cost must be based on records that accurately reflect the work performed. 2 CFR 200.430(i) and should include timesheets and activity logs signed and dated by staff and their supervisor. The time sheet should have a description of the work performed. If time is split between multiple programs, the time sheet should accurately reflect the time split and no time should be left un-allocated.

4. **Indirect Cost**: Indirect costs are costs used by multiple activities, and which cannot therefore be assigned to specific cost objects. As noted in 2CFR Section 200.331(a)XIII, the subaward should include, "Indirect cost rate for Federal award (including if the de minimis rate is charged per §200.414 Indirect (F&A) costs)". Additionally, Section 200.331 (a)(4), requires "an approved federally recognized indirect cost rate negotiated between the fund recipient and the Federal Government or, if no such rate exists, either a rate negotiated between the pass-through entity and the fund recipient (in compliance with this part), or a de minimis indirect cost rate as defined in §200.414 Indirect (F&A) costs, paragraph (f).

   Acceptance of the 10 percent de minimis rate is predicated upon the following conditions: (1) the non-Federal entity has never received a Negotiated Indirect Cost Rate Agreement (NICRA) from a Federal agency and is therefore eligible for the 10percent de minimis rate; (2) that no costs other than those incurred by the non-Federal entity will be recovered by using the 10 percent de minimis rate and such costs are legal obligations of the non-Federal entity; (3) that the same costs that have been treated as indirect costs have not neem claimed as direct costs; and (4) that similar types of costs have been accorded consistent.

Section III – AUTHORIZATION

1. The applicant's **Organizational Head** must sign and date the form to signify the approval. Type the **Organizational Head's** name and title in the appropriate box.

2. **NMHC ONLY**. NMHC will review for approval.

PROJECT BUDGET FORM

Effective Date:

FORM: CDBGDR-PBUDGT-XX-XX-XX

SECTION I – PROJECT INFORMATION

Agency/Developer Name:		Project Name:	
Agreement Number:		Project Number:	

(Complete the below detailed budget. Attach a second sheet if additional space/detail is needed. Include the cost analysis when submitting the application.)

SECTION II – BUDGET INFORMATION

CATEGORY	CDBG-DR BUDGET	OTHER SOURCES OF FUNDS			TOTAL COSTS
Program Administration *(At the discretion of the grantee)*					
Budget Item A					
Budget Item B					
Subtotal Program Administration					
Project Costs (Direct)					
Budget Item A					
Budget Item B					
Budget Item C					
Budget Item D					
Budget Item E					
Subtotal Program Administration					
Project Costs (Activity Delivery Cost)					
Budget Item A					
Budget Item B					
Budget Item C					
Subtotal Project Cost (Activity Delivery Cost)					
TOTAL PROJECT COST					
Indirect Cost					
Planning					
Budget Item A					
Budget Item B					
Budget Item C					
TOTAL PLANNING COST					
GRAND TOTAL IN COST					

SECTION III – AUTHORIZATION

The applicant agrees to substantially abide by the above budget in the utilization of funds provided under the Intergovernment/Developer Agreement.

Organizational Head: _____

Print Name and Official Title

_____ _____

Signature **Date**

NMHC-CDBG-DR Use Only

Reviewed by CDBG-DR Compliance Manager: _____

Print Name and Official Title

_____ _____

Signature **Date**

Reviewed by CDBG-DR Project Manager: _____

Print Name and Official Title

_____ _____

Signature **Date**

Reviewed by CDBG-DR Finance Manager: _____

Print Name and Official Title

_____ _____

Signature **Date**

Approved / Rejected by NMHC Corporate Director: _____

Print Name and Official Title

_____ _____

Signature **Date**

PROJECT DISBURSEMENT SCHEDULE INSTRUCTIONS

Section I – Project Information

- Please enter the perspective agency/developer name.
- Provide the project name of the specific project.
- Please enter the Intergovernment/Developer Agreement Number (*Leave blank until the number has been assigned and communicated upon an executed intergovernment/developer agreement.*)
- Please enter the Project Number (*Leave blank until the number has been assigned and communicated upon an executed Project Addendum.*)

Section II – Disbursement Schedule

1. **Project Amount**: The Project Amount refers to the total CDBG-DR funded part of the project budget

2. **Cumulative Amount**: The Cumulative Amount is a quarter over quarter projection of the projected costs.

3. **Milestones**: If a milestone is Not Applicable (NA) to your project, please mark as such. If you have an additional milestone critical to your project, please add.

4. **Duration**: The Grant Expenditure Period for the CBDG-DR program is six (6) years. It began on November 25, 2020, with the signing of the Grant Agreement with HUD and ends November 24, 2026. If your project will take more than two years to complete, please add additional sheets.

5. **Quarters**: Please mark the Quarter when the activity starts with an "X".

Note: *Complete the appropriate disbursement schedule for the proposed project.*

PROJECT DISBURSEMENT SCHEDULE (CONSTRUCTION)

SECTION I – PROJECT INFORMATION

Agency/Developer Name:		Project Name:	
Intergovernment/Developer Number:		Project Number:	

SECTION II – DISBURSEMENT SCHEDULE

Milestone	Amount	*Insert Year*											
		Quarter			Quarter			Quarter			Quarter		
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	$0.00			$0.00			$0.00			$0.00			$0.00
Environmental Clearance													
Execution of Agreement or Memorandum of Understanding and the Issuance of the Notice to Proceed													
Solicitation and Selection of Architect													
Design or Development of Scope of Work in progress													
Solicitation and Selection of Contractor													
Construction work in progress													
Final Inspection and Close Out													
Cumulative Drawdown				$0.00			$0.00			$0.00			$0.00

Milestone	Amount	*Insert Year*											
		Quarter			Quarter			Quarter			Quarter		
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	$0.00			$0.00			$0.00			$0.00			$0.00
Environmental Clearance													
Execution of Agreement or Memorandum of Understanding and the Issuance of the Notice to Proceed													
Solicitation and Selection of Architect													
Design or Development of Scope of Work in progress													
Solicitation and Selection of Contractor													
Construction work in progress													
Final Inspection and Close Out													
Cumulative Drawdown				$0.00			$0.00			$0.00			$0.00

PROJECT DISBURSEMENT SCHEDULE (PUBLIC SERVICES)

SECTION I – PROJECT INFORMATION

Agency/Developer Name:		**Project Name:**	
Interagency/Developer Agreement Number:		**Project Number:**	

SECTION II – DISBURSEMENT SCHEDULE

Milestone	Amount	*Insert Year*											
		Quarter			Quarter			Quarter			Quarter		
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	$0.00			$0.00			$0.00			$0.00			$0.00
Environmental Clearance													
Execution of Agreement or Memorandum of Understanding and the Issuance of the Notice to Proceed													
Solicitation and Selection of Architect													
Design or Development of Scope of Work in progress													
Solicitation and Selection of Contractor													
Construction work in progress													
Final Inspection and Close Out													
Cumulative Drawdown				$0.00			$0.00			$0.00			$0.00

Milestone	Amount	*Insert Year*											
		Quarter			Quarter			Quarter			Quarter		
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	$0.00			$0.00			$0.00			$0.00			$0.00
Environmental Clearance													
Execution of Agreement or Memorandum of Understanding and the Issuance of the Notice to Proceed													
Solicitation and Selection of Architect													
Design or Development of Scope of Work in progress													
Solicitation and Selection of Contractor													
Construction work in progress													
Final Inspection and Close Out													
Cumulative Drawdown				$0.00			$0.00			$0.00			$0.00

ACTIVITY BENEFICIARY FORM INSTRUCTIONS

Objective: The Activity Beneficiary Form reports information for actual beneficiaries of intended CDBG-DR activities.

1. Mark the appropriate checkbox that applies (Grantee or Agency/Developer) and enter the name of the Grantee or Agency/Developer.

2. Enter the Interagency/Developer/Project ID assigned by NMHC CDBG-DR.

3. Enter Activity Name assigned by NMHC CDBG-DR

Part I – BENEFICIARY INCOME INFORMATION

A. Based upon the location of the project, enter the number and percentage of individuals benefitting by income level.

B. Enter the data source(s) (e.g.) HUD American Community Survey, household survey) and any additional information describing how the beneficiaries were determined.

Part II – AREA INFORMATION (*If the activity is a direct benefit activity, leave this Part II area blank*)

A. Enter whether the project is target area or communitywide and the census block groups of the project area. Please list each census tract(s) and/or block group(s) that define the area; separating each census tract with a ";". Please continue on another page, if necessary. This information should be determined using the 2010 Census data attached at the end of this document.

B. Enter the exact location of the geographical center of the project by identifying the latitude and longitude numbers. This information may have been initially reported on the supplemental information page in the approved project application.

Part III – DIRECT BENEFIT DEMOGRAPHIC INFORMATION (*If the activity is an area wide benefit, leave this Part III area blank)*

A. Enter the total individuals who will benefit by racial and ethnicity and by income level. This total for LMI is any person 80% or below the area median income and Non-LMI are 81% or higher of the area median income. The LMI and Non-LMI total should equal the population total in Part I-A.

   Race and ethnicity are independent of each other and should be counted separately. For instance, fi the activity served 20 White persons, 15 of which are not of Hispanic/Latino ethnicity and 5 of which are of Hispanic/Latino ethnicity, the information to be added into row "A. Race and Ethnicity, 1. White "should be 20 for Total and 5 for Hispanic/Latino".

B. Enter female headed households for those LMI (80% or below area median income) and those non-LMI (above 80% area median income).

Project Maps

A map (or maps) that delineate(s) the following items for each target area must be included in the application package:

1. Existing Conditions Map: Provide a detailed map of the existing improvements. The map should delineate such items as the location of project and/or size of waterlines, elevated water tanks, sewer lines, manholes, location of treatment plants, etc.

2. Proposed Improvements Map: Provide a detailed map showing the location of project, sizes, etc. of the proposed improvements.

3. Census tracts and/or block groups (by number) and/or logical records numbers.
4. Location of concentrations of low- and moderate-income persons, showing numbers and percent by census tracts and/or block groups and/or logical record number.

5. Boundaries of areas in which the activities will be concentrated; and

6. The specific location of each activity.

Note: *The Existing Conditions map and the Proposed Improvements map may be combined into one map if all the information shown can be depicted in such a way as to easily determine the difference between the existing and proposed.*

NMHC COMMUNITY DEVELOPMENT BLOCK GRANT – DISASTER RECOVERY ACTIVITY BENEFICIARY FORM	
1. ☐ **Grantee** ☐ **Interagency/Developer**	**2. Int./Dev./Project ID**
3. Activity Name:	

PART I – BENEFICIARY INCOME INFORMATION

A. Income Levels	**Total**	**Percentage**
1. Total number of persons less than or equal to 50% Area Median Income		
2. Total number of persons over 50% not greater than 80% Area Median Income		
3. Total number of persons over 80% Area Median Income		
Total Population		

A. Source(s) for Determining Beneficiary Data:

PART II – AREA INFORMATION *(Skip Part II if this is a direct benefit project)*

A. Indicate whether the completed project was target area(s) specific or community-wide

☐ Target Area(s) ☐ Community-Wide

List Census Tract(s) and/or Block Group(s):

_____

_____

_____

_____

B. Provide Latitude/Longitude for the project location at or near geographical center:

Latitude: _____ Longitude: _____

PART III – DIRECT BENEFIT DEMOGRAPHIC INFORMATION *(Skip Part III if this is an area wide benefit project)*

A. Race and Ethnicity	**Total**		**Hispanic/Latino**	
	LMI	**Non-LMI**	**LMI**	**Non-LMI**
1. White				
2. Black/African American				
3. Asian				
4. American Indian/Alaskan Native				
5. Native Hawaiian/Other Pacific Islander				
6. American Indian/Alaskan Native and White				
7. Asian and White				
8. Black/African American and White				
9. American Indian/Alaskan Native and Black/African American				
10. Other multi-racial				
11. Unknown				
Total Persons				
B. Head of Household	**LMI**		**Non-LMI**	
1. Female-Headed Households				

OTHER FUNDS SUPPLEMENTAL DOCUMENTATION

Some projects may cost more than is available under the approved NMHC action plan programs. The applicant may propose to use other funds in conjunction with the CDBG-DR funds. These other funds must be identified and must be available and ready to spend. If these funds involve loans or grants from other local, federal, or private sources, the monies must have already been awarded. To substantiate the immediate availability of the other funds, one of the following items of supporting documentation will be required:

1. Letter and adopted resolution from the local governing body stating the specific source, amount, and location of local cash;

2. A line of credit letter from a financial institution such as a bank stating the amount available as a loan;

3. Specific evidence of funds to be received from a tax or bond election that has already passed; or

4. A letter from another funding agency stating that the funds have been awarded and are currently available for expenditure.

Note: *Attach the supporting documentation to this application.*

AUTHORIZATION

In the event that the NMHC or HUD determines that any funds were expended by the Agency/Developer for unauthorized or ineligible purposes or the expenditures constitute disallowed costs in any other way, then NMHC or HUD may order repayment of the same. The Agency/Developer shall remit the disallowed amount to NMHC within thirty (30) days of written notice of the disallowance.

I certify that all information provided as part of this application is true and correct to the best of my knowledge. I agree to substantially abide by the above budget in the utilization of funds provided under this Intergovernment/Developer Agreement. I certify under penalty of perjury that : (1) the information provided in this Community Development Block Grant Disaster Recovery Project application is true and correct as of this date and that any intentional or negligent misrepresentation may result in civil liability, including monetary damages, and/or in criminal penalties including, but not limited to, fine or imprisonment or both under the provisions of Title 18, United States Code, Sec 1001, et seq.; and (2) the property will not be used for any illegal or prohibited purpose or use.

Organizational Head:

Print Name and Official Title

Signature | Date

NMHC-CDBG-DR Use Only

Reviewed by CDBG-DR Compliance Manager:

Print Name and Official Title

Signature | Date

Reviewed by CDBG-DR Project Manager:

Print Name and Initials

Signature | Date

Reviewed by Finance Manager:

Print Name and Initials

Signature | Date

Approved / Rejected by NMHC Corporate Director:

Print Name and Official Title

Signature | Date

APPENDIX C: HUD RIDER

HUD GENERAL PROVISIONS

The following terms and conditions apply to any contract for which any portion of the funding is derived from a grant made by the United States Department of Housing and Urban Development ("HUD"). In addition, Subcontractor shall comply with the Federal Labor Standards Provisions set forth in Form HUD4010, available at http://www.hud.gov/offices/adm/hudclips/forms/files/4010.pdf.

1. PROVISIONS REQUIRED BY LAW DEEMED INSERTED

Each and every provision of law and clause required by law to be inserted in this contract shall be deemed to be inserted herein and the contract shall be read and enforced as though it were included herein, and if through mistake or otherwise any such provision is not inserted, or is not correctly inserted, then upon the application of either party the contract shall forthwith be physically amended to make such insertion or correction.

2. STATUTORY AND REGULATORY COMPLIANCE

Subcontractor shall comply with all laws and regulations applicable to the Community Development Block Grant-Disaster Recovery funds appropriated by the Disaster Relief Appropriations Acts, 2018 (Pub. L. 115-254 and Pub. L. 116-20), including but not limited to the applicable Office of Management and Budget Circulars, which may impact the administration of funds and/or set forth certain cost principles, including the allowability of certain expenses.

3. BREACH OF CONTRACT TERMS

NMHC reserves its right to all administrative, contractual, or legal remedies, including but not limited to suspension or termination of this contract, in instances where the Contractor or any of its subcontractors violate or breach any contract term. If the Contractor or any of its subcontractors violate or breach any contract term, they shall be subject to such sanctions and penalties as may be appropriate. The duties and obligations imposed by the contract documents and the rights and remedies available thereunder shall be in addition to and not a limitation of any duties, obligations, rights and remedies otherwise imposed or available by law.

4. REPORTING REQUIREMENTS

The Subcontractor shall complete and submit all reports, in such form and according to such schedule, as may be required by NMHC. The Subcontractor shall cooperate with all NMHC efforts to comply with HUD requirements and regulations pertaining to reporting, including but not limited to 24 C.F.R. §§ 85.40-41 (or 84.50-52, if applicable) and 570.507.

5. ACCESS TO RECORDS

The State, the U.S. Department of Housing and Urban Development, the Comptroller General of the United States, or any of their duly authorized representatives, shall have, at any time and from time to time during normal business hours, access to any work product, books, documents, papers, and records of the Subcontractor which are related to this contract, for the purpose of inspection, audits, examinations, and making excerpts, copies and transcriptions.

Subcontractor-NMHC
Initials ____/____
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6. MAINTENANCE/RETENTION OF RECORDS

All records connected with this contract will be maintained in a central location and will be maintained for a period of at least four (4) years following the date of final payment and close-out of all pending matters related to this contract.

7. SMALL AND MINORITY FIRMS, WOMEN'S BUSINESS ENTERPRISES, AND LABOR SURPLUS AREA FIRMS

The Subcontractor will take necessary affirmative steps to assure that minority firms, women's business enterprises, and labor surplus area firms are used in subcontracting when possible. Steps include:

(i) Placing qualified small and minority businesses and women's business enterprises on solicitation lists;

(ii) Assuring that small and minority businesses, and women's business enterprises are solicited whenever they are potential sources;

(iii) Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority business, and women's business enterprises;

(iv) Establishing delivery schedules, where the requirement permits, which encourage participation by small and minority business, and women's business enterprises; and

(v) Using the services and assistance of the Small Business Administration, and the Minority Business Development Agency of the Department of Commerce.

8. RIGHTS TO INVENTIONS MADE UNDER A CONTRACT OR AGREEMENT

Contracts or agreements for the performance of experimental, developmental, or research work shall provide for the rights of the Federal Government and the recipient in any resulting invention in accordance with 37 CFR part 401, "Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Grants, Contracts and Cooperative Agreements," and any implementing regulations issued by HUD.

9. ENERGY EFFICIENCY

The Subcontractor shall comply with mandatory standards and policies relating to energy efficiency issued in compliance with the Energy Policy and Conservation Act (Public Law 94-163).

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10. TITLE VI OF THE CIVIL RIGHTS ACT OF 1964

The Contractor shall comply with the provisions of Title VI of the Civil Rights Act of 1964. No person shall, on the grounds of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance.

11. SECTION 109 OF THE HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974

The Subcontractor shall comply with the provisions of Section 109 of the Housing and Community Development Act of 1974. No person in the United States shall on the grounds of race, color, national origin, or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with funds made available under this title. Section 109 further provides that discrimination on the basis of age under the Age Discrimination Act of 1975 or with respect to an otherwise qualified handicapped individual as provided in Section 504 of the Rehabilitation Act of 1973, as amended, is prohibited.

12. SECTION 504 OF THE REHABILITATION ACT OF 1973

The Subcontractor shall comply with section 504 of the Rehabilitation Act of 1973 (29 U.S.C. § 94), as amended, and any applicable regulations. The Subcontractor agrees that no qualified individual with handicaps shall, solely on the basis of handicap, be excluded from participation in, be denied the benefits of, or otherwise be subjected to discrimination under any program or activity that receives Federal financial assistance from HUD.

13. AGE DISCRIMINATION ACT OF 1975

The Subcontractor shall comply with the Age Discrimination Act of 1975 (42 U.S.C. § 6101 et seq.), as amended, and any applicable regulations. No person in the United States shall, on the basis of age, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under, any program or activity receiving Federal financial assistance.

14. DEBARMENT, SUSPENSION, AND INELIGIBILITY

The Subcontractor represents and warrants that it and its subcontractors are not debarred or suspended or otherwise excluded from or ineligible for participation in Federal assistance programs subject to 2 C.F.R. part 2424.

15. CONFLICTS OF INTEREST

The Subcontractor shall notify NMHC as soon as possible if this contract or any aspect related to the anticipated work under this contract raises an actual or potential conflict of interest (as defined at 2 C.F.R. Part 215 and 24 C.F.R. § 85.36 (or 84.42, if applicable)). The Subcontractor shall explain the actual or potential conflict in writing in sufficient detail so that the State is able to assess such actual or potential conflict. The Subcontractor shall provide NMHC any additional information necessary for NMHC to fully assess and address such actual or potential conflict of interest. The Subcontractor shall accept any reasonable conflict mitigation strategy employed by NMHC, including but not limited to the use of an independent subcontractor(s) to perform the portion of work that gives rise to the actual or potential conflict.

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Initials ____/____

16. SUBCONTRACTING

When subcontracting, the Subcontractor shall solicit for and contract with such subcontractors in a manner providing for fair competition. Some of the situations considered to be restrictive of competition include but are not limited to:

(i) Placing unreasonable requirements on firms in order for them to qualify to do business,

(ii) Requiring unnecessary experience and excessive bonding,

(iii) Noncompetitive pricing practices between firms or between affiliated companies,

(iv) Noncompetitive awards to consultants that are on retainer contracts,

(v) Organizational conflicts of interest,

(vi) Specifying only a brand name product instead of allowing an equal product to be offered and describing the performance of other relevant requirements of the procurement, and

(vii) Any arbitrary action in the procurement process.

The Subcontractor represents to NMHC that all work shall be performed by personnel experienced in the appropriate and applicable profession and areas of expertise, taking into account the nature of the work to be performed under this contract. The Subcontractor will include these HUD General Provisions in every subcontract issued by it so that such provisions will be binding upon each of its subcontractors as well as the requirement to flow down such terms to all lower-tiered subcontractors.

17. ASSIGNABILITY

The Subcontractor shall not assign any interest in this contract, and shall not transfer any interest in the same (whether by assignment or novation) without prior written approval of NMHC.

18. INDEMNIFICATION

The Subcontractor shall indemnify, defend, and hold harmless NMHC and its agents and employees from and against any and all claims, actions, suits, charges, and judgments arising from or related to the negligence or willful misconduct of the Subcontractor in the performance of the services called for in this contract.

19. COPELAND "ANTI-KICKBACK" ACT (Applicable to all construction or repair contracts) Salaries of personnel performing work under this contract shall be paid unconditionally and not less often than once a month without payroll deduction or rebate on any account except only such payroll deductions as are mandatory by law or permitted by the applicable regulations issued by the Secretary of Labor pursuant to the Copeland "Anti-Kickback Act" of June 13, 1934 (48 Stat. 948; 62 Stat. 740; 63 Stat. 108; Title 18 U.S.C. § 874; and Title 40 U.S.C. § 276c). The Subcontractor shall comply with all applicable "Anti-Kickback" regulations and shall insert appropriate provisions in all subcontracts covering work under this contract to ensure compliance by subcontractors with such regulations, and shall be responsible for the submission of affidavits

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Initials ____/____

required of subcontractors thereunder except as the Secretary of Labor may specifically provide for variations of or exemptions
from the requirements thereof.

20. CONTRACT WORK HOURS AND SAFETY STANDARDS ACT
(Applicable to construction contracts exceeding $2,000 and contracts exceeding $2,500 that involve the employment of mechanics or laborers).

The Subcontractor shall comply with Sections 103 and 107 of the Contract Work Hours and Safety Standards Act (40 U.S.C. §§ 327-330) as supplemented by Department of Labor regulations (29 C.F.R. part 5).

All laborers and mechanics employed by contractors or subcontractors shall receive overtime compensation in accordance with and subject to the provisions of the Contract Work Hours and Safety Standards Act, and the contractors and subcontractors shall comply with all regulations issued pursuant to that act and with other applicable Federal laws and regulations pertaining to labor standards.

21. DAVIS-BACON ACT
(Applicable to construction contracts exceeding $2,000 when required by Federal program legislation)

The Subcontractor shall comply with the Davis Bacon Act (40 U.S.C. §§ 276a to 276a-7) as supplemented by Department of Labor regulations (29 C.F.R. part 5).

All laborers and mechanics employed by contractors or subcontractors, including employees of other governments, on construction work assisted under this contract, and subject to the provisions of the federal acts and regulations listed in this paragraph, shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act.

22. TERMINATION FOR CAUSE (Applicable to contracts exceeding $10,000)
If, through any cause, the Subcontractor shall fail to fulfill in a timely and proper manner his obligations under this contract, or if the Subcontractor shall violate any of the covenants, agreements, or stipulations of this contract, NMHC shall thereupon have the right to terminate this contract by giving written notice to the Subcontractor of such termination and specifying the effective date thereof, at least five (5) days before the effective date of such termination. In such event, all finished or unfinished documents, data, studies, surveys, drawings, maps, models, photographs, and reports prepared by the Subcontractor under this contract shall, at the option of NMHC, become NMHC's property and the Subcontractor shall be entitled to receive just and equitable compensation for any work satisfactorily completed hereunder. Notwithstanding the above, the Subcontractor shall not be relieved of liability to NMHC for damages sustained by NMHC by virtue of any breach of the contract by the Subcontractor, and NMHC may withhold any payments to the Subcontractor for the purpose of set-off until such time as the exact amount of damages due NMHC from the Subcontractor is determined.

23. TERMINATION FOR CONVENIENCE (Applicable to contracts exceeding $10,000) NMHC may terminate this contract at any time by giving at least ten (10) days' notice in writing to the Subcontractor. If the contract is terminated by NMHC as provided herein, the Subcontractor will be paid for the time provided and expenses incurred up to the termination date.

24. SECTION 503 OF THE REHABILITATION ACT OF 1973 (Applicable to contracts exceeding $10,000)

The Subcontractor shall comply with section 503 of the Rehabilitation Act of 1973 (29 U.S.C. § 793), as amended, and any applicable regulations.

Equal Opportunity for Workers With Disabilities

1. The Subcontractor will not discriminate against any employee or applicant for employment because of physical or mental disability in regard to any position for which the employee or applicant for employment is qualified. The Subcontractor agrees to take affirmative action to employ, advance in employment and otherwise treat qualified individuals with disabilities without discrimination based on their physical or mental disability in all employment practices, including the following:

i. Recruitment, advertising, and job application procedures;

ii. Hiring, upgrading, promotion, award of tenure, demotion, transfer, layoff, termination, right of return from layoff and rehiring;

iii. Rates of pay or any other form of compensation and changes in compensation;

iv. Job assignments, job classifications, organizational structures, position descriptions, lines of progression, and seniority lists;

v. Leaves of absence, sick leave, or any other leave;

vi. Fringe benefits available by virtue of employment, whether or not administered by the Subcontractor;

vii. Selection and financial support for training, including apprenticeship, professional meetings, conferences, and other related activities, and selection for leaves of absence to pursue training;

viii. Activities sponsored by the contractor including social or recreational programs;and

ix. Any other term, condition, or privilege of employment.

2. The Subcontractor agrees to comply with the rules, regulations, and relevant orders of the Secretary of Labor issued pursuant to the act.

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3. In the event of the Subcontractor's noncompliance with the requirements of this clause, actions for noncompliance may be taken in accordance with the rules, regulations, and relevant orders of the Secretary of Labor issued pursuant to the act.

4. The Subcontractor agrees to post in conspicuous places, available to employees and applicants for employment, notices in a form to be prescribed by the Deputy Assistant Secretary for Federal Contract Compliance Programs, provided by or through the contracting officer. Such notices shall state the rights of applicants and employees as well as the Subcontractor's obligation under the law to take affirmative action to employ and advance in employment qualified employees and applicants with disabilities. The Subcontractor must ensure that applicants and employees with disabilities are informed of the contents of the notice (e.g., the Subcontractor may have the notice read to a visually disabled individual, or may lower the posted notice so that it might be read by a person in a wheelchair).

5. The Subcontractor will notify each labor organization or representative of workers with which it has a collective bargaining agreement or other contract understanding, that the Subcontractor is bound by the terms of section 503 of the Rehabilitation Act of 1973, as amended, and is committed to take affirmative action to employ and advance in employment individuals with physical or mental disabilities.

6. The Subcontractor will include the provisions of this clause in every subcontract or purchase order in excess of $10,000, unless exempted by the rules, regulations, or orders of the Secretary issued pursuant to section 503 of the act, as amended, so that such provisions will be binding upon each subcontractor or vendor. The Subcontractor will take such action with respect to any subcontract or purchase order as the Deputy Assistant Secretary for Federal Contract Compliance Programs may direct to enforce such provisions, including action for noncompliance.

25. EXECUTIVE ORDER 11246

(Applicable to construction contracts and subcontracts exceeding $10,000)
The Subcontractor shall comply with Executive Order 11246 of September 24, 1965, entitled "Equal Employment Opportunity," as amended by Executive Order 11375 of October 13, 1967, and as supplemented in Department of Labor regulations (41 CFR chapter 60).

During the performance of this contract, the Subcontractor agrees as follows:

A. The Subcontractor shall not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The Subcontractor shall take affirmative action to ensure that applicants for employment are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship.

B. The Subcontractor shall post in conspicuous places, available to employees and applicants for

employment, notices to be provided by Contracting Officer setting forth the provisions of this non-discrimination clause. The Subcontractor shall state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

C. The Subcontractor will, in all solicitations or advertisements for employees placed by or on behalf of the Subcontractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin.

D. The Subcontractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the agency contracting officer, advising the labor union or workers representative of the contractor's commitments under Section 202 of Executive Order 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

E. The Subcontractor will comply with all provisions of Executive Order 11246 of September 24, 1965, and of the rules, regulations and relevant orders of the Secretary ofLabor.

F. The Subcontractor will furnish all information and reports required by Executive Order 11246 of September 24, 1965, and by the rules, regulations and orders of the Secretary of Labor, or pursuant thereto, and will permit access to books, records and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations and orders.

G. In the event of the Subcontractor's non-compliance with the non-discrimination clause of this contract or with any of such rules, regulations or orders, this contract may be cancelled, terminated or suspended in whole or in part and the Subcontractor may be declared ineligible for further government contracts in accordance with procedures authorized in Executive Order 11246 and such other sanctions as may be imposed and remedies invoked as provided in Executive Order 11246 of September 24, 1965, or by rule, regulation or order of the Secretary of Labor, or as otherwise provided by law.

H. Subcontractor shall incorporate the provisions of A through G above in every subcontract or purchase order unless exempted by rules, regulations or orders of the Secretary of Labor so that such provisions shall be binding on such subcontractor. The Subcontractor will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions including sanctions for non-compliance, provided, however, that in the event the contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the Subcontractor may request the United States to enter into such litigation to protect the interests of the United States.

26. CERTIFICATION OF NONSEGREGATEDFACILITIES (Applicable to construction contracts exceeding $10,000)

The Subcontractor certifies that it does not maintain or provide for its establishments, and that it

does not permit employees to perform their services at any location, under its control, where segregated facilities are maintained. It certifies further that it will not maintain or provide for employees any segregated facilities at any of its establishments, and it will not permit employees to perform their services at any location under its control where segregated facilities are maintained.

The Subcontractor agrees that a breach of this certification is a violation of the equal opportunity clause of this contract.

As used in this certification, the term "segregated facilities" means any waiting rooms, work areas, rest rooms and wash rooms, restaurants and other eating areas, time clocks, locker rooms, and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation and housing facilities provided for employees which are segregated by explicit directive or are, in fact, segregated on the basis of race, color, religion, or national origin because of habit, local custom, or any other reason.

The Subcontractor further agrees that (except where it has obtained for specific time periods) it will obtain identical certification from proposed subcontractors prior to the award of subcontracts exceeding $10,000 which are not exempt from the provisions of the equal opportunity clause; that it will retain such certifications in its files; and that it will forward the preceding notice to such proposed subcontractors (except where proposed subcontractors have submitted identical certifications for specific time periods).

27. CERTIFICATION OF COMPLIANCE WITH CLEAN AIR AND WATER ACTS (Applicable to contracts exceeding $100,000)

The Subcontractor and all its subcontractors shall comply with the requirements of the Clean Air Act, as amended, 42 U.S.C. § 1857 et seq., the Federal Water Pollution Control Act, as amended, 33 U.S.C. § 1251 et seq., and the regulations of the Environmental Protection Agency with respect thereto, at 40 C.F.R. Part 15 and 32, as amended, Section 508 of the Clean Water Act (33 U.S.C. § 1368) and Executive Order 11738.

In addition to the foregoing requirements, all nonexempt contractors and subcontractors shall furnish to the owner, the following:

A. A stipulation by the Contractor or subcontractors, that any facility to be utilized in the performance of any nonexempt contract or subcontract, is not listed on the Excluded Party Listing System pursuant to 40 C.F.R. 32 or on the List of Violating Facilities issued by the Environmental Protection Agency (EPA) pursuant to 40 C.F.R. Part 15, as amended.

B. Agreement by the Subcontractor to comply with all the requirements of Section 114 of the Clean Air Act, as amended, (42 U.S.C. § 1857 c-8) and Section 308 of the Federal Water Pollution Control Act, as amended, (33 U.S.C. § 1318) relating to inspection, monitoring, entry, reports and information, as well as all other requirements specified in said Section 114 and Section 308, and all regulations and guidelines issued thereunder.

C. A stipulation that as a condition for the award of the contract, prompt notice will be given of

any notification received from the Director, Office of Federal Activities, EPA, indicating that a facility utilized, or to be utilized for the contract, is under consideration to be listed on the Excluded Party Listing System or the EPA List of Violating Facilities.

D. Agreement by the Subcontractor that he will include, or cause to be included, the criteria and requirements in paragraph (A)through (D) of this section in every nonexempt subcontract and requiring that the Subcontractor will take such action as the government may direct as a means of enforcing such provisions.

28. LOBBYING (Applicable to contracts exceeding $100,000)

The Subcontractor certifies, to the best of his or her knowledge and belief, that:

(1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the Subcontractor, to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

(2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the Contractor shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

(3) The Subcontractor shall require that the language of this certification be included in the award
documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.
This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure.

29. BONDING REQUIREMENTS
(Applicable to construction and facility improvement contracts exceeding $25,000)
The Subcontractor shall comply with NMHC bonding requirements, unless they have not been approved by HUD, in which case the Contractor shall comply with the following minimum bonding requirements:

(1) A bid guarantee from each bidder equivalent to five percent of the bid price. The "bid

guarantee" shall consist of a firm commitment such as a bid bond, certified check, or other negotiable instrument accompanying a bid as assurance that the bidder will, upon acceptance of his bid, execute such contractual documents as may be required within the time specified.

(2) A performance bond on the part of the Contractor for 100 percent of the contract price. A "performance bond" is one executed in connection with a contract to secure fulfillment of all the Contractor's obligations under such contract.

(3) A payment bond on the part of the Contractor for 100 percent of the contract price. A "payment bond" is one executed in connection with a contract to assure payment as required by law of all persons supplying labor and material in the execution of the work provided for in the contract.

30. SECTION 3 OF THE HOUSING AND URBAN DEVELOPMENT ACT OF 1968 (As required by applicable thresholds)

A. The work to be performed under this contract is subject to the requirements of section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. § 1701u (section 3). The purpose of section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by section 3, shall, to the greatest extent feasible, be directed to low- and very low-income persons, particularly persons who are recipients of HUD assistance for housing.

B. The parties to this contract agree to comply with HUD's regulations in 24 C.F.R. part 135, which implement section 3. As evidenced by their execution of this contract, the parties to this contract certify that they are under no contractual or other impediment that would prevent them from complying with the part 135 regulations.

C. The Subcontractor agrees to send to each labor organization or representative of workers with which the Subcontractor has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the Contractor's commitments under this section 3 clause, and will post copies of the notice in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the section 3 preference, shall set forth minimum number and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.

D. The Subcontractor agrees to include this section 3 clause in every subcontract subject to compliance with regulations in 24 C.F.R. part 135, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 C.F.R. part 135. The Subcontractor will not subcontract with any subcontractor where the Subcontractor has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 C.F.R. part 135.

E. The Subcontractor will certify that any vacant employment positions, including training positions, that are filled: (1) after the subcontractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 C.F.R. part 135 require employment opportunities to be directed, were not filled to circumvent the Subcontractor's obligations under 24 C.F.R. part 135.

F. Noncompliance with HUD's regulations in 24 C.F.R. part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

G. With respect to work performed in connection with section 3 covered Indian housing assistance, section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. § 450e) also applies to the work to be performed under this contract. Section 7(b) requires that to the greatest extent feasible: (i) preference and opportunities for training and employment shall be given to Indians, and (ii) preference in the award of contracts and subcontracts shall be given to Indian organizations and Indian-owned Economic Enterprises. Parties to this contract that are subject to the provisions of section 3 and section 7(b) agree to comply with section 3 to the maximum extent feasible, but not in derogation of compliance with section 7(b).

31. FAIR HOUSING ACT

Subcontractor shall comply with the provisions of the Fair Housing Act of 1968 as amended. The act prohibits discrimination in the sale or rental of housing, the financing of housing or the provision of brokerage services against any person on the basis of race, color, religion, sex, national origin, handicap or familial status. The Equal Opportunity in Housing Act prohibits discrimination against individuals on the basis of race, color, religion, sex or national origin in the sale, rental, leasing or other disposition of residential property, or in the use or occupancy of housing assisted with Federal funds. Please visit http://portal.hud.gov/hudportal/documents/huddoc?id=DOC_11868.pdf for more information.

NORTHERN MARIANAS HOUSING CORPORATION

ECONOMIC REVITALIZATION PROGRAM: TOURISM MARKETING POLICIES

VERSION: 1.0

[ENTER DATE OF APPROVAL HERE]

Prepared by:

Northern Marianas Housing Corporation – CDBG-DR Program Division

The policies stated in this manual are current as of [ENTER DATE OF APPROVAL HERE]. This Manual represents the current version of the Northern Marianas Housing Corporation's (NMHC) policies which provide general guidance for the operation of the Infrastructure Programs. All manuals will be reviewed periodically and updated. Therefore, users are strongly encouraged to visit our website: www.cnmi-cdbgdr.com to access the latest version.

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1.0 CONTENT

1.1 Version Policy

Version history is tracked in Table 1, with notes regarding version changes. The dates of each publication are also tracked in this table. The first version of this document is 1.0.

Substantive changes within this document that reflect a policy change will result in the issuance of a new version 2.0, an increase in the primary version number. Future policy changes will result in additional revision and the issuance of a new primary version number.

Non-substantive changes such as minor wording and editing, or clarification of existing policy, that do not affect the interpretation or applicability of the policy will be included in minor version updates denoted by a sequential number increase behind the primary version number. Such changes would result in a version number such as 2.1, 2.2, etc.

1.2 Agencies and Acronyms

CNMI: Government of the Commonwealth of the Northern Mariana Islands

FEMA: Federal Emergency Management Agency

HUD: U.S. Department of Housing and Urban Development

NMHC: Northern Marianas Housing Corporation

SBA: Small Business Administration

1.3 Definitions

Action Plan: The plan to guide the spending of a HUD CDBG-DR grant award to address unmet housing, economic, and infrastructure needs after a disaster.

Allocation: 1) Amount of a grant award that has been determined for a particular grantee. 2) Amount of funding attributed to a program.

Community Development Block Grant – Disaster Recovery (CDBG-DR): Assistance from HUD to help the CNMI recover from presidentially declared disasters, especially in low-income areas, subject to availability of supplemental appropriations.

Cross-cutting regulations: Regulations outside of CDBG-DR regulations that apply to CDBG-DR programs. These include regulations pertaining to financial management, procurement, environmental, labor, acquisition, relocation, fair housing, and non-discrimination.

Davis Bacon and Related Acts (DBRA): Federal law requiring payment of local prevailing wages as determined by the Department of Labor on public works projects. It applies to contractors and subcontractors performing work on federally funded or assisted contracts in excess of $2,000 for the construction, alteration, or repair of public buildings or public works.

Duplication of Benefits (DOB): A duplication of benefit is the receipt of funding from multiple sources for the same purpose. The Robert T. Stafford Disaster Assistance and Emergency Relief Act (Stafford Act) prohibits any person, business concern or other entity from receiving financial assistance from CDBG Disaster Recovery funding with respect to any part of the loss resulting from a major disaster as to which he/she has already received financial assistance under any other program or from insurance or any other sources. It is an amount determined by the program that may result in the reduction of an award value.

Eligible Activity: Activities eligible to be assisted under the CDBG program. All CDBG-DR grantees must: (1) use CDBG funds only for activities that fall under an authorized category of basic eligibility; (2) properly classify the activity; and (3) provide adequate documentation as required by the category it selects for each such activity.

Environmental Review Record (ERR): The document resulting from required environmental review which includes a description of activities, evaluation of environmental impact, documentation of compliance with applicable environmental regulations, and an environmental determination.

Grantee: HUD grantees receive funding from HUD to support HUD's mission to create strong, sustainable, inclusive communities and quality affordable homes for all. HUD grantees include state and local governments, non-profit and for-profit organizations, public housing authorities, and tribal entities.

Gross Domestic Product (GDP): Monetary value of all final goods and services produced in a time period.

Implementing Partner (Partner): CNMI government agencies that are provided CDBG-DR funds by a grantee for their use in carrying out agreed-upon, eligible activities through an Intergovernmental Agreement with NMHC.

Low- and Moderate-Income (LMI): A household is considered to be of low or moderate income if the household income (including income derived from assets) is at or below 80 percent of an area's median income. All income is based on the Area Median Income limits set annually by HUD for each parish or metropolitan statistical area.

National Environmental Policy Act (NEPA): Establishes a broad national framework for protecting the environment. NEPA's basic policy is to assure that all branches of government give proper consideration to the environment prior to undertaking any major federal action that could significantly affect the environment.

National Objective: The authorizing statute of the CDBG program requires that each activity

funded, except for program administration and planning activities, must meet one of three national objectives. The three national objectives are: 1) Benefit to low- and moderate-income (LMI) persons; 2) Aid in the prevention or elimination of slums or blight; and 3) Meet a need having a particular urgency (referred to as urgent need). An activity that does not meet a national objective is subject to recapture.

Request for Release of Funds (RROF): An environmental review term for a process used by Responsible Entities (the state) when requesting the release of funds and the authority to use such funds for HUD programs identified by statutes that provide for the assumption of the environmental review responsibility by units of general local government and states. The approval of the RROF is required before environmental clearance may be provided to a recipient of CDBG-DR funds.

Section 3: A provision of the Housing and Urban Development (HUD) Act of 1968 that requires that recipients of certain HUD financial assistance, to the greatest extent feasible, provide job training, employment, and contracting opportunities for low- or very-low income residents in connection with projects and activities in their neighborhoods.

Section 504: A provision of the Rehabilitation Act of 1973 which provides that no qualified individual with a disability should, only by reason of his or her disability, be excluded from the participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance.

2.0 INTRODUCTION

2.1 Summary

As a result of the 2018 typhoons Mangkhut and Super Typhoon Yutu, the Commonwealth of the Northern Mariana Islands (CNMI) received an allocation of Community Development Block Grant Disaster Recovery (CDBG-DR) funds which are being administered by the Northern Marianas Housing Corporation (NMHC). The U.S. Department of Housing and Urban Development's (HUD) allocations for the CNMI's CDBG-DR program total $243,946,000 to assist local entities with unmet recovery needs for housing, infrastructure, and economic development.

The Economic Revitalization Program is essential for the success of the housing recovery efforts as it will provide opportunities to ensure the financial independence of homeowners/leaseholders and renters for the care and maintenance of their homes. The impact of Typhoon Mangkhut and Super Typhoon Yutu on the CNMI's economy, businesses, and the workforce were significant. Tourism-related industries such as guest lodging and food services were most especially affected. These industries account for roughly 40% of CNMI jobs.

The attraction, retention, and return of the tourism industry and related jobs are critical to the long-term recovery of the CNMI. The large-scale rebuilding efforts currently on-going and those created through the CDBG-DR program will also create unique opportunities to invigorate the CNMI's

workforce and increase the local labor force. These efforts to revitalize the economy will ultimately support the CNMI community in maintaining financial stability and independence. Therefore, the CNMI will invest $8,660,000 in programs and activities to revitalize the economy through two main areas: tourism marketing/promotional activities and workforce development.

Recognizing tourism as the largest contributor to employment and the GDP, the CNMI has submitted a Tourism Waiver application to the U.S. Department of Housing and Urban Development (HUD) outlining two main areas of focus which were Tourism Marketing and Destination Enhancement. HUD subsequently approved the waiver request for Tourism Marketing with a cap of no more than $10,000,000, but did not approve Destination Enhancement activities.

The approved waiver allows for these activities to be conducted in the geographical locations of Saipan, Tinian, and Rota. Specific metrics demonstrating the impact of CDBG-DR expenditures on the tourism and other sectors of the economy are outlined below under the "Eligible Activities" portion of the Economic Revitalization Program. These funds will expire 2 years after the initial drawdown of the CDBG-DR funds under the allocation provided in the January 27, 2020 Federal Register notice (85 FR 4681).

This document represents the policies of implementation of Tourism Marketing inclusive of the conditions prescribed under the *Tourism Waiver* as stipulated and announced through **Federal Register Notice No. 85 60821**.

2.2 Background

In the wake of the storms, President Trump announced a Major Disaster Declaration for Typhoon Mangkhut (**DR-4396**) and another for Super Typhoon Yutu (**DR-4404**) to make federal disaster assistance available to the CNMI. Subsequently, the U.S. Congress approved Supplemental Appropriations for Disaster Relief Requirements (Public Laws 115-254 and 116-20, respectively, which made available $243,946,000 for the purpose of addressing disaster recovery unmet needs following the onslaught of Typhoon Mangkhut and Super Typhoon Yutu. The CNMI, through NMHC, requested for a *Tourism Waiver* by which HUD subsequently approved with certain conditions. *See* **Federal Register Notice No. 85 60821**

3.0 TOURISM MARKETING PROGRAM OVERVIEW

3.1 Method of Distribution

Eligible Activity: Technical Assistance (HCDA Section 105(a)(19)); Assistance to for-profit business (HCDA Section 105(a)(17); Micro Enterprise Assistance (HCDA Section 105(a)(22); Marketing - waiver request approved.

Estimated Start and End Dates:

National Objective: Low- and Moderate-Income Jobs; Low- and Moderate-Income Limited Clientele; Low- and Moderate-Income Area Benefit; Urgent Need.

Geographic Area(s) Served: CNMI-wide (Saipan, Tinian, and Rota).

Administering Entity: Marianas Visitors Authority (MVA)

Eligibility Criteria: Marketing Initiatives

• The projected use of funds for global marketing and outreach efforts will be focused as follows: event and festival planning and sponsorship in impacted areas within the CNMI; advertising creation; niche marketing; and media placement (social media/ television/ radio/ digital and out-of-home advertising) in targeted markets

Program Allocation: [Enter Approved $ Amount Here]

3.2 Roles and Responsibilities

3.2.1 NMHC

NMHC administers the grant funds for the Tourism Program through the CDBG-DR Division. Division staff are responsible for ensuring projects comply with all applicable federal and local regulations, including but not limited to, Pub. L. 115-254, Pub. L.116-20, NEPA, HCDA, and NMHC procurement regulations where applicable, and align with the CDBG-DR Action Plan. Division staff provide technical assistance to Implementing Partners to meet these requirements as needed.

NMHC's CDBG-DR Division responsibilities include:

• Determine sufficient capacity and payment procedures for Implementing Partners

• Determine project eligibility and mechanisms to comply with crosscutting requirements

• Disburse funds in accordance with NMHC Financial Policies

• Complete desk, onsite, and formal monitoring of the project

• Prepare and maintain documentation of activities and compliance with requirements for monitoring and audits.

3.2.2 Implementing Partner (MVA)

The Implementing Partner under the Tourism Program refers to the entity managing and executing the project activities. Implementing Partners can

request funds from the Tourism Program by submitting the Project Application Form to NMHC (Appendix B).

The Implementing Partner's responsibilities include:

• Meet the requirements of NMHC Capacity Assessments and grant conditions

• Manage all aspects of project

• Responsibly manage project funds

• Coordinate activities with other federal and local agencies

• Implement crosscutting requirements

• Report back to NMHC on a monthly basis

• Prepare and maintain documentation of activities and compliance with requirements for monitoring and audits.

3.3 Marketing Initiatives

Through the approved waiver, the CNMI plans to allocate $7,500,000 for marketing/promotional activities. These funds will be utilized to create a global branding and marketing strategy establishing an identity of an alluring and desirable island resort destination for the travel community. Unifying the CNMI brand is integral to building a strong brand position and identity. The purpose of the global branding initiative is to share the unity and diversity of the 14 islands in the CNMI. The CNMI plans to enhance existing marketing platforms locally and in source markets, while also creating new opportunities, ideas, and guidelines to strategically brand The Marianas to current and potential new markets. In 2018, prior to Typhoon Mangkhut and Super Typhoon Yutu, the Hotel Association of the Northern Mariana Islands (HANMI) reported an 82% hotel occupancy rate. The Marianas Visitors Authority (MVA) reported $9.2 million dollars in its 2018 marketing budget and expenses. Based on these figures, the CNMI will seek to increase hotel occupancy by 60% with the $7.5 million allocation provided through the Tourism Waiver.

3.4 Program Implementation

3.4.1 General Program Oversight

NMHC will oversee all activities and expenditures in connection with the CDBG-DR funds and will ensure that the Tourism Industry Support Program meets all requirements, including: the disaster threshold, activity

eligibility, national objective, fair housing, labor standards, Section 3, nondiscrimination, environmental regulations, and procurement regulations. NMHC will create a Monitoring Manual in accordance with CDBG-DR requirements so that each activity funded will meet the disaster threshold and one of HUD's three national objectives, with emphasis on eligible activities achieving the primary national objective of benefiting low- and moderate-income persons. All activities must comply with any applicable federal laws and regulations and effectively meet their stated goals.

3.4.2 Program Implementation

3.4.2.1 Marketing Initiatives

MVA will develop a comprehensive marketing campaign to re-establish that the CNMI is open for business following the 2018 Typhoons. It will procure a firm to assist in development of the campaign through competitive sealed proposals in conformance with NMHC's procurement regulations.

4.0 CDBG-DR PROGRAM REQUIREMENTS

The Government of the Commonwealth of the Northern Mariana Islands (CNMI), through the Northern Marianas Housing Corporation, will ensure that each activity which receives funding under the Tourism Industry Support Program complies with the waiver requirements included in **Federal Register Notice No. 85 60821**.

The approved waiver paves way to the eligible use of CDBG-DR funds (currently capped at Enter $ Amount Here) for assistance to promote the CNMI in general or specific components of the islands.

- No elected officials shall appear in tourism marketing materials financed with CDBG-DR funds;
- Oversight of procurement activities to ensure compliance with applicable procurement requirements; and,
- Waiver expires two years after first draw of CDB G-DR funds;

4.1 Tie to the Disaster

4.1.1 All activities funded with CDBG-DR in the Economic Revitalization Program: Tourism Marketing must in some way respond to a direct or indirect impact of one of the following federally-declared disasters:

a) Typhoon Mangkhut (**DR-4396**)
b) Super Typhoon Yutu (**DR-4404**)

4.2 Duplication of Benefits

The Tourism Program will include a duplication of benefits (DOB) review as part of the project application review and award calculation process. The requirements of the Robert T. Stafford Act (Stafford Act), as amended, prohibit any person, business concern, or other entity from receiving federal funds for any part of such loss for which they have already received financial assistance under any other program, private insurance, charitable assistance, or any other source.

4.2.1 Preventing Duplication of Benefits

MVA is responsible for verifying there is no duplication of resources. Additionally, CDBG-DR funds may not be used to supplant local resources used for Tourism Programs.

MVA reviews reported DOB and makes appropriate deductions. NMHC maintains records in accordance with Federal grants requirements and assures that the agency has accurately completed DOB reviews and made deductions as appropriate. Project DOB information must be maintained by the MVA and reported to NMHC throughout the life of the project. Reporting should occur at any point that such information becomes available, including:

•During scoping process development, pre-award, and approval;
• During the grant period of performance;
• During closeout; and
• After grant closeout, if duplicative funds are received at a later date.

4.2.2 Recapture

The Marianas Visitors Authority may be required to repay all, or a portion of the funds received. The reasons for recapture include but are not limited to the following:

• An Implementing Partner is determined to have provided false or misleading information to the Program;
• An Implementing Partner withdraws from the program prior to completion of the activity;
• An Implementing Partner does not complete the project or program identified in their approved grant as outlined in their approved project application
• An Implementing Partner fails to meet a national objective of the program;
• An Implementing Partner is found to have used program funds for an ineligible activity and/or;

• An Implementing Partner does not report the receipt of additional insurance, SBA, FEMA, non-profit assistance and/or any other duplication of benefits received after award.

NMHC will develop a detailed recapture policy for the overall CDBG-DR program. The policy, once developed, will be referenced in an update to this manual.

NORTHERN MARIANAS HOUSING CORPORATION

WORKFORCE DEVELOPMENT TRAINING PROGRAM
POLICIES AND PROCEDURES

VERSION: 1.0

[ENTER DATE OF APPROVAL HERE]

Prepared by:

Northern Marianas Housing Corporation – CDBG-DR Program Division

The policies stated in this manual are current as of [ENTER DATE OF APPROVAL HERE]. This Manual represents the current version of the Northern Marianas Housing Corporation's (NMHC) policies which provide general guidance for the administration of its CDBG-DR Workforce Development Program. All manuals will be reviewed periodically and updated. Therefore, users are strongly encouraged to visit our website: www.cnmi-cdbgdr.com to access the latest version.

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1.0 CONTENT

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1.2 Agencies and Acronyms

BCA	Benefit Cost Analysis
DOB	Duplication of Benefits
HCDA	Housing and Community Development Act
HUD	U.S. Department of Housing and Urban Development
NMHC	Northern Marianas Housing Corporation
NTP	Notice to Proceed
QPR	Quarterly Status Report

1.3 Definitions

Action Plan: A plan to guide the spending of a HUD CDBG-DR grant award to address housing economic, and infrastructure needs after a disaster.

Allocation: 1) Amount of a grant award that has been determined for a particular grantee. 2) Amount of funding attributed to a program.

Community Development Block Grant-Disaster Recovery: Flexible grant assistance from HUD to help the CNMI recover from presidentially declared disasters, especially in low-income areas, subject to availability of supplemental appropriations.

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Grantee: HUD grantees receive funding from HUD to support HUD's mission to create strong, sustainable, inclusive communities and quality affordable homes for all. HUD grantees include state and local governments, non-profit and for-profit organizations, public housing authorities, and tribal entities.

Implementing Partner: Contractor(s) or subcontractor(s) that are provided CDBG-DR funds by a grantee for their use in carrying out agreed-upon, eligible activities through an awarded contract from NMHC.

Low- and Moderate-Income (LMI): A household considered to be of low- and moderate-income if the household income (including income derived from assets) is at or below 80 percent of an area's median income. All income is based on the Area Median Income limits set annually by HUD.

National Objective: The authorizing statute of the CDBG program requires that each activity funded, except for program administration and planning activities, must meet one of three national objectives. The three national objectives are: 1) Benefit to low- and moderate (LMI) persons; 2) Aid in the prevention or elimination of slums and blight; and 3) Meet a need having a particular urgency (referred to as urgent need). An activity that does not meet a national objective is subject to recapture.

Request for Release of Funds (RROF): An environmental review term for a process used by Responsible Entities (CNMI) when requesting the release of funds and the authority to use such funds for HUD programs identified by statutes that provide for the assumption of the environmental review responsibility by units of general local government and states. The approval of the RROF is required before environmental clearance may be provided to a recipient of CDBG-DR funds.

Section 3: A provision of the Housing and Urban Development (HUD) Act of 1968 that requires the recipients of HUD financial assistance, to the greatest extent feasible, provide training, employment, and contracting opportunities for low- or very-low-income residents in connection with projects and activities in their neighborhoods.

Section 504: A provision of the Rehabilitation Act of 1973 which provides that no qualified individual with a disability should, only by reason of his or her disability, be excluded from the participation in, be denied benefits of, or be subjected to discrimination under any program or activity receiving financial assistance.

2.0 INTRODUCTION

2.1 Purpose

This Policies and Procedures Manual for the Workforce Development Training Program (WDTP) is provided to assist program staff and contractor(s) in implementing and managing disaster recovery grants through the WDTP. It provides guidance regarding the general requirements that apply to grantee and contractor(s). It is the responsibility of NMHC's CDBG-DR program staff to ensure that recipients of CDBG-DR funding comply with all provisions of this manual, state and federal rules and regulations, and the grant award agreement. Grantee and contractor(s) must also carry out proper and efficient grant administrative practices. The Policies and Procedures Manual is intended to provide clear areas of responsibility to ensure consistent application of the procedures outlined in the manual. It is anticipated that circumstances will arise that will require deviations from the processes outlined in this manual. In those instances, the reason for the deviations need to be clearly documented and included in the Implementing Partner's file. In some cases, these circumstances will require amending the Policies and Procedures.

NMHC will be charged with soliciting proposals for WDTP so that students who enroll and complete course requirements receive certifications in various trades, e.g., carpentry, masonry, welding, etc., upon completion of classroom instructional courses and on-the-job work experience in the construction industry.

2.1 Background

The Commonwealth of the Northern Mariana Islands (CNMI), an archipelago of 14 islands, sustained severe damages from two typhoons in September and October 2018, respectively, thereby impacting the three main inhabited islands of Saipan, Tinian, and Rota. Consequently, the U.S. Department of Housing and Urban Development (HUD) has allocated $243,946,000 in Community Development Block Grant Disaster Recovery (CDBG-DR) Funds.

Furthermore, post-disaster, the U.S. and CNMI Department of Labor provided over $1M to approved applicants under Disaster Unemployment Assistance. The overall recovery plan includes investment in skilled workforce development and institutions of higher education. It is the desire of the CNMI to the greatest extent feasible to comply with the Section 3 requirements that are generated by certain HUD financial assistance regarding training, employment and other economic opportunities. Key provisions and special outreach effort will be made to low- and moderate-income person and minorities by:

Appointing a local Section 3 Coordinator or hire a compliance specialist with this responsibility

Posting Section 3 requirement and opportunities on the DR web page

Continue to include Section 3 language where applicable in all CDBG-DR related bids, procurements, and contracts

Encourage adoption of local Section 3 plans to recipients receiving CDBG-DR funds

Provide Section 3 Training and Literature

Ensure sufficient access to job opportunities within the recovering economy and prioritize access to residents that are unemployed or underemployed as a result of the disaster.

The workforce development training program will offer training opportunities for LMI residents in the most in-demand sectors for the CNMI. The primary focus of the workforce development program will be LMI residents to fill jobs in recovery-related sectors such as construction. With construction, producing skilled workers by way of investing CDBG-DR funds into educational institutions such as the Northern Marianas College (NMC), Northern Marianas Technical Institute (public) and Latte Academy (private), will yield the following outcomes:

1. Address the shortage of construction workers,

2. Benefit LMIs by providing them employment and income; and

3. Address HUD's Section 3 requirement.

It is worth mentioning that, Latte Academy, which was established in 2013, offers job trainings in nationally recognized certifications. Further, the Academy has a 95% certification rate with 400 students attaining certifications between 2014 - 2017. Similarly, the Northern Marianas Trades Institute (NMTI), established in 2008 and a public education institute, is accredited by the National Center for

Construction Education. It is now called the Northern Marianas Technical Institute. Funding for these activities will strengthen collaboration between the workforce, educational institutions, and employers with a shared goal of providing solutions to promote growth and stability to the CNMI economy. Through the workforce development program, the CNMI will be able to assist an estimated 300 participants based on current tuition rates. The current workforce needs related to the CNMI's recovery initiatives present both a challenge and an opportunity to benefit residents across the CNMI. These efforts are aimed at ensuring that low- and moderate-income residents have access to the training needed to take advantage of these opportunities and additional support to ensure long-term success.

3.0 CDBG-DR REQUIREMENTS

Each project that receives funding under the Workforce Development Training Program (WDTP) must meet CDBG-DR requirements, including tie to the disaster, national objective, and eligible activities.

3.1 Tie to the Disaster

All activities funded through CDBG-DR must in some way respond to a direct or indirect impact of the applicable disaster. The WDTP addresses impacts of Super Typhoon Yutu across the areas of Saipan **(and Tinian)**. Super Typhoon Yutu had a significant impact on the housing supply, creating an increased demand for new construction and home repair activities, with additional impacts on commercial construction and repair activities. The increased demand for construction activities following Super Typhoon Yutu has created or increased the supply gap in many construction occupations.

The WDTP will address this unmet need by providing workforce training in construction trades to support post-disaster construction activities. Additionally, the WDTP will support LMI persons looking for new employment in the post-disaster economy to encourage economic recovery of individuals and communities. For the WDTP, a tie to the disaster is demonstrated through the contractor(s) ability to provide training in construction trades and job opportunities to LMI persons in disaster impacted areas.

3.2 HCDA Eligible Activity

CDBG-DR activities must meet an eligible activity under Section 105(a) of the Housing and Community Development Act of 1974 (HCDA). The WDTP is provided as an eligible activity under HCDA Section 105(a)(8), provision of public services. The allocation for the WDTP within the total allocation for Super Typhoon Yutu funding complies with requirements that not more than 15 percent of the amount of assistance may be used for activities provided under the public services' eligible activity.

3.3 Meeting National Objective

All CDBG-DR activities must meet a national objective. The WDTP will meet requirements for the LMI national objective utilizing the LMI limited clientele category. Services provided under this category serve a specific clientele, rather than providing services to all persons in a geographic area. The WDTP will meet the LMI clientele category by serving LMI individuals as determined by family size and income. At least 51 percent of individuals served must meet LMI requirements based on total household income and total household size for the program to meet the LMI national objective. See 24 CFR 570.483 for more information about national objectives.

In the application for WDTP funding, each eligible Implementing Partner ("contractors" and "subcontractors") must provide a plan to ensure that at least 51 percent of individuals served by the Implementing Partner through WDTP funding meet LMI requirements. NMHC will determine whether the plan is sufficient to meet the national objective as a part of the application review process. Each Implementing Partner must maintain a copy of its plan to ensure that at least 51 percent of individuals served by the contractor through WDTP funding meet LMI requirements. If a contractor updates its plan, a copy must be provided to NMHC for review and approval. NMHC will maintain documentation of each Implementing Partner's plan in its program files.

Documentation must be retained throughout the term of the service contract awarded and for six years thereafter.

3.3.1 National Objective Documentation and Records

An Implementing Partner must maintain records showing that funded activities meet the applicable national objective. Documents required to be maintained for purposes of demonstrating that the LMI national objective is being met include:

- Documentation that participants or beneficiaries are LMI based on family size and income (*see* 24 CFR 570.208), including verification of income in accordance with WDTP Program Guidelines Section 2.13. Documentation may include federal tax return documentation, an income self-attestation form, a zero income self-attestation form, or other appropriate documentation.

Each Implementing Partner must have written policies and procedures regarding verification of income and income self-certification. The verification of income and income self-certification policies and procedures and any amendments thereto must be approved by NMHC. Under CDBG regulations, a project is not considered having met a national objective until it has provided complete documentation that verifies the national objective has been met. Implementing Partners must be aware

of the national objective category and document compliance throughout the life of the project.

3.4 Duplication of Benefits

Duplication of Benefits (DOB) is a component of the Stafford Act, which governs disaster recovery. The requirements of the Stafford Act prohibit any person, business concern, or other entity from receiving federal funds for any part of an activity for which they have already received financial assistance under any other program, private insurance, charitable assistance, or any other source. A DOB occurs when a recipient of federal disaster funds receives funding from more than once source for the same activity.

3.4.1 Preventing DOBs

Implementing Partners are responsible for verifying there is no duplication of resources, such as charitable or public grants pertaining to workforce training. Funds provided by any federal, state, or local government entity, or non-profit or private source intended for the same purpose as the WDTP are considered a DOB and under federal law must be deducted from the assistance provided by the WDTP. A DOB may occur at any point, including after receipt of CDBG-DR funds. Any additional funds paid to participants for the same purpose as the WDPT after the WDTP services are completed must be returned to NMHC.

Participant applicants will be required during the application process to provide information on any other funding or benefits relating to disaster recovery and/or workforce training, including charitable contributions, scholarships, or other sources of financial assistance. Participant applicants will also be required to complete authorization for the Implementing Partners to verify information with federal, state, local, and private entities. Participants in the WDTP must sign a subrogation agreement, in which participants agree to repay any duplicative assistance considered a DOB. The subrogation agreement requires the participant to notify NMHC if additional funds are received and to assist NMHC in collecting any amounts owed to them from these sources.

All WDTP Implementing Partners must include a DOB review as part of the participant applicant eligibility screening process. Each Implementing Partner must have written policies and procedures documenting the Implementing Partner's duplication of benefits verification process. The duplication of benefits policies and procedures and any amendments thereto must be approved by NMHC.

Each Implementing Partner must maintain records of the DOB information reported by the participant applicant, verified by the Implementing Partner, and results of the DOB review, including any denial or reduction in award or benefits to the participant applicant, if applicable. DOB information must be maintained throughout the term of the contract and for six years thereafter.

3.4.2 Supplanting

CDBG-DR funds may not be used to supplant funds otherwise available for similar workforce training programs. Implementing Partners must document that funds awarded are above and beyond any annual appropriations that are provided for the same purpose. Implementing Partners must also document that WDTP funds expended on any participant are above and beyond any other funding available through other sources for the same purpose, including any funding available through other federal, state, or local funding. WDTP funds may be utilized after all other funds available to provide benefits to the participant for the same purpose have been expended. Any supplanting of funds will be treated as a duplication of benefits or fraud, waste, and abuse, and is subject to recapture under the terms of the Implementing Partner agreement.

3.5 Recapture

An Implementing Partner or participant may be required to repay all or a portion of CDBG-DR funds received. Reasons for recapture may include, but are not limited to:

• An Implementing Partner, subcontractor, or participant is determined to have provided false or misleading information to the program;

• An Implementing Partner or subcontractor withdraws from the program prior to completion of the project;

• An Implementing Partner or subcontractor does not complete the project;

• An Implementing Partner or subcontractor fails to meet the national objective;

• An Implementing Partner or subcontractor is found to have used program funds for an ineligible activity; or

• An Implementing Partner, subcontractor, or participant fails to report the receipt of additional funds or benefits received that create a DOB.

4.0 WORKFORCE TRAINING ACTIVITIES

To ensure that there are resources to support the remaining recovery needs, and to assist disaster-impacted individuals in obtaining employment, the WDTP will focus on workforce training in the construction trades.

4.1 Eligible Activities

Eligible activities under this program include:

• Workforce training in construction trades;
• Employment support services; and
• Job readiness and job placement assistance to support successful graduates of training in obtaining employment.

Activities requiring construction, rehabilitation, or renovation of any facilities or real property are not eligible activities under the WDTP.

4.2 Training

Training may be provided through multiple means, including classroom training, apprenticeship programs, on-the-job training, customized training, or other innovative models as proposed by Implementing Partners to NMHC. Training may be delivered via partnerships with public, private, or non-profit entities. If an Implementing Partner intends to utilize a partnership to deliver services, the Implementing Partner must document how partners will be selected. Any entity that is listed as excluded, debarred, or suspended on the System for Award Management (https://sam.gov/SAM/), including affiliated businesses with the same Employer Identification Number (EIN), is not eligible to receive WDTP funds and may not be selected as an Implementing Partner, Subcontractor, or Vendor.

4.2.1 Training Subjects

To support housing recovery, all Implementing Partners are required to provide workforce training in construction trades. Construction trades include, but are not limited to:

o Roofing;
o Masonry;
o Carpentry;
o Concrete finishing;
o Plumbing;
o HVAC (heating, ventilation, and air conditioning);
o Electricity;
o Heavy equipment operations;

o Glass / window installation;
o Plastering; and
o Welding.

Construction training must develop participants' specific occupational knowledge and skills that will prepare and contribute to participants' ability to obtain employment. Construction training does not have to result in an industry recognized credential, but training curricula must reflect current industry standards and be sufficient to lead to employment within the relevant construction trade.

Each Implementing Partner may determine the timeframe for the training program in each construction trade and/or programming option it makes available to participants. The timeframe for training must be within the timeframe of the WDTP, to ensure that all participants have the opportunity to complete the training program before the conclusion of WDTP training activities on **November 24, 2026.**

4.2.2 Training Schedule

Implementing Partners must publish the schedule of class times for each term on the Implementing Partners' website at least 60 calendar days before the first day of the term or within 15 calendar days of execution of the service contract, whichever is later. The Implementing Partner must submit a copy of the schedule of days and times of classes for each term to NMHC at least before the first day of the term or within 15 calendar days of execution of the Implementing Partner agreement, whichever is later.

Changes, updates, or cancellations to scheduled programming must be made at least 5 business days prior to the date of the originally scheduled activity. All information on the changes, updates, or cancellations must be posted to the Implementing Partner's website, provided in writing to all known attendees, and submitted to NMHC at least five (5) business days prior to the date of the originally scheduled activity. Exceptions to the timeframe for changes, updates, or cancellations may be made for extenuating circumstances, including emergency, extreme weather, and instructor illness. If NMHC determines that an Implementing Partner has made unreasonable or recurring changes, updates, or cancellations, NMHC may request a root cause analysis and corrective action plan from the Implementing Partner.

4.3 Support Services

CDBG-DR funds may be used for activities that provide employment support services. Support services include, but are not limited to, peer support programs, counseling, English to speakers of other languages (ESOL), transportation, child care, computer skills / digital literacy, and other similar services. Support services may be provided to participants in the WDTP, but Implementing Partners are not required to provide support services. Implementing Partners must clearly outline the support services that participants may receive, the eligibility determination

process for support services, and any limitations on support service expenditures (including limited timeframes and maximum allowances) in written policies and procedures that are made available to participants and participant applicants. The support service policies and procedures and any amendments thereto must be approved by NMHC.

Support services are provided to reduce or eliminate barriers to an individual's ability to participate in WDTP activities or obtain employment. Implementing Partners must assess participants individually to identify eligibility and need for support services. The rationale for providing support services must be documented in the participant's file.

Support services may be provided directly by the Implementing Partners or may be provided through referrals to other community resources and entities for support service delivery. Support services provided directly by the Implementing Partner should include consideration of the Implementing Partner's WDTP funding limitations and the availability of other community resources and entities, to leverage limited program resources to the greatest extent possible. Implementing Partners are encouraged to explore viable alternatives available to the participant before providing support services.

Support services are not an entitlement. Implementing Partners' availability of support services do not obligate or commit them to approve or provide services of any type to any participant.

Transportation and child care support services must clearly be related to the participant's WDTP activities. For example, an Implementing Partner may provide a transportation allowance for bus fare to and from the training site from the participant's residence but may not provide a transportation allowance for travel to non-WDTP locations. A participant's transportation allowance may not exceed $6 per day. Automotive repair assistance may not exceed $500 per participant. Child care support services may be provided for a participant's dependents who are up to twelve (12) years of age, not to exceed $120 per week.

Materials and supplies provided to participants utilizing WDTP funds must be related to WDTP training activities. Clothing, with the exclusion of wearable materials and supplies related to WDTP training activities, such as steel-toed boots, hard hats, etc., may not be provided utilizing WDTP funds.

Implementing Partners may provide support services to participants in the WDTP throughout the term of the beneficiary's participation in a workforce training program. Support services may not be provided to a participant after that participant has concluded workforce training components, for example, completion of a training program in the electrical trade.

4.4 Career Services

All Implementing Partners are required to provide job readiness and job search assistance to support successful graduates of training in obtaining employment. These services are intended to help prepare participants for the workforce and assist in obtaining a position on program exit. Job readiness and job search services may include, but are not limited to:

- Resume assistance;
- Interview preparation;
- Employability skills;
- Provision of information on market demand, vacancy listings, job skills requirements for vacancy listings, and wage information;
- Job search assistance;
- Career counseling;
- Individual employment plans; and
- Referral and direct employment opportunity assistance.

4.5 Case Management Services

Implementing Partners are highly encouraged to provide case management services to participants to provide support and ensure successful program completion. Case management services may be provided throughout the entire duration of program participation, from the time of application intake through program exit. Case management services may include, but are not limited to:

- Administering assessments;
- Identifying barriers to program participation and recommending ways to remove such barriers, including provision of support services or referral to other support services providers;
- Financial assistance information;
- Support service screening and information;
- Tutoring information;
- Referrals to other sources of assistance;
- Certification, credential, or licensing assistance;
- Establishing training benchmarks, tracking participant progress, and verifying satisfactory progress; and
- Maintaining and/or monitoring participant files.

5.0 PARTICIPANT APPLICATION

5.1 Application Process

Individuals seeking to receive training, support services, or other benefits through the WDTP must complete the official application developed and distributed by the Implementing Partner.

Implementing Partners are required to assist individuals who contact their training institutions to complete an application by phone or by visiting an Implementing Partner's office location. Implementing Partners must provide a hard copy application by U.S. mail to any individual who requests a hard copy application. Implementing Partners must accept completed applications from applicants, if provided directly to the Implementing Partner via email, mail, in-person, or other means. After WDTP Implementing Partners are selected, contact information for all Implementing Partners will be made available to the public and posted on www.cnmi-cdbgdr.com.

5.1.1 Application Period

Each Implementing Partner may set the application period for the Implementing Partner's program services. Any Implementing Partner's application period must be documented in policies and procedures made available to participants and participant applicants. If no application period is provided in an Implementing Partner's policies and procedures, applications will be accepted on a rolling basis until all Implementing Partner's funding has been expended.

5.1.2 Application Intake

Implementing Partners are responsible for processing applications. Each Implementing Partner must review and process all applications in which the participant applicant indicated that he or she would like to apply to that Implementing Partner's program. Implementing Partners must ensure all applications and attached documentation are complete, and issue a notice of incompleteness, if applicable, detailing all incomplete elements of the application and information on how the applicant may submit the missing information. Implementing Partners are responsible for maintaining the complete application file, including information received in the initial application and any additional information provided during application processing. Each Implementing Partner must have written policies and procedures documenting their application intake that are made available to participants and participant applicants. The application intake policies and procedures and any amendments thereto must be approved by NMHC. Implementing Partners may not begin processing applications until the Implementing Partners' relevant policies and procedures have been reviewed and approved by NMHC.

5.2 Participant Eligibility Screening Process

Implementing Partners are required to screen each application received to determine eligibility in accordance with the WDTP Program Guidelines and other relevant program guidance. Participant applicants must provide documentation for eligibility criteria during the application process. Upon determination of eligibility or non-eligibility for program benefits, Implementing Partners must notify the

participant applicant in writing of the determination and reasons for denial, if applicable. Implementing Partners must maintain an accurate log of all participant applicant approval and denial determinations.

5.2.1 Priority Schedule

Participant applications may be accepted and eligibility for services and benefits determined on a priority schedule to ensure compliance with the LMI national objective. Veterans and eligible veteran spouses and dependents will receive priority in accordance with federal regulations. Each Implementing Partner may set its own priority schedule to meet these requirements. Each Implementing Partner must have written policies and procedures documenting the priority schedule set by the Implementing Partner that are made available to participants and participant applicants. The policies and procedures and any amendments thereto must be approved by NMHC.

5.2.2 Participant Program Assistance Requirements

In order to receive program assistance, participants must:

- Complete an WDTP application.
- Provide all documentation required by the WDTP application.
- Sign a release so that information provided by the participant can be shared with state and federal agencies and certain third parties in order to verify information given to the program. The participant and everyone 18 and older in the household are required to sign the release.
- Swear to the accuracy and completeness of all information provided to the program under penalty of law.
- Sign a subrogation agreement acknowledging that any overpayment of benefits will be subject to recapture.

Implementing Partners are required to ensure that each participant has completed the required documentation and forms before providing program assistance. Implementing Partners must retain completed participant documentation in the participant's file.

Commonwealth of the Northern Mariana Islands
Office of the Governor
DEPARTMENT OF PUBLIC LANDS

NOTICE OF ADOPTION OF REGULATIONS
FOR THE DEPARTMENT OF PUBLIC LANDS

PRIOR PUBLICATION IN THE COMMONWEALTH REGISTER
AS PROPOSED REGULATIONS
Volume 42, Number 12, pp 044658-044675, of December 28, 2020

ACTION TO ADOPT PROPOSED REGULATIONS: The Department of Public Lands (the "Department") HEREBY ADOPTS AS PERMANENT REGULATIONS the Proposed Regulations which were published in the Commonwealth Register at the above referenced pages, pursuant to the procedures of the Administrative Procedure Act,1 CMC § 9104(a). The Department announced that it intended to adopt them as permanent, and now does so. I also certify by signature below that: as published, such adopted regulations are a true, complete and correct copy of the referenced Proposed Regulations and that they are being adopted without modifications described below.

PRIOR PUBLICATION: The prior publication was as stated above.

MODIFICATIONS FROM PROPOSED REGULATIONS, IF ANY:

1. 145-30-101(c)- Rephrased the section regarding island capacity to reason that patrons shall not exceed 1,000 visitors at any one time to ensure that public safety can be maintained.
2. 145-30-110(a)(5)- Included that under the 20% of the Concessionaire vessel reserved for local passengers free of charge, local passengers must still make a reservation 24 hours prior to departure.
3. 145-30-115- Corrected the title of the Homeland Security and Emergency Management Agency and more clearly delegates the Concessionaire to be responsible for the closure of the Island when typhoon condition 2 or tropical storm condition 2 is declared.
4. 145-30-135(d)- Replaced an increased number of 6 rangers/enforcement officers with "a sufficient amount" to generalize an adequate amount of personnel on the Island instead of a specific number.

AUTHORITY: The Department has the inherent authority to adopt rules and regulations in furtherance of its duties and responsibilities pursuant to Article IX of the Commonwealth Constitution and 1 CMC § 2801 et. seq.

DIRECTIONS FOR FILING AND PUBLICATION: These regulations shall be published in the Commonwealth Register in the section on proposed and newly adopted regulations (1 CMC § 9102(a)(1)) and posted in convenient places in the civic center and in local government offices in each senatorial, both in English and in principal vernacular.

EFFECTIVE DATE: These Regulations were proposed in December 2020 and are hereby being adopted as Permanent Regulations of the Department of Public Lands pursuant to 1CMC § 9104. They will become permanent ten (10) days after publication in the February 2021 Commonwealth Register.

COMMENTS AND AGENCY CONCISE STATEMENT: Pursuant to the APA, 1 CMC § 9104(a)(2), the agency has considered fully all written submissions respecting the proposed regulations. Upon this adoption of the regulations, the agency, if requested to do so by an interested person, either prior to adoption or within 30 days thereafter, will issue a concise statement of the principal reasons for and against its adoption, incorporating therein its reasons for overruling the considerations urged against its adoption.

P.O. Box 500380, Saipan, MP 96950 ● 2nd Floor, Joeten Dandan Commercial Building
Website: www.dpl.gov.mp ● E-mail: dpl@dpl.gov.mp ● Facebook: www.facebook.com/DPLCNMI
Tel: (670) 234-3751/52/53/54 ● Fax: (670) 234-3755

ATTORNEY GENERAL APPROVAL: The adopted regulations for the commercial use and activities of Managaha Islands were approved for promulgation by the Attorney General in the above-cited pages of the Commonwealth Register, pursuant to 1 CMC § 2153(e) (to review and approve, as to form and legal sufficiency, all rules and regulations to be promulgated by any department, agency or instrumentality of the Commonwealth government, including corporations, except as otherwise provided by law).

I DECLARE under penalty of perjury that the foregoing is true and correct and that this declaration was executed on the 10th day February, 2021, at Saipan, Commonwealth of the Northern Mariana Islands.

Submitted by:

MARIANNE CONCEPCION-TEREGEYO
Secretary, Department of Public Lands

10 FEB 2021
Date

Filed and Recorded by:

ESTHER SN NESBITT
Commonwealth Registrar

02-25-2021
Date

Pursuant to 1 CMC § 2153(e) (AG approval of regulations to be promulgated as to form) and 1 CMC § 9104(a)(3) (obtain AG approval) the certified final regulations, modified as indicated above from the cited proposed regulations, have been reviewed and approved as to form and legal sufficiency by the CNMI Attorney General, and shall be published (1 CMC § 2153(f) (publication of rules and regulations)).

Dated the 10 day of February, 2021.

EDWARD MANIBUSAN
Attorney General

§ 145-30-101 Uses and Privileges

(c) The exclusive right to operate all commercial concessions does not include the exclusive right to provide transportation to and from the Island; provided, however, that if the Department, in consultation with any other agency, determines that the number of tourists visiting the Island must at any present or future time be limited, then the Concessionaire shall carry the number of passengers permitted under the restriction. This, however, is subject to the Concessionaire's privilege of providing transportation to that number of passengers it is entitled to serve meals to, so long as the number of passengers permitted to be carried to Managaha Island is no fewer than number permitted under any current permit for the Island. In order to ensure that public safety can be maintained and that the Island will not suffer from environmental impacts, the combined number of passengers on the Island shall not exceed 1,000 at any one time, whether they arrived by the Concessionaire's vessel or other boat and tour operators.

§ 145-30-110 Management and Maintenance of Island

(c) Provide 20% of the vessel seating capacity on regularly scheduled daily round trips to the Island free of charge for local passengers. To ensure order, local residents must still make a 24-hour advance reservation for their seat with the Concessionaire prior to departure. If the full 20% is not so utilized, then the Concessionaire may provide the remainder of that number of seats available to non-residents, however, priority of the 20% must be given to local passengers up until embarkment.

§ 145-30-115 Storm Conditions

When typhoon condition no. 2 or tropical storm condition 2 is declared, or when the ~~Executive Director of the Corporation~~ Homeland Security and Emergency Management Agency or the Department determines that it is unsafe to land passengers at the Managaha pier due to inclement weather, the Concessionaire shall ~~be relieved of its obligations to operate~~ close Managaha Island and shall first secure operating utilities on the Island, including water, power, toilets, lifeguard services, ranger station, and public security before leaving the Island unless it is deemed unsafe to do so. The Concessionaire shall take reasonable measures to protect the main pavilion, generator house, storage, and reverse osmosis room from storm damage, and ensure that subconcessionaires shall also secure their property against any damages.

§ 145-30-135 Public Security

(d) The Department shall keep on staff ~~two~~ a sufficient number of rangers/enforcement officers to assist with the enforcement of this regulation. It shall be the duty of the enforcement officers to enforce these regulations, maintain public security, record the daily landings of tourists, and collect landing fees during normal hours of operations.

Commonwealth Healthcare Corporation
Commonwealth of the Northern Mariana Islands
1 Lower Navy Hill Road Navy Hill, Saipan, MP 96950

PUBLIC NOTICE OF CERTIFICATION AND ADOPTION OF RULES AND REGULATIONS OF THE COMMONWEALTH HEALTHCARE CORPORATION

PRIOR PUBLICATION IN THE COMMONWEALTH REGISTER
AS PROPOSED RULES AND REGULATIONS
Volume 42, Number 12, pp. 044676-044684, of December 28, 2020

AMENDMENTS TO THE CHCC CHARGEMASTER FOR COVID 19 VACCINATIONS AND TREATMENT (MONOCLONAL ANTIBODIES) AND ONE OTHER FEE

ACTION TO ADOPT PROPOSED REGULATIONS: The Commonwealth of the Northern Mariana Islands, COMMONWEALTH HEALTHCARE CORPORATION ("CHCC"), HEREBY ADOPTS AS PERMANENT regulations the Proposed Regulations which were published in the Commonwealth Register at the above-referenced pages, pursuant to the procedures of the Administrative Procedure Act,1 CMC § 9104(a). The CHCC announced that it intended to adopt them as permanent, and now does so. (Id.) A true copy is attached. I also certify by signature below that:

as published, such adopted regulations are a true, complete and correct copy of the referenced Proposed Regulations,

and that they are being adopted as published.

PRIOR PUBLICATION: The prior publication was as stated above.

MODIFICATIONS FROM PROPOSED REGULATIONS: Adoption as Amendments to the Chargemaster.

AUTHORITY: The Corporation is empowered by the Legislature to adopt these rules and regulations pursuant to 3 CMC Section 2826(c).

EFFECTIVE DATE: Pursuant to the APA, 1 CMC sec. 9105(b), these adopted regulations are effective 10 days after compliance with the APA, 1 CMC §§ 9102 and 9104(a) or (b), which, in this instance, is 10 days after this publication in the Commonwealth Register.

COMMENTS AND AGENCY CONCISE STATEMENT: Pursuant to the APA, 1 CMC sec. 9104(a)(2), the Corporation has considered fully all written and oral submissions respecting the

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proposed regulations. Upon this adoption of the regulations, the Corporation, if requested to do so by an interested person, either prior to adoption or within 30 days thereafter, will issue a concise statement of the principal reasons for and against its adoption, incorporating therein its reasons for overruling the considerations urged against its adoption.

The adopted regulations were approved for promulgation by the Attorney General in the above-cited pages of the Commonwealth Register, pursuant to 1 CMC sec. 2153(e)

I DECLARE under penalty of perjury that the foregoing is true and correct and that this declaration was executed on the 24TH OF February, 2021 at Saipan, Commonwealth of the Northern Mariana Islands.

Certified and ordered by:

Esther L. Muna
CEO, CHCC

Lauri Ogumoro,
Board Chair

Pursuant to 1 CMC § 2153(e) (AG approval of regulations to be promulgated as to form) and 1 CMC § 9104(a)(3) (obtain AG approval) the certified final regulations, modified as indicated above from the cited proposed regulations, have been reviewed and approved as to form and legal sufficiency by the CNMI Attorney General, and shall be published (1 CMC § 2153(f) (publication of rules and regulations)).

Dated the 24 day of February, 2021.

EDWARD MANIBUSAN
Attorney General

Filed and
Recorded by:

ESTHER SN. NESBITT/ra
Commonwealth Register

02.25.2021
Date

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PUBLIC NOTICE OF PROPOSED REGULATIONS WHICH ARE FOR THE POLICIES AND PROCEDURES FOR THE NORTHERN MARIANAS HOUSING CORPORATION, COMMUNITY DEVELOPMENT BLOCK GRANT – DISASTER RECOVERY (CDBG-DR) PROGRAM'S NEW CONSTRUCTION FOR HOMEOWNERSHIP OPPORTUNITY AND FIRST-TIME HOMEBUYER ASSISTANCE PROGRAM, HOMEOWNER REHABILITATION AND RECONSTRUCTION PROGRAM, HOMEBUYER ACTIVITIES PROGRAM, AFFORDABLE RENTAL HOUSING DEVELOPMENT PROGRAM, CDBG-DR GAP-FILLER TO LOW-INCOME HOUSING TAX CREDITS PROGRAM, INFRASTRUCTURE PROGRAM POLICIES, TOURISM POLICIES AND PROCEDURES, AND WORKFORCE DEVELOPMENT POLICIES AND PROCEDURES

INTENDED ACTION TO ADOPT THESE PROPOSED RULES AND REGULATIONS: The Northern Marianas Housing Corporation (NMHC) intends to adopt the attached proposed rules and procedures for the Northern Marianas Housing Corporation (NMHC) – Community Development Block Grant – Disaster Recovery (CDBG-DR) Division as permanent regulations, pursuant to the procedures of the Administrative Procedure Act,1 CMC § 9104(a). The Regulations would become effective 10 days after adoption and publication in the Commonwealth Register. (1 CMC § 9105(b))

AUTHORITY: These proposed regulations are promulgated under the authority of the Board of Directors, through its Chairperson, to promulgate rules and regulations pursuant to 2 CMC § 4433 (i), which lists the responsibilities of the Board of the NMHC.

THE TERMS AND SUBSTANCE: : These Rules and Regulations provide policies and procedures for the Northern Marianas Housing Corporation's Community Development Block Grant – Disaster Recovery (CDBG-DR) Division for its following new programs: New Construction for Homeownership Opportunity and First-Time Homebuyer Assistance Program, Homeowner Rehabilitation and Reconstruction Program, Homebuyer Activities Program, Affordable Rental Housing Development Program,

CDBG-DR Gap-Filler to Low-Income Housing Tax Credits Program, Infrastructure Program Policies, Tourism Policies and Procedures, and Workforce Development Policies and Procedures.

THE SUBJECTS AND ISSUES INVOLVED: These rules and regulations: Provide policies and procedures for the Northern Marianas Housing Corporation (NMHC) - Community Development Block Grant – Disaster Recovery (CDBG-DR) Division's New Construction for Homeownership Opportunity and First-Time Homebuyer Assistance Program, Homeowner Rehabilitation and Reconstruction Program, Homebuyer Activities Program, Affordable Rental Housing Development Program, and CDBG-DR Gap-Filler to Low-Income Housing Tax Credits Program, Infrastructure Program Policies, Tourism Policies and Procedures, and Workforce Development Policies and Procedures.

CONCURRENT ADOPTION OF EMERGENCY REGULATIONS FOR 120 DAYS: The Board has followed the procedures of 1 CMC § 9104(b) and (c) to adopt these Proposed Regulations on an emergency basis for 120 days. The Governor signed the emergency regulations on January 29, 2021. The emergency regulations are now in effect.

DIRECTIONS FOR FILING AND PUBLICATION: These Proposed Regulations shall be published in the Commonwealth Register in the section on proposed and newly adopted regulations (1 CMC § 9102(a)(1)) and posted in convenient places in the civic center and in local government offices in each senatorial district, both in English and in the principal vernacular. (1 CMC § 9104(a)(1))

TO PROVIDE COMMENTS: Interested parties may submit written comments on the proposed regulations to Jesse S. Palacios, Corporate Director, NMHC, to the following address, fax, or email address, with the subject line "Proposed CDBG-DR policies & procedures"

NORTHERN MARIANAS HOUSING CORPORATION
P.O. Box 500514
Saipan, MP. 96950
Fax: (670) 234-9021
Email Address: nmhc@nmhc.gov.mp

Comments, data, views, or arguments are due within thirty (30) calendar days from the date of publication of this notice. (1 CMC § 9104(a)(2)) If you have any questions, you may reach NMHC at telephone numbers (670) 234-6866/9447.

These proposed regulations were approved by the Northern Marianas Housing Corporation (NMHC) on the date listed below.

Submitted by: _____ 01/21/21
Marcie M. Tomokane
Chairperson
NMHC Board of Directors
Date

Received by: _____ 01/22/2021
Mathilda A. Rosario
Special Assistant for Administration
Date

Filed and
Recorded by: _____ 02.25.2021
ESTHER SN. NESBITT
Commonwealth Registrar
Date

Pursuant to 1 CMC § 2153(e) (AG approval of regulations to be promulgated as to form) and 1 CMC § 9104(a)(3) (obtain AG approval) the proposed regulations attached hereto have been reviewed and approved as to form and legal sufficiency by the CNMI Attorney General and shall be published, 1 CMC § 2153(f) (publication of rules and regulations).

Dated the 18 day of ~~January~~ February, 2021.

for EDWARD MANIBUSAN
Attorney General

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NUTISIAN PUPBLIKU PUT I MANMAPROPONI NA REGULASION PARA I POLICIES YAN MANERA SIHA GI NORTHERN MARIANAS HOUSING CORPORATION, I COMMUNITY DEVELOPMENT BLOCK GRANT – NUEBU DISASTER RECOVERY (CDBG-DR) NA PRUGRÅMAN I KONSTRUKSION PARA UPUTUNIDÅT HOMEOWNERSHIP YAN FIRST-TIME HOMEBUYER ASISTENSIA NA PRUGRÅMA, I HOMEOWNER REHABILITATION YAN RECONSTRUCTION NA PRUGRÅMA, I HOMEBUYER AKTIBIDÅT NA PRUGRÅMA, I AFFORDABLE RENTAL HOUSING DEVELOPMENT NA PRUGRÅMA, I CDBG-DR GAP-FILLER ASTA LOW-INCOME HOUSING TAX CREDITS NA PRUGRÅMA, I INFRASTRUCTURE PROGRAM POLICIES, I TOURISM POLICIES YAN WORKFORCE DEVELOPMENT POLICIES YAN I MANERA SIHA

I AKSION NI MA´INTENSIONA PARA U ADÅPTA ESTI I MANMAPROPONI NA AREKLAMENTU YAN REGULASION SIHA: I Northern Marianas Housing Corporation (NMHC) ha intensiona para u adåpta i mañechettun manmaproponi na areklamentu yan manera siha para i Northern Marianas Housing Corporation (NMHC) – Community Development Block Grant – Disaster Recovery (CDBG-DR) Dibision komu petmanienti na regulasion siha, sigun para i maneran nu i Åktun Administrative Procedure, 1 CMC § 9104(a). I Regulasion siha umifektibu siempri gi halum 10 dihas dispues di adåptasion yan pupblikasion gi halum i Rehistran Commonwealth. (1 CMC § 9105(b))

ÅTURIDÅT: Esti i manmaproponi na regulasion siha manmacho´gui gi påpa´ i aturidåt i Kuepun Direktot siha, ginin Kabesiyun-ñiha, para u macho´gui i areklamentu yan regulasion siha sigun para i 2 CMC § 4433 (i), ni malista i risponsibilidåt nu i Kuepu siha gi NMHC.

I TEMA YAN SUSTÅNSIAN I PALÅBRA SIHA: Esti na Areklamentu yan Regulasion siha ha pribeni policies yan manera siha para i Northern Marianas Housing Corporation's Community Development Block Grant – Disaster Recovery (CDBG-DR) Dibision para i tinattiyi na iyon-ñiha nuebu na prugråma siha: I Nuebu na Konstruksion para Homeownership na Uputunidåt yan i First-Time Homebuyer Asistensia na Prugråma, i Hoemowner Rehabilitation yan Reconstruction na Prugråma, i Homebuyer Aktibidåt na Prugråma, i Affordable Rental Housing Development na Prugråma, i CDBG-DR Gap-Filler asta Low-Income Hosuing Tax Credits na Prugråma, i Infrastructure na Prugråma, i Tourism Policies yan Workforce Development Policies yan Manera siha.

SUHETU NI MASUMÅRIA YAN ASUNTU NI TINEKKA: Esti na areklamentu yan regulasion siha: Pribeni policies yan manera siha para i Northern Marianas Housing Corporation (NMHC) – Community Development Block Grant – Disaster Recovery (CDBG-DR) Dibision Nuebu na Konstruksion para Uputunidåt Homeownership yan First-Time Homebuyer Asistensia na Prugråma, i Homeowner Rehabilitation yan Reconstruction na Prugråma, i Homebuyer Aktibidåt na Prugråma, i Affordable Rental Housing Development na Prugråma, yan i CDBG-DR Gap-Filler asta Low-Income

Housing Tax Credits na Prugråma, i Infrastructure na Prugråma, i Tourism Policies, yan Workforce Development Policies yan Manera siha.

SUMISIHA I ADÅPTASION NU REGULASION EMERGENCY SIHA PARA 120 DIHAS: I Kuetpu ha tattiyi i maneran nu 1 CMC § 9104(b) yan (c) siha para u adåpta esti i Manmaproponi na Regulasion siha gi emergency basis para 120 dihas. I Maga'låhi ha fitma i regulasion emergency gi Ineru 29, 2021. I regulasion emergency manifektibu på'gu.

DIREKSION SIHA PARA U MAPO'LU YAN PUPBLIKASION: Esti i Manmaproponi na Regulasion para u mapupblika gi halum Rehistran Commonwealth gi halum i maproponi na seksiona yan nuebu na ma'adåpta na regulasion siha (1 CMC § 9102(a)(1)) yan u mapega gi halum i kumbinienti na lugåt gi halum i Civic Center yan gi halum ufisinan gubietnamentu siha gi kada distritun senadot, parehu Inglis yan i dos na lingguåhi natibu. (1 CMC § 9104(a)(1))

PARA U MAPRIBENIYI UPIÑON SIHA: I intirisao na påttida siña ma'intrega hålum tinigi' upiñon put i manmaproponi na regulasion siha guatu as Jesse S. Palacios, Corporate Director, NMHC para i tinattiyi na address, fax, pat email address, yan i råyan suhetu "Maproponi na policies & maneran i CDBG-DR"

NORTHERN MARIANAS HOUSING CORPORATION
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I upiñon, infotmasion yan kuntestasion siha debi na u fanhålum gi halum trenta (30) dihas ginin i fetchan nu pupblikasion esti na nutisia. (1 CMC § 9104(a)(2)) Yanggin guaha katkuet na kuestion-mu, siña un ågang i NMHC gi numerun tilifon gi (670) 234-6866/9447.

Nina'halum as: _____ Fetcha: 01/20/21
Marcie M. Tomokane
Kabesiyu
NMHC Kuetpun Direktot

Rinisibi as: _____ Fetcha: 01/22/2021
Matilda A. Rosario
Ispisiåt Na Ayudånti Para I Atministrasion

Pine'lu yan
Ninota as: _____ Fetcha: 02.25.2021
Ms. Esther SN. Nesbitt
Rehistran Commonwealth

Sigun i 1 CMC § 2153(e) (I Abugådu Heneråt ha aprueba i regulasion siha na para u macho´gui kumu fotma) yan 1 CMC § 9104(a)(3) (hentan inaprueban Abugådu Heneråt) i manmaproponi na regulasion ni mañechettun guini ni manmaribisa yan ma´aprueba kumu para fotma yan sufisienti ligåt ginin i CNMI Abugådu Heneråt yan debi na u mapupblika gi, 1 CMC § 2153(f) (pupblikasion areklamentu yan regulasion siha).

Mafetcha gi diha 18 Febrero gi ~~Ineru~~, 2021.

EDWARD MANIBUSAN
Abugådu Heneråt

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ARONGORONGOL TOULAP REEL POMMWOL MWÓGHUTUGHUT IYE E LO NGÁLI ALLÉGHÚL ME MWÓGHUTUGHUTÚL NORTHERN MARIANAS HOUSING CORPORATION, COMMUNITY DEVELOPMENT BLOCK GRANT – DISASTER RECOVERY (CDBG-DR) PROGRAM'S NEW CONSTRUCTION NGÁLI HOMEOWNERSHIP OPPORTUNITY ME FIRST-TIME HOMWBUYER ASSISTANCE PROGRAM, HOMEOWNER REHABILITATION ME CONSTRUCTION PROGRAM, HOMWBUYER ACTIVITIES PROGRAM, AFFORDABLE RENTAL HOUSING DEVELOPMENT PROGRAM, CDBG-DR GAP-FILLER NGÁLI LOW-INCOME HOUSING TAX CRESITS PROGRAM, ME INFRASTRUCTURE PROGRAM POLICIES, ALLÉGHÚL BWULASIYO ME MWÓGHUTUGHUTÚL LLÓL TOURISM, ME ALLÉGHÚL BWULASIYO ME MWÓGHUTUGHUTÚL LLÓL WORKFORCE DEVELOPMENT

MÁNGEMÁNGIL MWÓGHUT REEL REBWE ADÓPTÁÁLI POMMWOL ALLÉGH ME MWÓGHUTUGHUT KKAL: Northern Marianas Housing Corporation (NMH) re mángemángil rebwe adóptááli pommwol alléghúl bwulasiyo me mwóghutughut ikka e appasch ngáli Northern Marianas Housing Corporation (NMHC) – Community Development Block Grant – Disaster Recovery (CDBG-DR) Division bwe ebwe llégh1ó mwóghutughut, sángi mwóghutughutúl Administrative Procedure Act, 1 CMC § 9104(a). Ebwe bwunguló Mwóghutughut kkal llól seigh ráál mwiril aar adóptáálil me akkatééwowul me llól Commonwealth Register. (1 CMC § 9105(b))

BWÁNGIL: Ebwe arongowow pommwol mwóghutughut kkal ffal bwángil Board-il Directors, sángi Chairperson, reel ebwe arongowow allégh me mwóghutughut ngáli 2 CMC § 4433(i), iye e ischitiw lemelemil Board-il NMHC.

KKAPASAL ME AWEEWEL: Allégh me Mwóghutughut e ayoorai alléghúl bwulasiyo me mwóghutughut ngáli aar Northern Marianas Housing Corporation Community Development Block Grant – Disaster recovery (CDBG-DR) Division ngáli progróóma ikka e ffé ikka e amwirimwiritiw: New Construction for Homeownership Opportunity and First-Time Homebuyer Assistance Program, Homeowner Rehabilitation and Reconstruction Program, Homebuyer Activities Program, Affordable Rental Housing Development Program, CDBG-DR Gap-Filler to Low-Income Housing Tax Credits Program, me Infrastructure Program, Alléghúl me Mwóghutughutúl bwulasiyol Tourism, me Alléghúl me Mwóghutughutúl bwulasiyol Workforce Development.

KKAPASAL ME ÓUTOL: Allégh me mwóghutughut kkal: Ayoora lemelem me mwóghutughut ngáli Northern Marianas housing Corporation (NMHC) – Community Development Block Grant – Disaster Recovery (CDBG-DR) Division's New Construction ngáli Homewnership Opportunity me First-Time Homebuyer Assistance Program, Homeowner Rehabilitation me Reconstruction Program, Homebuyer

Activities Program, Affordable Rental Housing Development Program, me CDBG-DR Gap-Filler ngáli Low-Income Housing Tax Credits Program, me Infrastructure Program, Alléghúl me Mwóghutughutúl bwulasiyol Tourism, me Alléghúl me Mwóghutughutùl bwulaisyol Workforce Development.

LLÓL ABWUNGUNWUNGUL ADÓPTAAL MWÓGHUTUGHUT LLÓL GHITIPOTCH NGÁLI 120 RÁÁL: Board re attabweey ngáli mwóghutughutúl 1 CMC § 9104(b) me (c) reel rebwe adóptááli Pommwol Mwóghutughut llól ghitipotch ngáli 120 ráál. Soulemelem aa ghikkil reel mwóghutughutúl ghitipotch wóól Schoow 29, 2021. Aa bwunugló ighila mwóghutughut kka llól ghitipotch.

AFAL REEL AMMWELIL ME AKKATÉÉWOWUL: Ebwe akkatééwow Pommwol Mwóghutughut kkal me llól Commonwealth Register llól tálil pommwol me ffél mwóghutughut ikka ra adóptáálil (1 CMC § 9102(a)(1)) me ebwe appaschetá llól civic center me bwal llól bwulasiyol gobetnameento llól senatorial district, fengál reel English me mwaliyaasch. (1 CMC § 9104(a)(1))

REEL ISIISILONGOL KKAPAS: Schóó kka re mwuschel isiisilong aar ischil kkapas wóól pommwol mwóghutughut kkal rebwe isiis ngáli Jesse S. Palacios, Corporate Director, NMHC, ngáli féléfél iye e amwirimwiritiw, fax, ngáre email address, ebwe lo wóól subject line bwe "Prosposed CDBG-DR policies & procedures"

NORTHERN MARIANAS HOUSING CORPORATION
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Email Address: nmhc@nmhc.gov.mp

Kkapas, data, views, ngáre angiingi ebwe toolong llól eliigh ráál mwiril aal akkatééwow arongorong yeel. (1 CMC §9104(a)(2)) Ngáre eyoor yóómw aiyégh, faingi ló NMHC me (670) 234-6866-9447.

Aa átirow pommwol mwóghutughut kkal sángi Northern Marianas Housing Corporation (NMHC) wóól ráál iye e faal.

Isáliyalong: _____ 01/20/21
Marcie M. Tomokane — Ráál
Chairperson
NMHC Board-il Directors

Bwughuyal: _____ 01/22/2021
Mathilda A. Rosario — Ráál
Special Assistant ngáli Administration

Ammwelil: _____ 02.25.2021

ESTHER SN. NESBITT
Commonwealth Register

Ráál

Sángi 1 CMC § 2153(e) (sángi átirowal AG reel mwóghutughut igha ebwe arongowow bwe aa llégh ló reel ffééról) me 1 CMC § 9104(a)(3) (sángi átirowal AG) reel pommwol mwóghutughut ikka e appasch bwe ra takkal amwuri fischiiy me aa llégh ló reel ffééról me legal sufficiency sángi Soulemelemil Allégh Lapalapal CNMI me ebwe akkatééwow, 1 CMC §2153(f) (arongowowul allégh me mwóghutughut).

Aghikkilátiw wóól 18 Febreero ráálil. ~~Schoow~~, 2021.

EDWARD MANIBUSAN
Soulemelemil Allégh Lapalap

NORTHERN MARIANAS HOUSING CORPORATION

NEW CONSTRUCTION FOR HOMEOWNERSHIP OPPORTUNITY AND FIRST-TIME HOMEBUYER ASSISTANCE PROGRAM POLICIES AND PROCEDURES

VERSION: 1.0

Prepared by:

Northern Marianas Housing Corporation - CDBG-DR Division

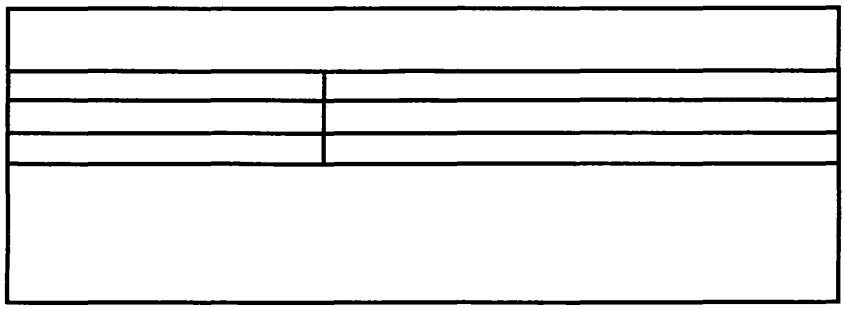


Table 1: New Construction for Homeownership and First-Time Homebuyer Assistance Program Version Control

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VERSION NUMBER	DATE REVISED	DESCRIPTION
Version 1	N/A	Version 1.0

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1.0 POLICIES

1.1 Version Policy

Version history is tracked in the table title page, with notes regarding version changes. The dates of each publication are also tracked in this table. The first version of this document is 1.0.

Substantive changes within this document that reflect a policy change will result in the issuance of a new version 2.0, an increase in the primary version number. Future policy changes will result in additional revision and the issuance of a new primary version number.

Non-substantive changes such as minor wording and editing, or clarification of existing policy that do not affect the interpretation or applicability of the policy will be included in minor version updates denoted by a sequential number increase behind the primary version number. Such changes would result in a version number such as 2.1, 2.2, etc.

1.2 Policy Change Control Board

Policy review and changes for the CNMI's New Construction for Homeownership Opportunity and First-Time Homebuyer Assistance Program (Program) policies are considered through a change control process. When policy clarifications, additions, or deletions are needed to more precisely define the rules by which the Program will operate, Program staff will work with the Corporate Director to prepare a request to amend the policy. The NMHC Board of Directors will be responsible in the review and approval of the request to amend the policy.

1.3 Definitions

Adjusted Gross Income (AGI): AGI is an individual's total gross income less specific deductions. NMHC's AGI methodology may be found in the NMHC's Homebuyer Policies and Procedures. Applicant: A person or persons who have applied at NMHC for approval of a CDBG-DR home purchase and Homeowner Financial Assistance.

Area Median Income (AMI): Calculated annual limits based on HUD-estimated median family income with adjustments based on family size used for demonstrating LMI beneficiaries in the program. May also be referred to as Area Median Family Income (AMFI) in other program documents.

Builder/Contractor: (Used interchangeably) A person or company that enters a contract to construct or repair houses and or supervised building operations. Builder/Contractor must meet all CNMI and HUD requirements.

Common Area Under Roof: The total area under the common roof is primarily interior, conditioned spaces, and for single-story homes, equal to the footprint of the house. The term is also synonymous with the eligible area. In addition, exterior spaces such as detached porches and garages are not considered eligible areas.

Community Development Block Grant - Disaster Recovery (CDBG-DR): The Department of

Housing and Urban Development (HUD)'s Community Development Block Grant Disaster program established by the applicable appropriations statute to assist communities impacted by disasters to recover.

CDBG-DR Development Agreement: An agreement entered into by Grantee and Developer for the purpose of funding and carrying out CDBG-DR-eligible activities on one or more CDBG-DR-eligible properties.

CDBG-DR Buyer: Applicant eligible to purchase a CDBG-DR constructed home.

CDBG-DR Property: A property that is rehabilitated, newly constructed, or reconstructed pursuant to Developer's agreement with Grantee, utilizing CDBG-DR funds.

CDBG-DR Home: An CDBG-DR property that is being sold to an owner-occupant.

CDBG-DR Program Budget: The budget attached to a CDBG-DR Development Agreement showing projected development costs and funding for Developer's entire CDBG-DR program in the aggregate.

Construction Cap: For the New Construction for Homeownership and First-Time Homebuyer Assistance program the Grant cap is $250,000 for development of properties owned by NMHC; and also $250,000 when building on land owned by a prospective homebuyer.

Damage Assessment: An inspection of the housing unit to document damage from the event. An assessment by a certified or licensed inspector is required to specifically and clearly document storm-related property damage via photographic evidence and detailed narratives. Damage assessments must include final cost of repair estimates according to most current local code, an assessment of cost-effectiveness of each recommended activity (reconstruction or rehabilitation), mold remediation, and assistance needed to bring the home up to code at completion.

Davis-Bacon Act of 1931 (40 USC Part 3141 et seq.) and Related Acts: All laborers and mechanics employed by contractors or subcontractors in the performance of construction work financed in whole or in part with assistance received under this chapter shall be paid wages at rates not less than those prevailing on similar construction in the locality of determined by Secretary of Labor in accordance with the Davis-Bacon Act, as amended. This applies to the rehabilitation and reconstruction of residential property with 8 or more units.

Demolition: The clearance and proper disposal of dilapidated buildings and improvements.

Duplication of Benefits: The Robert T. Stafford Disaster Assistance and Emergency Relief Act (Stafford Act) prohibits any person, business concern, or other entity from receiving financial assistance from CDBG-DR funds with respect to any part of a loss resulting from a major disaster which he/she has already received financial assistance under any other program, from insurance, or any other source. It is an amount determined by the Program that may result in the reduction of an award value.

Environmental Review: All qualified projects must undergo an environmental review process. This process ensures that all activities comply with National Environmental Policy Act (NEPA)

and other applicable state, territorial and federal laws.

Environmental Review Record (ERR): the document resulting from required environmental review which includes a description of activities, evaluation of environmental impact, documentation of compliance with applicable environmental regulations, and an environmental determination.

FEMA-Designated High-Risk Area: Area designated by FEMA as vulnerable to significant wind and/or storm surge damage as well as areas located in the designated 100-year flood zone. These areas will be identified during the environmental review process for each participating jurisdiction.

First-Time Homebuyer: A **first-time homebuyer** is an individual who has had no ownership in a principal residence during the 3-year period ending on the date of purchase of the property. This includes a spouse (if either meets the above test, they are considered **first-time homebuyers**).

Flood Hazard Area: Areas designated by FEMA at risk of flooding.

Flood Insurance: The Flood Disaster Protection Act of 1973 (42 U.S.C. 4012a) requires that projects receiving federal assistance and located in an area identified by FEMA as a Special Flood Hazard Area (SFHA) be covered by flood insurance under the National Flood Insurance Program (NFIP). To purchase flood insurance, a community must participate in the NFIP. If a community does not participate in the NFIP, federal assistance cannot be used in those areas.

Floodplain: FEMA designates floodplains as geographic zones subject to varying levels of flood risk. Each zone reflects the severity or type of potential flooding in the area.

"100-year floodplain" - the geographical area defined by FEMA as having a one percent chance of being inundated by a flood event in any given year.

"500-year floodplain" - the geographical area defined by FEMA as having a 0.2 percent chance of being inundated by a flood event in any given year.

Grantee: Eligible first-time homebuyer

Household: A household is defined as all persons occupying the same housing unit, regardless of their relationship to each other. The occupants could consist of a single family, two or more families living together, or any other group of related or unrelated persons who share living arrangements. For housing activities, the test of meeting the LMI National Objective is based on the LMI of the household.

HOME Program: The HOME Investment Partnerships Program (HOME) provides formula grants to States and localities that communities use to fund a wide range of activities including building, buying, and/or rehabilitating affordable housing for rent or homeownership or providing direct rental assistance to low-income people. HOME is the largest Federal block grant to state and local governments designed exclusively to create affordable housing for low-income households.

Individual Mitigation Measures (IMM): Activities designed to mitigate or reduce the risk of damage beyond the pre-disaster condition of a housing unit when the activities are above and

beyond federal, state, or local requirements and the payment of flood insurance are not IMM activities. Examples of IMM activities include elevating a structure above the base flood elevation level, the addition of storm shutters, disaster proof windows, roof straps, etc. as long as those improvements are not required to comply with local code requirements and did not exist on the housing unit prior to the disaster damage.

Low- and Moderate-Income (LMI): A household is considered to be of low- and moderate-income if the household income (including income derived from assets) is at or below 80 percent of an area's median income. All income is based on the Area Median Income limits set annually by HUD for each county or metropolitan statistical area.

Low to Moderate Income (LMI) National Objective: Activities which benefit households whose total annual gross income does not exceed 80% of Area Median Income (AMI), adjusted for family size. Income eligibility will be determined and verified in accordance with 24 CFR Part 5 requirements using procedures as stated in the Technical Guide for Determining Income and Allowances, 3rd Edition (HUD-1780-CPD). The most current income limits, published annually by HUD, shall be used to verify the income eligibility of each household applying for assistance at the time assistance is provided.

Mitigation: Improvements made to reduce the possibility of loss of life, property damage, personal and commercial hardship, as well as long lasting monetary burdens. For example, implementing a flood mitigation program such as the acquisition of flood-prone property/housing, or the elevation of housing in floodplains are effective mitigation projects that can make residents and communities safer in the face of natural disasters.

Mixed-income Housing: Mixed income housing development can include diverse types of housing units, such as apartments, town homes, and/or single-family homes for a people with a range of income levels.

New Construction: The construction of a new home in a new location.

Project Funding: Any and all governmental and private funds, including a Developer's cash, used to pay for the costs to redevelop a single CDBG-DR-assisted property.

Project Budget: A budget for all acquisition, rehab/construction and soft costs for a potential CDBG-DR project. The Developer must submit the budget to the Grantee and the property must pass Environmental Review and receive Authorization to Use Grant Funds prior to committing to the purchase of any property for use in the CDBG-DR program.

Sales Price: Price established though determination of Fair Market Value (FMV) of the property.

Section 3: A provision of the Housing and Urban Development (HUD) Act of 1968 that requires recipients of certain HUD financial assistance, to the greatest extent feasible, provide job training, employment, and contracting opportunities for low- or very-low income residents in connection with projects and activities in their neighborhoods.

Section 504: A provision of the Rehabilitation Act of 1973 which provides that no qualified individual with a disability should, only by reason of his or her disability, be excluded from the

participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance.

Single-Family Home: A single-unit family residence detached or attached to other housing structures.

Urgent Need National Objective: An urgent need that exists because conditions pose serious and immediate threat to the health or welfare of the community. The existing conditions must be recent or have recently become urgent and the subrecipient cannot finance the activities on its own because other funding sources are not available. Subrecipients or the state must document how each program and/or activity funded under this category responds to a disaster-related impact. See 24 CFR 570.208(c).

Northern Marianas Housing Corporation (NMHC): NMHC is the Grantee for HUD's Community Development Block Grant-Disaster Recovery (CDBG-DR) funding. NMHC will retain day to day administrative management and oversight of CDBG-DR activities and will be responsible for establishing and maintaining financial accountability for CDBG-DR funds, compliance with CDBG-DR requirements and establishing and maintaining project files and records. NMHC will be implementing this program directly and also acting as the developer within this program.

2.0 PROGRAM OVERVIEW

Under this program, NMHC will utilize CDBG-DR funds to install infrastructure and construct homes on public lands or private lands if available. The development of land will include activities such as infrastructure (roads, lighting, etc.), grading, installation of utilities, and land preparation.

The New Construction for First-Time Homebuyers Program has two options for eligible first-time homebuyers, briefly described below:

- Option 1: Turnkey Home Development: The first method will enable the creation of new turnkey homes for first-time homebuyers. Option 1 will provide for the development of new homes on land owned by NMHC or public lands. Potential homebuyers must be mortgage-ready and have incomes at or below 120% AMI. Note: Homes will be made available for purchase at no less than 80% of the total homes available in the turnkey development to families at or below 80% AMI.

- Option 2: Have a Lot, Build a Home: The second option allows new construction to occur on land that already belongs to the household. This option enables the creation of new, custom stock housing on private land for first-time homebuyers who are mortgage ready and have incomes at or below 120% AMI. Note: No less than 80% of the funding will be provided to families at or below 80% AMI.

NMHC does not anticipate providing down payment assistance, however if the assistance is provided for future projects, down payment assistance would be capped at $40,000 and must be classified as a public service activity (against the 15% cap).

This policy document explains the structure of the program, the requirements for developers, including NMHC acting as the developer, requirements for contractors, eligibility criteria for first-time homebuyers, and supporting documentation for program eligibility determination.

2.1 Total Allocation

$41,120,667 and/or as detailed in the CDBG-DR Action Plan and Amendments

2.2 Tie to the Disaster

Typhoon Mangkhut and Super Typhoon Yutu caused significant damage to both the owner-occupied and rental housing stock, depleting an already limited housing stock and driving housing prices above affordable levels. This is especially true for single family homes for sale and for new construction.

2.3 National Objective

The CNMI's New Construction for Homeownership and First-Time Homebuyer Assistance Program will serve the Low- to Moderate-Income Housing (LMI) and Urgent Need National Objectives.

2.4 Eligible Activities

HUD makes the determination if an activity is eligible or ineligible. The following activities under the Housing and Community Development Act of 1974 (HCDA) are eligible for CBDG-DR grant funds: Clearance, Rehabilitation, Reconstruction and Construction of Buildings (including Housing) (HCDA Section 105(a)(4)); Public Facilities (HCDA Section 105(a)(2); Public Services (HCDA Section 105(a)(8)).

2.5 Ineligible Activities

Activities are not eligible for CDBG-DR funds if the activity:

- Does not correspond to an identified disaster-related impact.
- Is restricted by the appropriation legislation.
- Is ineligible according to CDBG-DR requirements and a waiver has not been granted.
- Fails to meet a national objective.

2.6 Geographic Area(s) Served

The Program will serve primarily the islands of Saipan, Tinian, and Rota. It is anticipated that in the first phase of the program, under Option 1, the new, turnkey development will primarily be, but not limited to, located in neighborhoods where public lands are available such as in the southern area of Saipan, nearby existing villages, or other proposed areas for homestead development or suitable private land with nearby access to infrastructure. Under Option 2, homes may be built on land owned by the homebuyer.

2.7 Estimated Start and End Dates

- January 2021 through December 2026.

2.8 Program Administration

NMHC staff along with additional personnel and contractors hired to support NMHC with the administration and implementation of the recovery program will oversee all activities and expenditures in connection with the CDBG-DR funds. NMHC will ensure the program meets all requirements, including: the disaster threshold, eligibility, national objective, compliance, fair housing, labor standards, nondiscrimination, environmental regulations, and procurement regulations.

NMHC will monitor eligible activities in accordance with CDBG-DR requirements so each funded activity will meet the disaster threshold and one of HUD's three national objectives, with emphasis on achieving the primary national objective of benefiting low- and moderate-income persons.

NMHC will monitor the program through procedures outlined in the CDBG-DR Homebuyer Policies and Procedures.

2.9 Affordability Period

Properties will remain affordable for a period of up to 30 years following NMHC's current affordability

period schedule.

2.10 Recapture Provisions

Recapture Provisions

Recapture provisions will apply when CDBG-DR funds are used to provide direct financial assistance to a homebuyer to build or acquire a unit.

Applicability

The recapture provisions herein shall apply where CDBG-DR funds are employed to assist home ownership housing to qualify as affordable housing either by providing financial assistance such as down payment or closing cost assistance, interest subsidies, or mortgage buydowns that enable homebuyers to make the purchase or by providing monies as a development subsidy which then enables the unit to be sold at a price below fair market value. Note: Recapture provisions shall not apply when CDBG-DR funds are used only to subsidize the development cost of the assisted unit and the unit is sold at fair market value; in that case, resale provisions will be used.

Restrictions on Transfer

Under the recapture option, there is no requirement that the CDBG-DR-assisted property is sold/transferred to another low-income homebuyer upon either voluntary or involuntary transfer during the affordability period. Instead, the original CDBG-DR-assisted homebuyer will be free to sell the property to any willing buyer at whatever price the market will bear. Upon either voluntary or involuntary transfer during the affordability period, the participating jurisdiction shall recapture from available net proceeds an amount defined below.

Enforcement

The CDBG-DR funds will be secured by the incorporation of the applicable language in the Deed of Conveyance. NMHC will also require the homebuyer execute a Promissory Note and a Mortgage which shall be recorded against the property.

Calculation of Recapture

a) **Recapture**. NMHC will ensure that it recoups all or a portion of the CDBG-DR loan assistance provided to the homebuyer(s), if the housing unit ceases to be the principal residence of the homebuyer(s) for the duration of the period of affordability. All subsidy amounts (in the form of loans) that directly benefited the property owner (i.e., through down payment and/or closing cost assistance, deferred payment loans, interest rate buy-downs, property discount, etc.) are also subject to recapture. Recapture is capped at what is available out of net proceeds for agreements after November 2004. Net proceeds are defined as the sales price less superior non CDBG-DR debt (if any) less closing costs. NMHC will utilize the following recapture options:

1. **Recapture entire amount**. NMHC may recapture the entire amount of the loan and/or subsidy from the homebuyer(s) if the sale of the property occurs within halfway into the given affordability period. For example, a homebuyer was approved for a $50,000 CDBG-

DR loan to construct a home. The affordability period is therefore, fifteen years. On the seventh year, the borrower sells the house for $60,000. Since the borrower failed to comply with the minimum seven and one half (7½) years of the fifteen-year affordability period, the recaptured amount is $50,000.

2. **Forgiveness**. NMHC may reduce the loan amount and/or subsidy to be recaptured on a pro rata basis for the period the homebuyer(s) has/have owned and occupied the housing unit measured against the required affordability period; however, homebuyer(s) must occupy the housing unit at a minimum of ten years or at least halfway into the affordability period, whichever is greater, in order to qualify for this recapture option. For example, if the CDBG-DR subsidy is $60,000 with 15-year affordability and the owner sells the property in the 12th year of ownership the recapture amount will equal $12,000 ($60,000/15 years affordability period x 3 years remaining = $12,000 recapture).

3. **Buyer's recovery of initial investment**. The homebuyer(s) investment (down payment and capital improvements made by the owner since purchase) may be repaid in full before any CDBG-DR funds are recaptured, provided that the homebuyer(s) occupied the housing unit at a minimum of ten years before the sale of the property and the homebuyer's household income level is at or below 50% of the area median income in order to qualify for this recapture option.

4. **Shared appreciation**. In the case where net proceeds exceed the amount necessary to repay both the homebuyer(s)' investment and the CDBG-DR assistance, the excess proceeds may be shared proportionately (i.e., percentage of investment provided) by both parties.

b) *Note*: The HOME Interim Rule on November 22, 2004 clarifies that when the recapture requirement is triggered due to a voluntary or involuntary sale during the period of affordability and there are no net proceeds or the net proceeds are insufficient to repay the HOME investment due, NMHC may recapture an amount less than or equal to the net proceeds available.

c) **Circumstances Under Which Recapture Will Apply**. Recapture restrictions must be used in cases where interest bearing loans or advances, non-interest bearing loans or advances, deferred loans (repayable), interest subsidies, or loan guarantees were provided to the homebuyer(s) in order to subsidize the purchase of the property to cover the down payment or closing costs.

d) **Legal Instrument to Enforce Recapture**. NMHC must use deed restrictions, land covenants, or other similar legal documents to enforce these recapture restrictions.

Upon resale of the property, the homebuyer shall recover from the net proceeds their entire investment (which is defined as the homeowner's contribution to down payment and the cost of capital improvements made by the owner since purchase) before the participating jurisdiction recaptures the direct CDBG-DR subsidy. The homeowner's investment shall be repaid in full before the participating jurisdiction recaptures any funds. If the net proceeds are insufficient to repay the homeowner's investment, the homeowner shall receive the available net proceeds and the participating jurisdiction shall not be responsible for any balance remaining. The NMHC recognizes that, if net proceeds are not sufficient to repay the homeowner's investment and the direct CDBG-DR subsidy, the participating jurisdiction may not be able to recapture the full amount

of the direct CDBG-DR investment.

2.11 Duplication of Benefits

Duplication of Benefits Assistance under this program will be reviewed as required under the Robert T. Stafford Act (Stafford Act), as amended, which prohibits any person, business concern, or other entity from receiving federal funds for any part of such loss for which they have already received financial assistance under any other program, private insurance, charitable assistance, or any other source.

2.12 Program Income

The program will generate program income both with the sales of the homes and in the event of recapture. NMHC will utilize the Program Income to continue to fund the solutions within this program. As stated in the NMHC Action Plan, NMHC will comply with all HUD requirements found at 24 CFR 570.489. In the event program activities generate program income, those funds will be allocated to projects with further recovery activities and, to the maximum extent possible, will be distributed before the program makes additional withdrawals from the Treasury. Program Income proceeds will continue to be considered CDBG-DR funds and will be subject to all regulations and DR waivers. Expenditures of Program Income must meet all CDBG-DR rules such as eligibility, linked to a storm, national objective, LMI targeted requirements and other federal requirements such as environmental review, Davis Bacon, Fair Housing, etc.

2.13 Program Solutions

2.13.1 Option I: Turnkey Development

Under the first option, NMHC will utilize CDBG-DR funding to install infrastructure and build homes on land currently owned or purchased by NMHC or available public lands that may be under the homestead program. In the first phase of this program, NMHC will act as developer and solicit contractors to install the infrastructure and construct homes.

Option I will be open to eligible residents including those that have been pre-qualified for NMHC's (on behalf of the CNMI) HOME homebuyer program. In addition, applicants on the homestead waiting list may be pre-qualified following the same homebuyer policies and procedures.

Due to the high cost of construction in the CNMI, the sales price for homes constructed under this program may still not be within reach of what a borrower can qualify for with a typical mortgage. In such situations, NMHC may offer homeownership assistance in the form of deep subsidies, a second mortgage, down payment assistance and/or closing costs.

In keeping with guidelines of the Federal Register Notices FR-6182-N-01, homeownership assistance can be provided to households earning up to 120% of the area median income. The guidelines also allow grantees to provide down payment assistance up to 100%.

Eligible Applicants: Potential homebuyers must have been a resident of the CNMI at the time of the event, been displaced by one or both typhoons, and those who demonstrate they are mortgage-ready with income <120% of AMI will be prioritized. No less than 80% of the funding will be reserved for

those applicants at or below 80 AMI.

Maximum Award: Awards may be up to $250,000 per home, including the infrastructure and construction of homes for first-time homebuyers. Circumstances where additional costs may be incurred will be reviewed against cost reasonableness guidelines. However, the sales price must not exceed HUD's new homes HOME purchase price limits. NMHC does not anticipate providing down payment assistance, however if assistance is provided for future projects, down payment assistance would be capped at $40,000 and must be classified as a public service activity (against the 15% cap).

2.13.2 Option 2 Have a Lot, Build a Home (New construction on homebuyer's land)

As in the turnkey option, the second option will also follow the HOME policies and procedures for the creation of new or custom stock housing for first-time homebuyers on land already owned by the household. For those applicants who do not have lots to build on, Option 2 will include purchase of the lots. This component will support the development costs of the land (including but not limited to infrastructure, grading, and land preparation). For house and lot purchases, the sales price must not exceed HUD's existing homes HOME purchase price limits.

Eligible Applicants: Potential homebuyers displaced by the storms and can show they are mortgage ready with incomes of up to 80% of AMI will be prioritized. No less than 80% of the funding will be reserved for those applicants at or below 80% AMI.

Prioritization Criteria: The elderly and the disabled as described in the HOME policies and procedures are prioritized over non-elderly and non-disabled applicants. However, eligible applicants that are mortgage ready will also be prioritized on a first come, first serve basis over the elderly or disabled applicants who are not mortgage ready.

Maximum Award: Awards may be up to $250,000 per home including the infrastructure and construction of homes for first-time home buyers.

Circumstances where additional costs may be incurred will be reviewed against cost reasonableness guidelines.

2.14 Level and Terms of Assistance

Option 1: Turn Key Solution **$20,000,000** (per project site). Two project sites are proposed.

- The per household cap to construct homes and underlying infrastructure is $250,000.
- The sales price of the home will be established based on the most current 95% of the area median purchase price for single family housing (existing or new homes), as determined by HUD.

Option 2: Have a Lot, Build a Home Solution **$21,120,667.**

- The per house cap to construct homes and underlying infrastructure is $250,000.

2.15 Eligible Properties

Under the initial phase of Option, I Turn Key Development, development will occur on undeveloped land owned or to be acquired by NMHC, public lands, or designated homestead lots.

Under Option I, properties eligible for acquisition must meet the following criteria:

- Must be located on Saipan, Tinian, or Rota.
- Must have no substantial adverse environmental factors as determined by an environmental review (e.g., not in a floodplain, wetland, nesting area of endangered species, etc.).
- Must be suitable locations for marketing and resale of homes to income-qualified homebuyers. Positive factors to be considered but not limited are low crime rates, close to neighborhood schools, grocery shops, and a substantial percentage of homeowners in the immediate vicinity and recent sales to owner-occupants.
- Must be acquired with a valid deed free and clear of all encumbrances.
- Preferably be close to infrastructure to maximize funding on the actual building of the homes.

For Option 2 Have a Lot, Build a Home, properties owned by the homebuyer and proposed for the program must meet the following eligibility criteria:

- Must be owned by the program applicant, with clear title verified by title search.
- Must have no substantial adverse environmental factors as determined by an environmental review.
- Preferably be suitable locations for marketing and resale of homes to income-qualified homebuyers. Positive factors to be considered but not limited are low crime rates, close to neighborhood schools, grocery shops, and a substantial percentage of homeowners in the immediate vicinity and recent sales to owner-occupants.

2.16 First-Time Homebuyer Applicant Eligibility Criteria and Prioritization

Homebuyer applicants for both Options must meet the following eligibility criteria:

- Must be a first-time homebuyer.
- Must meet established income requirements.
- Must be a resident of the CNMI for three years prior to applying for assistance. Priority given to those who have been displaced by the typhoons.
- Must be pre-qualified for a mortgage loan based on nationally accepted underwriting standards of conventional mortgages.
- Must attend NMHC's Homebuyer's Education Program and earn a Certificate of Completion.
- Must occupy the property as their primary residence.

Prioritization Criteria

The program will prioritize eligible elderly and/or disabled applicants. The Program will prioritize pre-qualified applicants with incomes at or below 80% AMI for new housing construction and then those who are at or below 120% AMI if the elderly and/or disabled applicants are not mortgage ready. Not less than 80% of the funding allocation is for at or below 80% AMI applicants and not more than 20%

of the funding is for 80.1% - 120% AMI applicants.

Applicants for Option 2 will be prioritized based on a review of each individual project for project viability.

2.17 Application Period

The Program will have an open application period lasting 90 days (including extensions) per applicant. Outreach activities will be conducted by NMHC to ensure that the public is aware of the Program. Special outreach efforts will be made to residents that are currently in the NMHC's existing HOME program waiting list provided they meet the eligibility and prioritization criteria mentioned above and all HOME funds have been exhausted.

3.0 PROCEDURES

3.1 Development Process

Development in both Options will be overseen by the CDBG-DR Housing Administrator with the assistance from the CDBG-DR Program Manager, CDBG-DR Project Manager, NMHC's MCD Manager, NMHC's AMD Manager and/or hired CM. Recommendations for approval or denial of the homebuyer applicants will be forwarded to the Corporate Director or in his absence, the Deputy Corporate Director, for action.

3.1.1 Site Selection

For Option I, under the initial phase of the program, NMHC will build on sites already in the Corporation's inventory, public lands, or NMHC may acquire land as needed to meet this objective.

For Option 2, applications will be reviewed for homeowners proposing to build on land they currently own. Ownership will be verified prior to acceptance of the applicant into the program. Applicants may also use the funds to acquire property.

3.1.2 Environmental Review

NMHC is responsible for completing the environmental assessment of its development sites and sites for Option 2 owned by the applicant.

3.1.3 Contractor Selection

For Option 1, some of the proposed sites may already have some level of infrastructure in place or in proximity to infrastructure; others are raw land without any existing improvements. For sites with some infrastructure, NMHC will release an Invitation for Bid (IFB) to contractors for construction of the subdivision using NMHC's prepared plans. For raw land, NMHC will solicit contractors through an RFP for engineering & land planning/design services to create plans for a subdivision for permitting and construction. NMHC may also use existing land plans and designs from the Department of Public Lands.

For Option 2, contractors will be selected by the Program from a pool of building contractors that have been properly vetted and qualified as through a recent bid process or request for qualifications review. The construction oversight (in phases) for the project will be provided by the CDBG-DR Project Manager, CDBG-DR Compliance Manager, in-house architect or engineer, hired A&E firms and if needed, the NMHC AMD Manager.

3.1.4 Contractor Requirements

For both procurement options, contractors must produce evidence they are licensed to provide services in the CNMI, bondable, and demonstrate that the company is in "good standing" with all appropriate regulatory agencies in the CNMI as well as the U.S. Department of Labor.

Contractors must also provide the following:

- Corporate Documents (Articles of Incorporation and By-laws)
- Limited Liability Company (Copy of Articles of Organization and Operating Agreement)
- Copy of Letter of "Good Standing" from the Registrar of Corporation or if LLC, a copy of the "Certificate of Existence"
- Copy of valid license to do business in the CNMI
- Copy of EIN number-approval letter if Corporation or LLC
- Insurance Binder with type of Insurance/Builder's Risk Insurance
- Clearance from the CNMI Department of Labor
- Not on the debarment list
- Completed project listing

This information is required to become an NMHC contractor or vendor with NMHC. The following forms, to be made available on NMHC's website, are used by the Agency to solicit Contractor/Vendors:

- Contract Document Checklist
- Contract Information Form
- Contractor Qualification Statement and
- Contractor Qualification Statement - Professional Service
- DUNS number

3.1.5 Construction Contract and Administration

NMHC will enter into a construction contract with contractors based on existing construction contract templates. All contracts will include construction drawings, project budget as well as the definitions of contractor and NMHC roles. The contract will also define terms for progress inspections and payments, define the change orders process and the process for corrective actions. For Option 2, the construction contract terms and other agreements will be defined by NMHC.

3.1.6 Construction Process

Contractors, as part of their bid, will provide a project delivery plan to be reviewed and approved by NMHC. The plan will outline the project scope, budget, basic systems to be utilized, labor, and methods and procedures to be followed. This will be the plan against which the contractor's performance is evaluated. The project delivery plan will include:

- Project description
- Master schedule
- Milestone schedule
- Project staffing plan
- Site mobilization and utilization plan
- Quality assurance program and how it will be implemented
- Listing of meetings with NMHC (and property owner in Option 2) including frequency and types
- Project budget

Contractors will contact the CDBG-DR's Project or Compliance Manager to request progress inspections. The CDBG-DR Project Manager will be responsible for monitoring all construction

projects, conducting inspections, approving change orders and with the assistance of the CDBG-DR Compliance Manager ensuring all projects are compliant with HUD CDBG-DR, local and state construction requirements.

3.1.7 Construction Standards, including Green Building

For new construction projects, NMHC has adopted the 2018 International Building Code enacted by law as the applicable building code standard for the CNMI and that DPW's Building Safety Code Office uses for construction projects in the CNMI; BECQ regulations; and Zoning Office. Contractors must follow and use green building designs and materials approved by HUD but at the same time, the structure to be constructed must first and foremost be typhoon-proof.

3.1.8 Construction Closeout Process

Prior to executing contracts and closing on mortgages with buyers purchasing units in NMHC subdivisions, contractors will adhere to the following process:

1. Contractor should submit the Certificate of Occupancy to NMHC after it is issued by DPW.

2. An inspection is then performed with the Project Manager, Compliance Manager and the Contractor, and a punch list may be generated if there are any issues to rectify.

3. NMHC issues a substantial completion certificate to the Contractor and provides a copy to the CDBG-DR Division; (45-day time limit begins)

4. The unit is then ready for the homebuyer to view.

5. The homebuyer executes a sales contract with NMHC and the mortgage process begins.

6. CDBG-DR Project and Loan Section staff will schedule initial walk-thru with client.
    a. Name
    b. Unit number
    c. Contact number

7. CDBG-DR Project Section staff will be the point of contact to provide keys and access to the unit. Access is needed by the:
    a. Appraiser
    b. Termite Inspector
    c. Maintenance staff
    d. Any other access that may be required

8. Builder' s warranty and walk-through

3.2 New Construction, first-time homebuyer assistance application and intake

3.2.1 Application Intake Process

The Program will have an initial open application period of 90 days (per applicant). NMHC staff will conduct initial interviews based on applications received. The Program may work with the existing HOME Program to transfer records for applicants who previously pre-qualified as mortgage ready through the existing HOME program, thus expediting their application process. Program staff may also work with homestead applicants on the Department of Public Lands' waiting list for eligibility. Program staff will determine if applicable records are current or need to be refreshed.

During the appointment, the applicant completes and signs various forms and supplies information required to ascertain eligibility as follows:

Please see attached Homebuyer Application Checklist.

Applicant's for Option 2 will also be asked to provide information related to the property they are proposing to build on, including but not limited to location and ownership documentation.

3.2.2 Qualifying Applicant Income and Mortgage Readiness

NMHC will verify applicant income and confirm their ability to qualify for a mortgage.

3.2.3 Income Verification

NMHC will review applicant' s income to determine that applicant ' s income is at or less than 120% of the AMI. These limits are based on HU D's estimates of median family income, with adjustments based on family size. The HUD income limits are found at https://www.huduser.gov/portal/datasets/il.html.

3.2.4 Eligibility Determination

Program staff will request all necessary third-party verification of income, assets, and other application requirements. Staff will also verify land ownership for Option 2 applicants.

3.3 Loan Closing

Homebuyers are able to take a final walk through of the home five (5) days prior to closing. This allows the buyer to review the property and ensure that any contingencies listed on the punch list have been addressed and the house is in "move-in" condition.

Loans are closed with NMHC's loan processing staff and legal division (Office of the Attorney General). NMHC's loan processing staff prepares the deed and closing documents in preparation of closing.

3.0 PROCEDURES

3.1 Development Process

Development in both Options will be overseen by the CDBG-DR Housing Administrator with the assistance from the CDBG-DR Program Manager, CDBG-DR Project Manager, NMHC's MCD Manager, NMHC's AMD Manager and/or hired CM. Recommendations for approval or denial of the homebuyer applicants will be forwarded to the Corporate Director or in his absence, the Deputy Corporate Director, for action.

3.1.1 Site Selection

For Option I, under the initial phase of the program, NMHC will build on sites already in the Corporation's inventory, public lands, or NMHC may acquire land as needed to meet this objective.

For Option 2, applications will be reviewed for homeowners proposing to build on land they currently own. Ownership will be verified prior to acceptance of the applicant into the program. Applicants may also use the funds to acquire property.

3.1.2 Environmental Review

NMHC is responsible for completing the environmental assessment of its development sites and sites for Option 2 owned by the applicant.

3.1.3 Contractor Selection

For Option 1, some of the proposed sites may already have some level of infrastructure in place or in proximity to infrastructure; others are raw land without any existing improvements. For sites with some infrastructure, NMHC will release an Invitation for Bid (IFB) to contractors for construction of the subdivision using NMHC's prepared plans. For raw land, NMHC will solicit contractors through an RFP for engineering & land planning/design services to create plans for a subdivision for permitting and construction. NMHC may also use existing land plans and designs from the Department of Public Lands.

For Option 2, contractors will be selected by the Program from a pool of building contractors that have been properly vetted and qualified as through a recent bid process or request for qualifications review. The construction oversight (in phases) for the project will be provided by the CDBG-DR Project Manager, CDBG-DR Compliance Manager, in-house architect or engineer, hired A&E firms and if needed, the NMHC AMD Manager.

3.1.4 Contractor Requirements

For both procurement options, contractors must produce evidence they are licensed to provide services in the CNMI, bondable, and demonstrate that the company is in "good standing" with all appropriate regulatory agencies in the CNMI as well as the U.S. Department of Labor.

Contractors must also provide the following:

- Corporate Documents (Articles of Incorporation and By-laws)
- Limited Liability Company (Copy of Articles of Organization and Operating Agreement)
- Copy of Letter of "Good Standing" from the Registrar of Corporation or if LLC, a copy of the "Certificate of Existence"
- Copy of valid license to do business in the CNMI
- Copy of EIN number-approval letter if Corporation or LLC
- Insurance Binder with type of Insurance/Builder's Risk Insurance
- Clearance from the CNMI Department of Labor
- Not on the debarment list
- Completed project listing

This information is required to become an NMHC contractor or vendor with NMHC. The following forms, to be made available on NMHC's website, are used by the Agency to solicit Contractor/Vendors:

- Contract Document Checklist
- Contract Information Form
- Contractor Qualification Statement and
- Contractor Qualification Statement - Professional Service
- DUNS number

3.1.5 Construction Contract and Administration

NMHC will enter into a construction contract with contractors based on existing construction contract templates. All contracts will include construction drawings, project budget as well as the definitions of contractor and NMHC roles. The contract will also define terms for progress inspections and payments, define the change orders process and the process for corrective actions. For Option 2, the construction contract terms and other agreements will be defined by NMHC.

3.1.6 Construction Process

Contractors, as part of their bid, will provide a project delivery plan to be reviewed and approved by NMHC. The plan will outline the project scope, budget, basic systems to be utilized, labor, and methods and procedures to be followed. This will be the plan against which the contractor's performance is evaluated. The project delivery plan will include:

- Project description
- Master schedule
- Milestone schedule
- Project staffing plan
- Site mobilization and utilization plan
- Quality assurance program and how it will be implemented
- Listing of meetings with NMHC (and property owner in Option 2) including frequency and types
- Project budget

Contractors will contact the CDBG-DR's Project or Compliance Manager to request progress inspections. The CDBG-DR Project Manager will be responsible for monitoring all construction

projects, conducting inspections, approving change orders and with the assistance of the CDBG-DR Compliance Manager ensuring all projects are compliant with HUD CDBG-DR, local and state construction requirements.

3.1.7 Construction Standards, including Green Building

For new construction projects, NMHC has adopted the 2018 International Building Code enacted by law as the applicable building code standard for the CNMI and that DPW's Building Safety Code Office uses for construction projects in the CNMI; BECQ regulations; and Zoning Office. Contractors must follow and use green building designs and materials approved by HUD but at the same time, the structure to be constructed must first and foremost be typhoon-proof.

3.1.8 Construction Closeout Process

Prior to executing contracts and closing on mortgages with buyers purchasing units in NMHC subdivisions, contractors will adhere to the following process:

1. Contractor should submit the Certificate of Occupancy to NMHC after it is issued by DPW.

2. An inspection is then performed with the Project Manager, Compliance Manager and the Contractor, and a punch list may be generated if there are any issues to rectify.

3. NMHC issues a substantial completion certificate to the Contractor and provides a copy to the CDBG-DR Division; (45-day time limit begins)

4. The unit is then ready for the homebuyer to view.

5. The homebuyer executes a sales contract with NMHC and the mortgage process begins.

6. CDBG-DR Project and Loan Section staff will schedule initial walk-thru with client.
    a. Name
    b. Unit number
    c. Contact number

7. CDBG-DR Project Section staff will be the point of contact to provide keys and access to the unit. Access is needed by the:
    a. Appraiser
    b. Termite Inspector
    c. Maintenance staff
    d. Any other access that may be required

8. Builder' s warrantyand walk-through

3.2 New Construction, first-time homebuyer assistance application and intake

3.2.1 Application Intake Process

The Program will have an initial open application period of 90 days (per applicant). NMHC staff will conduct initial interviews based on applications received. The Program may work with the existing HOME Program to transfer records for applicants who previously pre-qualified as mortgage ready through the existing HOME program, thus expediting their application process. Program staff may also work with homestead applicants on the Department of Public Lands' waiting list for eligibility. Program staff will determine if applicable records are current or need to be refreshed.

During the appointment, the applicant completes and signs various forms and supplies information required to ascertain eligibility as follows:

Please see attached Homebuyer Application Checklist.

Applicant's for Option 2 will also be asked to provide information related to the property they are proposing to build on, including but not limited to location and ownership documentation.

3.2.2 Qualifying Applicant Income and Mortgage Readiness

NMHC will verify applicant income and confirm their ability to qualify for a mortgage.

3.2.3 Income Verification

NMHC will review applicant' s income to determine that applicant ' s income is at or less than 120% of the AMI. These limits are based on HU D's estimates of median family income, with adjustments based on family size. The HUD income limits are found at https://www.huduser.gov/portal/datasets/il.html.

3.2.4 Eligibility Determination

Program staff will request all necessary third-party verification of income, assets, and other application requirements. Staff will also verify land ownership for Option 2 applicants.

3.3 Loan Closing

Homebuyers are able to take a final walk through of the home five (5) days prior to closing. This allows the buyer to review the property and ensure that any contingencies listed on the punch list have been addressed and the house is in "move-in" condition.

Loans are closed with NMHC's loan processing staff and legal division (Office of the Attorney General). NMHC's loan processing staff prepares the deed and closing documents in preparation of closing.

4.0 RECORDKEEPING AND REPORTING

NMHC's Project and Loan Section staff (including contractors) will comply with 24 C.F.R. Part 5.2, Compliance with the Privacy Act, which requires the safeguarding of Personally Identifiable Information (PII) by:

- Minimizing the use of PII on program documents and records.
- Providing access to PII only to those who require it for official business.
- Securing PII appropriately for paper or electronic forms.
- Training for data security and compliance with the Privacy Act will be provided to all employees and contractors as part of their onboarding process.

In accordance with HUD regulations, as a grantee and recipient of CDBG-DR funds, NMHC follows the records retention requirements cited at 2 CFR Part 200.333-337, which includes financial records, supporting documents, statistical records and all other pertinent records be maintained for five (5) years after closeout of the grant between HUD and NMHC. NMHC established requirements in its sub-recipient and contractor agreements for compliance with all HUD cross cutting requirements outlined at 2 CFR 200: Appendix II, including record keeping requirements. Records such as mortgages and other legal documents enforcing provisions of long-term affordability shall be maintained for five (5) years after the termination of the compliance period.

Homebuyers will be advised to maintain all records, receipts, invoices, and other documentation related to the purchase of their homes for three (3) years from the date NMHC closes the CDBG-DR program with HUD.

For additional information regarding records retention, how the program will manage PII, and file security, please refer to homebuyer policies and procedures.

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APPENDICES

Cross-Cutting Requirements

Homebuyer Application Checklist

APPENDIX A.1: Crosscutting Requirements

1.1 Crosscutting Requirements

1.2 Fair Housing

The Fair Housing Act requires all grantees, subrecipients, and/or developers funded in whole or in part with HUD financial assistance to certify that no person was excluded from participation in, denied the benefit of, or subjected to discrimination in any housing program or activity because of their age, race, color, creed, religion, familial status, national origin, sexual orientation, military status, sex, disability or marital status. The Program complies with and enforces the Civil Rights requirements of Title I of the Housing and Community Development Act (HCDA) and the Fair Housing Law.

Projects must also assess how planning decisions may affect members of protected classes, racially and ethnically concentrated areas, as well as concentrated areas of poverty; will promote the availability of affordable housing in low-poverty, non-minority areas where appropriate; and will respond to natural hazard-related impacts. Program staff will use demographic, geographic, and social vulnerability analyses to determine any positive or negative impacts to protected classes. Should a project present negative impacts, project scope or design will be re-assessed to mitigate such impacts.

1.3 Environmental Review

Early environmental coordination must be completed to ensure effective implementation of all CDBG-DR Programs. CDBG-DR funding is contingent upon compliance with both local and federal environmental regulations. This includes compliance with NEPA and related environmental and historic preservation legislation and executive orders. In general, NMHC serves as the lead agency for purposes of NEPA.

HUD's Environmental Review process allows grantees to serve as the "Responsible Entity" to assume environmental review responsibilities under NEPA. As the grantee, NMHC serves as the Responsible Entity (through authorization from the Governor) as it relates to environmental review responsibilities under NEPA. Within NMHC, Environmental Review Staff will be responsible for performing environmental reviews and compiling the Environmental Review Records (ERR). Reviews are conducted either directly or using qualified environmental service contractors. NMHC's Corporate Director, as the Certifying Officer, is ultimately responsible with certifying that NMHC's environmental reviews follow NEPA and HUD environmental regulations.

Federal Register Notice FR-6182-N-01 authorizes recipients of CDBG-DR funds under the Appropriations Act to adopt any environmental review, approval, or permit performed by a Federal agency for the same project to satisfy responsibilities with respect to environmental review, approval, or permit. NMHC will notify HUD in writing of its decision to adopt another agency's environmental review. NMHC will also retain a copy of the review in its environmental records. Further information concerning the environmental review process is set forth in the Environmental Policies and Procedures.

1.4 Labor Standards

The Davis-Bacon and Related Acts (DBRA) applies to all federally-funded or assisted construction

contracts in excess of $2,000. This may apply to projects that are fully or partially funded with CDBG-DR, including FEMA or FHWA match programs. In matched projects, only the scope of the CDBG-DR portion of the project are subject to crosscutting requirements. DBRA requires all workers employed by contractors or subcontractors on CDBG-DR programs, be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with DBRA, as amended. DBRA also requires that workers on federally-assisted projects are paid not less than weekly.

Wage information for labor under CDBG-DR programs will be tracked in detail by both NMHC and relevant Implementing Partners and subrecipients throughout the life of the Program. Compliance for this requirement may be tracked in the following ways:

1. Additional NMHC Program staff hired to track wages and verify contractor and agency compliance
2. External contractor hired by NMHC to track DBRA compliance
3. Enhanced TA provided to Implementing Partners to track DBRA compliance

Procedures for this process are currently under development and will be incorporated in a future update to this document.

For prime contracts in excess of $100,000, contractors and subcontractors must also, under the provisions of the Contract Work Hours and Safety Standards Act, as amended, pay laborers and mechanics, including guards and watchmen, at least one and one-half times their regular pay for all hours worked over 40 in a work week. Additionally, NMHC must follow the reporting requirements per HUD and U.S. Department of Labor (DOL) regulations. This requirement also extends to NMHC subrecipients, Implementing Partners, and contractors.

The Fair Labor Standards Act of 1938 (FLSA), as amended, establishes the basic minimum wage levels for all work and requires the payment of overtime at the rate of at least one and one-half times the basic hourly rate of pay for hours worked in excess of 40 per week. These labor standards are applicable to the entire construction contract whether or not CDBG-DR funds finance only a portion of the project.

1.5 Limited English Proficiency

Federal Executive Order 13166 requires NMHC and all satellite offices, programs, subrecipients, contractors, subcontractors, and/or developers funded whole or in part with CDBG-DR financial assistance to ensure fair and meaningful access to programs and services for families and individuals with Limited English Proficiency (LEP) and/or deaf/hard of hearing.
Compliance with this requirement is detailed in NMHC's Language Action Plan (LAP) and will be coordinated and tracked by the Monitoring and Compliance division at NMHC. Depending on the program, NMHC, Implementing Partners, sub-recipients, and subcontractors will share the following expectations to comply with this Executive Order:

1. Document Translation: All documents defined as "vital documents" will be translated into Chamorro or Carolinian by NMHC, Implementing Partners, and sub-recipients. A "vital document" is defined as a document that includes information regarding eligibility requirements, applications and instructions, program eligibility determinations, and appeals procedures. NMHC may aid to ensure this requirement is met.
2. Where required, seek feedback from the community the project serves (advocacy groups serve

vital role).

Language maps provided in the Language Action Plan will be used to determine the project's location and subsequent language context and if proactive LEP outreach will be required. These maps will be included as part of the Project Assessment Form used by NMHC to review the eligibility, priority level, and impacts of a potential project.

1.6 Minority and/or Women-Owned Business Enterprises

The Federal Executive Order 12432 guidelines require selected federal agencies to promote and increase the utilization of Minority-Owned and Women-Owned Business Enterprises (M/WBEs). Following procurement guidelines under 2 CFR 200.321, NMHC must make efforts to ensure that all subrecipients, contractors, subcontractors, and/or developers funded in whole or in part with HUD CDBG-DR financial assistance encourage participation in contracts and other economic opportunities by small and minority firms, women-owned business enterprises (WBEs), and labor surplus area firms whenever possible. NMHC will accept a M/WBE certification from another state, local or regional, DPW, SBA HUB Zone, SBA 8-A certification (economically disadvantaged and 51% locally-owned), and other eligible certification processes. Documentation and goals regarding M/WBE percentages and reporting will be determined in the contracting agreements.

1.7 Section 3 Economic Opportunities

Section 3 is triggered when the award of CDBG-DR funds for new construction and rehabilitation projects creates the need for new employment, contracting, or training opportunities.

Section 3 of the Housing and Urban Development Act of 1968 is to "ensure that employment and other economic opportunities generated by certain U.S. Department of Housing and Urban Development (HUD) financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed to low and very low income individuals, especially recipients of government assistance for housing and to businesses which provide economic opportunities to low and very low income individuals."

The Section 3 program requires that recipients of HUD CDBG-DR funds, to the greatest extent feasible, provide (a) employment and training, and (b) contracting opportunities for low- or very- low income residents in connection with construction projects in their neighborhoods.

It also specifically encourages economic opportunities for households who are recipients of government assistance for housing. NMHC and all administering entities will follow and require relevant contractors to follow Section 3 requirements in contracting.

Section 3 applies to the CNMI, as recipient of HUD funding, as well as to subrecipients or Implementing Partners/Sub-recipients receiving HUD funding exceeding $200,000. Whenever any portion of HUD funding is invested into projects involving housing construction, demolition or rehabilitation, commercial/private improvements for economic development, or other public construction (e.g., roads, sewers, community centers, and public facilities), the requirements of Section 3 apply.

In conjunction with construction activity, Section 3 applies to projects that are fully or partially funded

with CDBG-DR assistance, including projects that are financed in conjunction with CNMI, local, or private matching or leveraged funds, provided that the Section 3 monetary threshold requirements are met. In particular:

- In conjunction with construction activities, Section 3 applies to contractors or subcontractors that receive contracts more than $100,000 for Section 3-covered projects/activities. Once it is determined that Section 3 applies to a project, the requirements apply to all contracts for construction work arising in connection with that project exceeding $100,000, including those not funded with CDBG-DR assistance. Contractors or subcontractors are required to comply with the Section 3 regulations in the same manner as the CNMI; and

- "Section 3-covered contract" includes professional service contracts, provided that the work to be performed is generated by the expenditure of funds in furtherance of Section 3 covered work (e.g., housing construction, housing rehabilitation, and other public construction), arising relating to construction projects. Professional service contracts that may constitute Section 3-covered contracts include construction contract oversight, engineering, architectural, environmental and property evaluation, construction progress and draw inspections, and prevailing wage labor compliance.

The regulations pertain to new hires required to complete Section 3-covered projects and activities. If the expenditure of funding for an otherwise covered project and activity does not result in new employment, contracting, or training opportunities, Section 3 reporting will still be required.

When NMHC awards CDBG-DR funds to other governmental departments, nonprofit organizations, subrecipients or other funded entities, NMHC will require they document how reasonable attempts were made to reach numerical goals set forth at 24 CFR Part 135.30. NMHC will inform its Implementing Partners and other funded entities of the requirements of Section 3, including the language required to be inserted into all construction-related contracts, assist them and their contractors with achieving compliance, and monitor their performance with respect to the Section 3 objectives and requirements.

Implementing Partners/Sub-recipients will receive training on this requirement and methods of compliance, technical assistance from Program staff, and continual monitoring from NMHC. Currently, a Section 3 Plan is under development, the details of which will be included in an update to this manual.

1.8 System for Award Management (SAMs)

SAM is the federal System for Award Management and is a requirement for doing business with the U.S. government. All vendors are required to register in SAM in order to be awarded contracts under the CDBG-DR program. Vendors are required to complete a one-time registration to provide basic information relevant to procurement and financial transactions. Vendors must update or renew their registration annually to maintain an active status.

1.9 Uniform Relocation and Real Property Acquisition Act (49 CFR 24)

The Uniform Relocation Assistance and Real Property Acquisition Act (URA), is a federal law that establishes minimum standards for federally funded programs and projects that require the acquisition of real property (real estate) or displace persons from their homes, businesses, or farms. The URA's protections and assistance apply to the acquisition, rehabilitation, or demolition of real property for

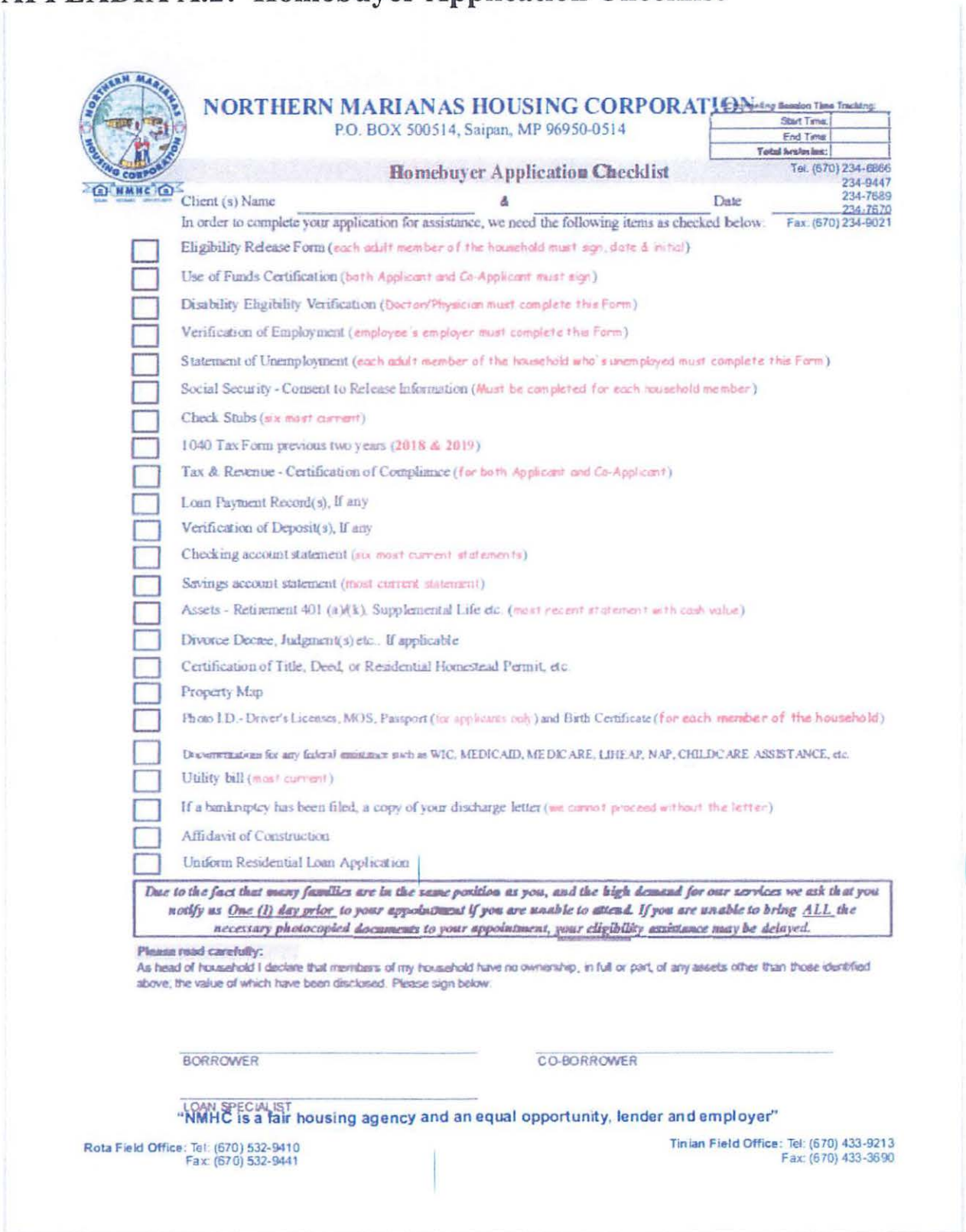
federal or federally funded projects. The phrase "program or project" is defined in 49 CFR Part 24 as, "any activity or series of activities undertaken by a federal agency or with federal financial assistance received or anticipated in any phase of an undertaking in accordance with the federal funding agency guidelines."

The objectives of the URA are:

- To provide uniform, fair and equitable treatment of persons whose real property is acquired or who are displaced in connection with federally funded projects;
- To ensure relocation assistance is provided to displaced persons to lessen the emotional and financial impact of displacement;
- To ensure that no individual or family is displaced unless decent, safe, and sanitary (DSS) housing is available within the displaced person's financial means;
- To help improve the housing conditions of displaced persons living in substandard housing; and,
- To encourage and expedite acquisition by agreement and without coercion.

49 CFR 24.101(c)(1) provides that the subpart B requirements also apply to the acquisition of permanent and/or temporary easements necessary for the project. However, 49 CFR 24.101(c)(2) provides an exception for the acquisition of temporary easements which exclusively benefit the property owner.

APPEXDIX A.2: Homebuyer Application Checklist



NORTHERN MARIANAS HOUSING CORPORATION
P.O. BOX 500514, Saipan, MP 96950-0514

Counseling Session Time Tracking:
Start Time:
End Time:
Total Session:

Homebuyer Application Checklist

Tel. (670) 234-6866
234-9447
234-7689
234-7670
Fax: (670) 234-9021

Client (s) Name _____ & _____ Date _____

In order to complete your application for assistance, we need the following items as checked below:

- ☐ Eligibility Release Form (each adult member of the household must sign, date & initial)
- ☐ Use of Funds Certification (both Applicant and Co-Applicant must sign)
- ☐ Disability Eligibility Verification (Doctor/Physician must complete this Form)
- ☐ Verification of Employment (employee's employer must complete this Form)
- ☐ Statement of Unemployment (each adult member of the household who's unemployed must complete this Form)
- ☐ Social Security - Consent to Release Information (Must be completed for each household member)
- ☐ Check Stubs (six most current)
- ☐ 1040 Tax Form previous two years (2018 & 2019)
- ☐ Tax & Revenue - Certification of Compliance (for both Applicant and Co-Applicant)
- ☐ Loan Payment Record(s), If any
- ☐ Verification of Deposit(s), If any
- ☐ Checking account statement (six most current statements)
- ☐ Savings account statement (most current statement)
- ☐ Assets - Retirement 401 (a)(k), Supplemental Life etc. (most recent statement with cash value)
- ☐ Divorce Decree, Judgment(s) etc., If applicable
- ☐ Certification of Title, Deed, or Residential Homestead Permit, etc.
- ☐ Property Map
- ☐ Photo I.D.- Driver's Licenses, MOS, Passport (for applicants only) and Birth Certificate (for each member of the household)
- ☐ Documentations for any federal assistance such as WIC, MEDICAID, MEDICARE, LIHEAP, NAP, CHILDCARE ASSISTANCE, etc.
- ☐ Utility bill (most current)
- ☐ If a bankruptcy has been filed, a copy of your discharge letter (we cannot proceed without the letter)
- ☐ Affidavit of Construction
- ☐ Uniform Residential Loan Application

Due to the fact that many families are in the same position as you, and the high demand for our services we ask that you notify us One (1) day prior to your appointment if you are unable to attend. If you are unable to bring ALL the necessary photocopied documents to your appointment, your eligibility assistance may be delayed.

Please read carefully:
As head of household I declare that members of my household have no ownership, in full or part, of any assets other than those identified above, the value of which have been disclosed. Please sign below.

BORROWER _____ CO-BORROWER _____

LOAN SPECIALIST _____

"NMHC is a fair housing agency and an equal opportunity, lender and employer"

Rota Field Office: Tel: (670) 532-9410
Fax: (670) 532-9441

Tinian Field Office: Tel: (670) 433-9213
Fax: (670) 433-3690

SUBCHAPTER 100-100.3
CDBG-DR POLICIES AND PROCEDURES FOR HOMEBUYER ACTIVITIES ACTIVITES

Part 001 - General Provisions

§ 100-100.3-001 Introduction
§ 100-100.3-005 Public Announcement

Part 100 - Application

§ 100-100.3-101 Formal Application
§ 100-100.3-105 Supplemental Information

Part 200 - Eligibility

§ 100-100.3-201 Eligibility Requirements

Part 300 - Affordability Restrictions

§ 100-100.3-301 Long Term Affordability
§ 100-100.3-305 Right of First Refusal
§ 100-100.3-310 Resale
§ 100-100.3-315 Recapture

Part 400 - Homebuyer Costs

§ 100-100.3-401 Eligible Costs

Part 500 - Notification to Applicants

§ 100-100.3-501 Notification of Eligibility or Ineligibility

Part 600 - Loan Processing

§ 100-100.3-601 Selection
§ 100-100.3-605 Administration; Approval; Appeals Process

Part 700 - Terms and Conditions of Loan

§ 100-100.3-701 Maximum Homebuyer Program Loan Amount
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§ 100-100.3-725 Loan Guarantees
§ 100-100.3-730 Repayment Period
§ 100-100.3-735 After-Construction Property Value, After-Rehabilitation Property Value, or Property Value at Initial Purchase (if Acquisition Only)
§ 100-100.3-740 Security
§ 100-100.3-745 Late Charge
§ 100-100.3-750 Prepayment of Loan

Part 800 - Distressed Homebuyer(s)

§ 100-100.3-801 Distressed Homebuyer(s)

Part 900 - Assistance

§ 100-100.3-901 Types of Assistance

Part 1000 -Mitigation to Foreclosure

§ 100-100.3-1001 Items Needed to Cancel Foreclosure and Reinstate Account

Part 1100 - Performing New Construction Work

§ 100-100.3-1101 Performing New Construction Work

Part 1200 - Homebuyer Underwriting

§ 100-100.3-1201 Guidelines and Referenced Sections
§ 100-100.3-1205 Subsidy Layering
§ 100-100.3-1210 Acronyms Reference Section

APPENDIX A.1: Crosscutting Requirements

1.1 Crosscutting Requirements
1.2 Fair Housing

1.3 Environmental Review
1.4 Labor Standards
1.5 Limited English Proficiency
1.6 Minority and/or Women-Owned Business Enterprises
1.7 Section 3 Economic Opportunities
1.8 System for Award Management (SAMs)
1.9 Uniform Relocation and Real Property Acquisition Act (49 CFR 24)

APPENDIX A.2: HOMEBUYER APPLICATION CHECKLIST

Part 001 - General Provisions

§ 100-100.3-001 Introduction

(a) As a result of the 2018 storms, namely Typhoon Mangkhut and Super Typhoon Yutu, the Commonwealth of the Northern Mariana Islands (CNMI) received an allocation of Community Development Block Grant Disaster Recovery (CDBG-DR) funds which will be administered by the Northern Marianas Housing Corporation (NMHC). NMHC has developed the Homebuyer Program patterned after HUD's HOME program to cover the eligible costs to construct a new home, acquire a home, or to acquire and renovate a home. The governor of the CNMI has placed housing as the highest recovery priority. The total allocation amount under this Program is $41,120,667.

(b) Funds will be made available for eligible projects and to eligible beneficiaries through the following forms of financial assistance or subsidy:

(1) Interest bearing loans (not applicable at this time);
(2) Non-interest-bearing loans;
(3) No-interest subsidies
(4) Forgivable Deferred loans

(c) Due to the limited availability of CDBG-DR funds allocated to the Commonwealth of the Northern Mariana Islands (CNMI) from the U.S. Department of Housing and Urban Development (HUD), financial assistance will be limited to qualified extremely low, very low-, low-, and moderate-income homebuyers. No less than eighty percent (80%) of CDBG-DR funds will be used to assist families with income levels at or below 80 percent of the area median income while the remaining twenty percent (20%) of the funds will be used to assist families with income levels at or below 120 percent of the area median income. These families' income eligibility is based on their annual income. Annual income for this purpose is the gross amount of income anticipated by all adults in a family during the 12 months following the effective date of the determination. The determination of income and allowances as a criterion to qualify these homebuyers shall be guided by 24 CFR Part 5 (Part 5 annual income).

(d) NMHC, on behalf of the CNMI, has been tasked with the responsibility and administration of the CDBG-DR Homebuyer Program. In the interim, NMHC's Mortgage and Credit Division (MCD) will be assisting in the day-to-day administration of the program. Support services will also be provided by NMHC's Fiscal Division (FD) with respect to CDBG-DR related disbursement of funds and collection of payments, accounting, and maintenance of financial records. NMHC's AMD Property Manager will provide technical assistance and work with the CDBG-DR Project Manager, in-house engineer/architect, and hired A&E firms with respect to reasonableness of cost estimates, dwelling unit inspections, and other related matters. Overall, the NMHC Corporate Director will assume ultimate

responsibility for the efficient and proper administration of the CDBG-DR Homebuyer Program in accordance with federal and local statutory and regulatory requirements.

(e) With these policies and procedures, NMHC will strive to accomplish the following objectives:

(1) Provide for the efficient and effective administration of the CDBG-DR Program wherein eligible beneficiaries can avail the financial assistance provided for the construction of their principal residence, acquisition of their principal residence, or acquisition and repair of their principal residence;

(2) Foster positive working relationships among NMHC, homebuyers assisted with CDBG-DR monies, and Minority and Women-Owned Businesses (MBE/WBE); as well as, prospective developers;

(3) Enforce the 2018 International Building Code (IBC) enacted by law and any updates approved by regulations by the CNMI Department of Public Works; and HUD-prescribed residential building standards; and

(4) Preserve and improve the general housing stock of the CNMI.

(f) These policies and procedures shall govern; however, in situations in which these policies and procedures are silent, the HOME Program federal regulations shall apply followed by NMHC's general standard loans policies/procedures to address these situations in the administration of the CDBG-DR Homebuyer Program.

§ 100-100.3-005 Public Announcement

(a) Publicity.

(1) Upon notification from HUD of the approval of the grant agreement, NMHC shall publish such approval within thirty calendar days from the date of the approval. General information of the CDBG-DR Homebuyer Program shall be published in the print media of the widest local circulation and other suitable means available (social media, CDBG-DR website, etc). CDBG-DR Homebuyer Program information shall also be posted in public and private bulletin boards where announcements are commonly posted. Loan applications may be submitted on or after a specified date to be stated in the public notice.

(2) Note: When it is determined that CDBG-DR funds have been exhausted, the application intake may be closed until funding is once again available. Those applicants who did not submit their loan applications when funds were available

may do so once NMHC is notified by HUD of the availability of funds and after such notice is published.

(b) Contents. Program announcements shall inform interested applicants on how and where they may obtain an application and additional information on the type of CDBG-DR Homebuyer Program activity being administered in the CNMI. Such announcements shall further contain the following information:

(1) Brief overview of the Homebuyer program;

(2) General list of eligible activities available;

(3) Amount of funds available;

(4) General eligibility requirements to qualify for financial assistance;

(5) Homebuyer selection process;

(6) Fair Housing logo and Equal Opportunity language;

(7) Opening date for acceptance of applications;

(c) Affirmative Marketing. To ensure that all persons are effectively and adequately informed about the CDBG-DR Homebuyer Program and the availability of funds, brochures or program information notices shall be provided and distributed or posted in the following locations and shall contain the information described in subsection (b). Brochures and/or program information notices shall be made available at the following public and private areas:

(1) U.S. Post Offices;
(2) Major shopping centers;
(3) Public health centers;
(4) Places of worship;
(5) Government office buildings;
(6) The Nutrition Assistance Program (Food Stamp) office(s); and
(7) U.S. Social Security Administration office(s).

Part 100 - Application

§ 100-100.3-101 Formal Application

Upon initial determination of eligibility after completion of the pre-qualification process, applicants may obtain a Uniform Residential Loan Application form along with a checklist of required documents in order to complete the application submission. Such application form shall

be in accordance with loan applications widely used by financial lending institutions. Those applicants who are initially determined eligible shall be notified to provide additional documents to further process their applications. Proper completion of the formal application and submission of supplemental information shall be in accordance with CDBG-DR Homebuyer Program and NMHC loan processing procedures. Loan applications shall be completed and signed by applicant(s) requesting assistance and such signature(s) shall certify to the truth of all statements contained therein.

§ 100-100.3-105 Supplemental Information

(a) Completed applications shall be submitted together with the following supporting information which shall be used solely for the purpose of determining applicant eligibility for financial assistance:

(1) Prior year's income tax return and/or W-2 Tax Form;

(2) Recent check stubs for the past two months prior to applying for CDBG-DR program financial assistance of all household members that are 18 years old or older;

(3) Other forms of documentation of income (i.e., Social Security payments, SSI, retirement income, etc.), if any;

(4) Proof of land ownership or lease agreement for principal residence;

(5) Property map for principal residence;

(6) Preliminary Title Report (PTR) showing clear title to property;

(7) Savings and checking account(s) information, if any; and

(8) Private life insurance policies, if any.

(b) A checklist of the above-described supplemental information shall be provided with each formal application obtained. Additional information may be requested if deemed necessary by NMHC to ensure the eligibility of each applicant. NMHC must complete the Borrower's income eligibility within six months before the homebuyer(s) acquires the property.

(c) To substantiate eligibility, supplemental information submitted with each loan application shall be verified in writing, from a reliable third party and such verification shall be considered valid for a period of one hundred eighty calendar days from the date the verification was completed. Prior to verifying any applicant information, NMHC shall obtain written authorization from the applicants.

(d) If a written third party verification is not used, notarized statements or signed affidavits by the applicants shall be an acceptable form of verification, but only in situations where a more acceptable form of verification cannot be obtained.

Part 200 - Eligibility

§ 100-100.3-201 Eligibility Requirements

(a) Must be a U.S. Citizen or green card holder.

(b) Must be a first-time homebuyer. A **first-time homebuyer** is an individual who has had no ownership in a principal residence during the 3-year period ending on the date of purchase of the property or new home construction completion. This includes a spouse (if either meets the above test, they are considered **first-time homebuyers**).

(c) Must be a resident of the CNMI for at least three (3) years.

(d) Household Income.

(1) Homebuyer(s) must qualify as a low-income household as defined in the HOME program. Income eligibility is determined based on annual income. Combined anticipated gross household income of adults 18 years old or older, must not exceed 80% of the median income for the area (adjusted for family size), as prescribed by HUD (see § 100-100.3201(a)(2)). However, household income of adults 18 years old or older exceeding 80% of the median income for the area but not greater than 120% will also be eligible for assistance.

(2) NMHC shall use HUD's Section 8 of Part 5 Technical Guidelines as the basis in calculating annual gross household income. NMHC will verify their income using at least two months of source documentation such as wage statements, interest statements, and SSI documents to determine if program applicants are income-eligible.

(3) CDBG-DR Homebuyer Program Underwriting Guidelines and Subsidy Layering is further outlined herein under Part 1200, § 100-100.3-1201

(e) Determination of Repayment Ability

(1) NMHC shall use **forty-five percent** (45%) (or most current ratio) of the gross monthly income of both applicant and co-applicant (homebuyers) combined, to determine the amount of available debt-service or repayment ability. Any remaining debt-service or repayment ability after existing monthly obligations (long- and short-term combined) is/are subtracted from the total available debt-service (not to exceed **thirty-five percent (35%)** of gross monthly income for loan

mortgage payment), shall be used to determine if homebuyers/applicants can afford to repay the entire loan amount needed.

(2) On a case-by-case basis, NMHC may provide an exception to exceed the **45%** debt-to-income ratio, but not more than **55%**, upon NMHC's determination that the applicant(s) can meet repayment responsibilities. This provision is also applicable in determining and providing financial hardship assistance.

(f) Property Ownership. Interested applicants must provide proof of ownership such as fee simple title to the property. Ownership also includes leases of 40 years or more provided that the applicant must have at least a minimum of thirty (30) years leasehold interest remaining on the property to be improved, or ownership of a condominium.

(g) Principal Residence and Annual Recertification.

(1) Homebuyers/Applicants approved to receive financial assistance must occupy the property as their principal/primary residence immediately upon completion of all CDBG-DR Homebuyer funded activities. An annual recertification for principal residency notice and form shall be sent to homebuyers/borrowers to complete, sign, and submit to NMHC in order to confirm and have on file that they are continually occupying the mortgaged property and housing. The following stipulations apply for a principal residence:

(i) A deed restriction or covenant running with the land shall incorporate this requirement;

(ii) The loan documents between the homeowner and NMHC shall also incorporate this requirement;

(iii) Temporary subleases are not allowed.

(2) Annual recertifications shall be required for all CDBG-DR homebuyer-assisted borrowers. This is conducted in order for homeowners to maintain compliance with the affordability restrictions.

(3) Annual recertifications through field visits may be conducted if the required completed form has not been provided, or if the account status is pending probate, or the account has been accelerated to the collection attorney for foreclosure proceedings. The Loan Specialist shall verify the borrower(s) principal residence and, as necessary, to take photos and document the status of the residential unit.

(h) Loan Cancellation. NMHC reserves the right to cancel any loan if in its opinion the homebuyer(s)/applicant(s) have not substantially complied with all the terms and conditions herein.

Part 300 - Affordability Restrictions

§ 100-100.3-301 Long Term Affordability

(a) HOME rules require that assisted properties remain affordable for a specific period of time, depending on the level of HOME funds invested in the property and the nature of the activity funded. The CDBG-DR Homebuyer program will abide by these rules.

(b) For interest bearing loans, non-interest bearing loans, and repayable deferred loans, the affordability schedule is as follows;

CDBG-DR Funds Invested per Unit	Minimum Length of the Affordability Period
Less than $15,000	5 years
$15,000-$40,000	10 years
More than $40,000	15 years

(c) For forgivable deferred loans, which are CDBG-DR-funded loans that fall within the 35% loan payment ratio or payment-to-income (PTI) ratio, the affordability schedule is as follows:

CDBG-DR Funds Invested per Unit	Minimum Length of the Affordability Period
Less than $15,000	10 years
$15,000-$30,000	15 years
More than $30,000 to Maximum Loan Limit	20 years

(d) Additional subsidies used to supplement excess costs associated with the construction, purchase, or the acquisition and repair of a principal residence and exceeds the 35% loan payment ratio, shall incur additional years/time to the affordability period as indicated by the following schedule:

Supplemental HOME Subsidies	**Additional Years Added to the Affordability Period**
$1.00 - $50,000	**5 years**
More than $50,000	**10 years**

(e) The affordability requirements are to be imposed by deed restrictions, covenants running with the land, or other mechanisms approved by HUD, except that the affordability restrictions may terminate upon transfer in lieu of foreclosure. NMHC may use its right of first refusal, as set forth in the loan documents, to purchase the housing before the transfer in lieu of foreclosure to preserve affordability.

(f) The affordability restrictions shall be revived according to the original terms if, during the original affordability period, the owner of record before the termination event, or any entity that includes the former owner or those whom, the former owner has or had family or business ties, obtains an ownership interest in the project or property. If a home purchased with CDBG-DR assistance is sold during the affordability period, recapture provisions apply to ensure the continued provision of affordable homeownership. Loan payoffs do not end the affordability period.

§ 100-100.3-305 Right of First Refusal

During the affordability period, the homeowner(s) agrees not to sell or assign the residence hereby built or purchased to any persons or persons unless and until homeowner(s) proposes to sell same to NMHC, its successors or assigns, on terms consistent with preserving affordability and allows then sixty (60) days time within which to purchase said residence.

§ 100-100.3-310 Resale

[Reserved]

§ 100-100.3-315 Recapture

(a) Recapture. NMHC will ensure that it recoups all or a portion of the CDBG-DR loan assistance provided to the homebuyer(s), if the housing unit ceases to be the principal residence of the homebuyer(s) for the duration of the period of affordability. All subsidy amounts (in the form of loans) that directly benefited the property owner (i.e., through down payment and/or closing cost assistance, deferred payment loans, interest rate buydowns, property discount, etc.) are also subject to recapture. Recapture is capped at what is available out of net proceeds for agreements after November 2004. Net proceeds are defined as the sales price less superior non CDBG-DR debt (if any) less closing costs. NMHC will utilize the following recapture options:

(1) Recapture entire amount. NMHC may recapture the entire amount of the loan and/or subsidy from the homebuyer(s) if the sale of the property occurs within halfway into the given affordability period. For example, a homebuyer was approved for a $50,000 CDBG-DR loan to construct a home. The affordability period is therefore, fifteen years. On the seventh year, the borrower sells the house for $60,000. Since the borrower failed to comply with the minimum seven and one half (7 ½) years of the fifteen-year affordability period, the recaptured amount is $50,000.

(2) Forgiveness. NMHC may reduce the loan amount and/or subsidy to be recaptured on a pro rata basis for the period the homebuyer(s) has/have owned and occupied the housing unit measured against the required affordability period; however, homebuyer(s) must occupy the housing unit at a minimum of ten years or at least halfway into the affordability period, whichever is greater, in order to qualify for

this recapture option. For example, if the CDBG-DR subsidy is $60,000 with 15-year affordability and the owner sells the property in the 12th year of ownership the recapture amount will equal $12,000. ($60,000/15 years affordability period x 3 years remaining = $12,000 recapture.)

(3) Buyer's recovery of initial investment. The homebuyer(s) investment (down payment and capital improvements made by the owner since purchase) may be repaid in full before any CDBG-DR funds are recaptured, provided that the homebuyer(s) occupied the housing unit at a minimum of ten years before the sale of the property and the homebuyer's household income level is at or below 50% of the area median income in order to qualify for this recapture option.

(4) Shared appreciation. In the case where net proceeds exceed the amount necessary to repay both the homebuyer(s)' investment and the CDBG-DR assistance, the excess proceeds may be shared proportionately (i.e., percentage of investment provided) by both parties.

(b) When the recapture requirement is triggered due to a voluntary or involuntary sale during the period of affordability and there are no net proceeds or the net proceeds are insufficient to repay the HOME investment due, NMHC may recapture an amount less than or equal to the net proceeds available.

(c) Circumstances Under Which Recapture Will Apply. Recapture restrictions must be used in cases where interest bearing loans or advances, non-interest bearing loans or advances, deferred loans (repayable), interest subsidies, or loan guarantees were provided to the homebuyer(s) in order to subsidize the purchase of the property to cover the down payment or closing costs.

(d) Legal Instrument to Enforce Recapture. NMHC must use deed restrictions, land covenants, or other similar legal documents to enforce these recapture restrictions.

Part 400 - Homebuyer Costs

§ 100-100.3-401 Eligible Costs

(a) Hard costs include:
(1) Acquisition of land and existing structures;
(2) Site preparation or improvement, including demolition;
(3) Securing buildings; and
(4) Construction materials and labor.

(b) Soft costs include:
(1) Credit reports;
(2) Title binders and insurance;
(3) Recordation fees;

(4) Legal & accounting fees;
(5) Appraisals;
(6) Architectural/engineering fees, including specifications and job progress inspections;
(7) Environmental investigations, which shall be addressed in the commitment letter as a condition before any Homebuyer activity is to be committed or funded;
(8) Builders' or developers' fees;
(9) Affirmative marketing and marketing costs where applicable and as indicated in NMHC's impending affirmative marketing plan; absent of this affirmative marketing plan, NMHC shall defer to its Section 8 Administrative Plan where applicable;
(10) Homebuyer counseling provided to purchasers of CDBG-DR-assisted housing;
(11) Management fees; and
(12) Direct project costs incurred by the PJ.

(c) Relocation costs include:
(1) Replacement housing, moving costs, and out-of-pocket expenses;
(2) Advisory services; and
(3) Staff and overhead related to relocation assistance and services.

(d) **Loan closing fees and related costs:**
NMHC shall charge $3,914.00 (more or less, depending on current costs) to the borrower(s) for certain loan closing fees and other related costs such as but not limited to the following:

a.	**$14.00**	**----**	**Credit Report**
b.	**$200.00**	**----**	**Preliminary Title Report (PTR)**
c.	**$600.00**	**----**	**Appraisal Report**
d.	**$150.00**	**----**	**Recordation of Mortgage Documents**
e.	**$1,050.00**	**----**	**First Annual Premium for Hazard Insurance**
f.	**$500.00**	**----**	**Initial Utility Connection**
g.	**$1,400.00**	**----**	**Title Policy**
	$3,914.00		**Total**

Loan closing fees and associated hard and soft costs may be bundled into the total approved loan amount. In essence, a borrower who is approved for a $120,000 loan may use a portion of the loan to pay for the loan closing costs and soft costs. In this case, the $3,914.00 incurred closing costs shall be subtracted from the total approved loan of $120,000 and the resulting net amount of $116,086.00 shall then be used for the construction, purchase and/or rehabilitation of their principal residence.

CUC utility connection: Borrower(s) are responsible for ensuring that there are no outstanding issues with CUC and resolving any such issues. Any costs not related to initially connecting to CUC utilities are not loan closing fees and related costs and none of the approved loan amount will be used to resolve such issues.

(e) If the homebuyer(s) opt to have a private inspector perform unit inspection, the first/initial unit inspection fee may be covered by NMHC, subject to any conditions set by NMHC. Any cost associated with any subsequent inspection shall be the responsibility of the homebuyer client(s).

Part 500 - Notification to Applicants

§ 100-100.3-501 Notification of Eligibility or Ineligibility

(a) Eligible Applicants. NMHC shall send written notifications to all applicants determined eligible for financial assistance. Such notification shall be mailed no later than five working days after the determination, and shall contain a listing of additional information to be submitted for completion of loan file. Eligible applicant(s) shall be given thirty calendar days to submit the additional information requested. Applicant(s) that do not submit all pending information before the thirty (30) calendar day deadline, shall have their applications file placed in the inactive files. Extensions may be granted.

(b) Ineligible Homebuyers/Applicants. All ineligible applicants shall be notified in writing of their ineligibility. Such notification shall be mailed no later than five working days after the determination of ineligibility and shall include a description/reason of such determination.

Part 600 - Loan Processing

§ 100-100.3-601 Selection

(a) Financial assistance shall be based on available CDBG-DR Program funds and such assistance shall be awarded to eligible applicants on a first-come, first-serve basis. The application will have the date and time stamped when received; however, to be considered received, the application must be completely filled-out and the applicant has submitted all additional information requested by NMHC to perform an eligibility review.

(b) Potential homebuyers displaced by the storms and can show that they are mortgage ready (completed application form along with all necessary documents) and their incomes do not exceed 80% of AMI will be prioritized. No less than 80% of the funding will be reserved for those applicants at or below 80% AMI.

(c) The elderly and/or the disabled applicants who were displaced by the storms are prioritized over non-elderly and non-disabled applicants. However, eligible applicants that are mortgage ready will also be prioritized on a first come, first serve basis over the elderly and/or disabled applicants who are not mortgage ready.

(d) In the event that there are more applicants than available funds, NMHC shall establish and maintain an applicant waiting list. Applicants placed on the waiting list shall be assisted in the event that funds available are not entirely used up or committed by the homebuyers/applicants initially awarded financial assistance. Those applicants unable to be assisted with remaining funds shall be given first priority if and when additional funds are available.

§ 100-100.3-605 Administration; Approval; Appeals Process

(a) Program Administration.

(1) The CDBG-DR Housing Administrator with the assistance of NMHC's MCD Manager shall be responsible for the CDBG-DR Homebuyer program implementation and management of related asks. The CDBG-DR Housing Administrator shall supervise division staff in loan and grant origination, underwriting and closings under the CDBG-DR Homebuyer program. However, the duplication of benefits analysis must be conducted by the CDBG-DR Compliance Manager to determine net financial assistance to be provided to the homebuyer applicant.

(2) The CDBG-DR Housing Administrator and MCD Manager shall review each submitted application, ensure all supporting documentation is in place and make any necessary recommendations to the Corporate Director prior to the Corporate Director making the final decision on the loan or grant application.

(b) Loan Review and Approval

(1) Under the direction of the CDBG-DR Housing Administrator, a CDBG-DR Loan Supervisor and/or a Loan Specialist shall review and verify all applicants' credit, income, assets, liabilities, title reports, and any other requested reports and documentation. Upon completion of the review process, the Loan Specialist shall prepare a loan write-up containing his/her recommendations.

(2) In the interim, after the CDBG-DR Housing Administrator review, the MCD Manager shall review the loan write-up for concurrence before submitting the same to the Corporate Director for a final decision. Final approval or denial of any CDBG-DR loan or grant shall be made by the Corporate Director except as follows:

(i) If the Corporate Director is off-island or on extended leave at the time the loan or grant is submitted to him/her for a final decision, then the Deputy Corporate Director may make the final decision to approve or deny the HOME loan or grant; or

(ii) If the Corporate Director and Deputy Corporate Director are both simultaneously off-island or on extended leave at the time the loan or grant is submitted for a final decision, then the Acting Corporate Director may make the final decision to approve or deny the CDBG-DR loan or grant.

(3) For purpose of these policies, off-island or extended leave shall be defined as an absence or leave that extends for more than three working days after the loan or grant is submitted to the Corporate Director for his or her final decision.
(4) A written notice of the final decision shall be provided to the applicant.

(c) Loan Grant/Denial Appeals Process.

(1) Applicants denied assistance under the CDBG-DR Homebuyer program may appeal the final decision to the NMHC Board of Directors by submitting their appeal in writing to the Corporate Director within ten (10) working days of the written notice of the final decision.

(2) Any appeal submitted must indicate the basis for the appeal and include any supporting documents. Upon receipt of an appeal, the Corporate Director shall submit the same to the Board of Directors for review and action at the next scheduled Board meeting. A decision must be rendered within thirty (30) days from the date of receipt of the appeal letter.

Part 700 - Terms and Conditions of Loan

§ 100-100.3-701 Maximum Homebuyer Programs Loan Amount

(a) The amount of CDBG-DR Homebuyer loan funds that may be used for a new construction, purchase, or for an acquisition and repair shall be based on the borrower(s) ability to repay the loan as determined by the program underwriting standards, for which, not to exceed the debt-to-income (DTI) ratio of forty-five percent (45%); as well as, not to exceed the payment-to-income (PTI) ratio of thirty-five percent (35%) as per *Section 100-100.3-201 (b), Determination of Repayment Ability.*

Notwithstanding the borrower(s) ability to repay the loan, the maximum CDBG-DR assistance as per HOME regulations is capped at the HOME maximum per unit subsidy limit.

Moreover, the value of a CDBG-DR-assisted housing cannot exceed the most current 95% Area Median Sales Price Limits or the HOME maximum value limits for existing or new homes as published annually by HUD.

(b) For NMHC-owned properties, NMHC may sell the property directly to the CDBG-DR Homebuyer-approved applicant(s) but only after the property has been publicly auctioned at least once and resulted in an unsuccessful bid.

§ 100-100.3-705 Minimum and Maximum CDBG-DR Homebuyer Program Loan/Deferred Loan Amount

The minimum loan/deferred loan amount shall not be less than $1,000.00.

The maximum loan/deferred loan amount shall not exceed $250,000.00.
Provided that circumstances, where additional costs may be incurred, will be reviewed against cost reasonableness guidelines and to meet reasonable accommodations and accessibility requirements. However, the sales price must not exceed HUD's existing or new homes HOME purchase price limits (§ 92.254(a)(2)(iii)).

§ 100-100.3-710 Non-Interest Bearing Loans

These loans are zero percent interest loans. Repayment is expected on a regular basis, usually monthly, so that over a fixed period of time, all of the principal is repaid:

(a) If the applicant(s)' annual household income is between 80.01% and 120% of the HUD income Limits, 75% of the loan at zero percent interest (0%) shall apply throughout the term of the loan. If there are no missed payments during the affordability period, any remaining principal balance may be forgiven.

(b) If the applicant(s)' annual household income is between 50.01% and 80% of the HUD income Limits, 50% of the loan at zero percent interest (0%) shall apply throughout the term of the loan. If there are no missed payments during the affordability period, any remaining principal balance may be forgiven.

(c) If the applicant(s)' annual household income is between 30.01% and 50% of the HUD Income Limits, 25% of the loan at zero percent interest (0%) shall apply throughout the term of the loan. If there are no missed payments during the affordability period, any remaining principal balance may be forgiven.

§ 100-100.3-715 Deferred Loans: Forgivable or Repayable

(a) These loans are not fully amortized. Instead, some, or even all of the principal payments are deferred to some point in the future. Deferred payment loans can be forgivable or repayable.

(b) The forgiveness may be forgiven incrementally based on the affordability period. In order to qualify for deferred forgivable loans, the applicant(s)' annual household income must be at or below 30% of the HUD Income Limits. Priority in processing applications are given to homebuyer(s)/applicant(s) who are 62 years of age or older or, disabled and unable to be gainfully employed. A disabled family is a family whose head of household, spouse, or sole member is a person with a disability.

(c) Persons with a disability:

(1) Means a person who:

(iii) Has a disability, as defined in 42 U.S.C. § 423;

(iv) Is determined, pursuant to HUD regulations, to have a physical, mental, or emotional impairment that:

(a) Is expected to be of long-continued and indefinite duration;

(b) Substantially impedes his or her ability to live independently, and

(c) Is of such a nature that the ability to live independently could be improved by more suitable housing conditions; or

(v) Has a developmental disability as defined in 42 U.S.C. § 6001.

(2) Does not exclude persons who have the disease of acquired immunodeficiency syndrome or any conditions arising from the etiologic agent for acquired immunodeficiency syndrome; and

(3) Does not include a person whose disability is based solely on any drug or alcohol dependence.

(d) The applicant's physician must complete the Homebuyer/Homeowner Program Disability Eligibility Verification to certify the borrower's disability. As appropriate, NMHC shall require a court legal guardianship in cases where the physician certification indicates that the applicant is incapacitated or incompetent to enter into a legal and binding agreement such as a mortgage. The legal guardian shall be included as a co-borrower in the mortgage or the CDBG-DR-assistance that is provided.

Table 2

CDBG-DR Program Income Limits for the CNMI	Interest Rate	Type of Assistance
0% - 30%	0%	Deferred Loan†
30.01% - 50%	0%	75% Deferred Loan and 25% Non-Interest Bearing Loan
50.01% - 80%	0%	50% Deferred Loan and 50% Non-Interest Bearing Loan
80.01% - 120%	0%	25% Deferred Loan and 75% Non-Interest Bearing Loan

†—Priority given to qualified elderly or disabled household applicants.

(e) Full repayment will be required at the sale, transfer, or the property being no longer the principal residence less than halfway into the affordability period. The deferred loan will be structured to begin incremental forgiveness when the homebuyer is more than halfway into the affordability period.

(f) For example, a homebuyer acquires a CDBG-DR assisted property that has a HOME subsidy of $50,000. The affordability period is therefore 20 years. The homebuyer would have to live in the CDBG-DR assisted property for ten years before forgiveness will begin. Beginning with the 121st month of the affordability period, NMHC will forgive principal and interest for each month thereafter **on a pro-rata** basis that homebuyer principally resides in the CDBG-DR-assisted property.

§ 100-100.3-720 Interest Subsidies

[Reserved]

§ 100-100.3-725 Loan Guarantees

[Reserved]

§ 100-100.3-730 Repayment Period

The maximum repayment term shall not exceed 360 months or the affordability period, whichever is greater, unless the repayment term is amended or revised and approved by the Corporate Director to accommodate requests for relief from borrowers who have been determined not able to repay their obligations, with the amended or revised repayment terms not to exceed an additional 60 months.

§ 100-100.3-735 After-Construction Property Value, After-Rehabilitation Property Value, or Property Value at Initial Purchase (if Acquisition Only).

The projected after-construction value, **after-rehabilitation value, or property value at initial purchase (if acquisition only) of each homebuyer property to be assisted with CDBG-DR funds must not exceed the most current 95 percent of the area median purchase price for single family housing, as determined by HUD.** NMHC will request for a real estate appraisal from a licensed real estate appraiser, prior to loan closing to determine such value.

§ 100-100.3-740 Security

(a) To insure borrowed CDBG-DR funds, NMHC shall secure a mortgage on the property. The mortgage shall be maintained for no less than the term of each approved loan or the affordability period, whichever is greater.

(b) NMHC will execute a written agreement with the homebuyer that will specify the use of CDBG-DR funds, description of the project, roles and responsibilities, compliance with affordability period requirements, qualifications for affordable homeowner housing, monitoring, the purchase price, date by which housing must be acquired, address or legal description of the property, and duration of the agreement. Additionally, the purchase price, date by which housing must be acquired, address or legal description of the property must be indicated in the applicable written agreement.

(c) During the term of the loan, homebuyer shall also be required to maintain, at their expense, property insurance on the mortgaged property for fire, earthquake, typhoon, and flood damage (if applicable) covering the replacement value of all properties at a minimum equal to the loan amount. Financial hardships will be reviewed on a case-by-case basis.

(d) NMHC will require the homebuyer to execute and file for record a deed or deeds of restriction, land covenant or similar legal documents approved by HUD that will assure compliance with the principal residency and affordability period requirements and enforce CDBG-DR restrictions.

§ 100-100.3-745 Late Charge

For interest-bearing loans, a fixed one percent late installment charge of the missed monthly principal and interest (P & I) payment shall be assessed for every monthly payment that is over fifteen calendar days late or past due.

For non-interest-bearing loans, a fixed one percent late installment charge of the missed monthly principal payment shall be assessed for every monthly payment that is over fifteen calendar days late or past due.

§ 100-100.3-750 Prepayment of Loan

There shall be no prepayment penalties for loans that are paid-off prior to the completion of the term of the loan. The affordability period provision is still applicable to loans that are paid-off.

Part 800 - Distressed Homebuyer(s)

§ 100-100.3-801 Distressed Homebuyer(s)

Distressed homebuyer(s) are those who are having a difficult time meeting their monthly loan payments due to external circumstances beyond their control. These circumstances include:

(a) Reduction-in-force;

(b) Reduction in pay;

(c) Family medical emergency (including death of an immediate family member: parents, siblings, child(ren), spouse, and in-laws);

(d) Medical condition (including career-ending injury) that causes homebuyer to discontinue employment. The borrower's physician must complete the Homebuyer/Homeowner Program Disability Eligibility Verification to certify the borrower's medical condition; and

(e) Natural disaster.

Part 900 - Assistance

§ 100-100.3-901 Types of Assistance

(a) NMHC may offer the following types of assistance depending on the circumstances mentioned above:

(1) Reduction-in-force. Monthly loan payments may be deferred for a period of up to twelve months. Late charges would not accrue. If this approach is still deemed unaffordable, the current term may be extended and reamortized with an additional sixty (60) months.

(2) Reduction in pay. Monthly loan payments may be deferred for a period of up to twelve months. If this approach is still deemed unaffordable, the current term may be extended and reamortized with an additional sixty (60) months.

(3) Family medical emergency. Monthly loan payments may be deferred for a period of up to twenty-four (24) months. Late charges would not accrue. The current term may be extended and reamortized with an additional sixty (60) months.

(4) Medical condition that causes borrower to discontinue employment – Principal amount may be forgiven incrementally (based on term).

(5) Natural Disaster. Monthly loan payments may be deferred for a period of up to six (6) months in the event of a natural disaster, such as fire, typhoon, earthquake, flood, and local or pandemic spread of disease. Final decisions regarding requested deferments shall be made by the Corporate Director. Late charges shall not accrue during deferment. Borrowers may be eligible for a deferment upon written request accompanied by acceptable evidence of negative impact caused by the natural disaster. Further, in order to qualify for a deferment, the Borrower's loan and hazard insurance must be up to date.

(6) Other Hardships. Any other claimed financial hardship outside of the aforementioned five listed hardships shall be brought to the **Corporate Director** for review and decision.

(7) Denial of assistance may be appealed to the NMHC Board.

(b) In addition, NMHC may offer the following types of assistance:

(1) Penalty Waiver. Accrued penalty fees for delinquent borrowers may be waived to assist them in making their accounts current.

(2) Loan Assumption

(i) Death of a homebuyer/borrower: Upon the death of the borrower which occurs within the affordability period, the entire unpaid balance of the loan shall be immediately due and payable. Title transfer without sale triggers the CDBG-DR recapture agreement enforceable through the restrictive deed or land covenant. The Corporate Director may allow assumption of the loan by the heirs of the borrower if a final decree in the probate of the borrower identifies the heirs and approves distribution to them of the improved property and the loan, and if the heirs themselves would qualify as a new applicant for the loan.

(ii) At the sole discretion of the NMHC Board, the loan may be assumed by a legal heir of a deceased borrower(s) of the CDBG-DR-assisted unit. This assumption exception is permitted where transfer of title is through the laws of descent provided that the heir is of legal age, meets all CDBG-DR Program eligibility requirements and has a full, undivided interest in the real property. The heir will be required to fill out an application and will be subject to credit, income, and asset verification.

(5) Foreclosure Prevention. In situations where a foreclosure is imminent, the Corporate Director may allow a borrower to have a CDBG-DR eligible immediate relative (i.e., mother, father, brother, sister, son, daughter) assume the loan, all for the purpose of preserving the affordability period. The total outstanding balance thereof shall be fully amortized at the original interest rate and terms to produce equal monthly payments. If, however, the CDBG-DR eligible immediate relative assuming the loan cannot afford the repayment of the loan at its original rate and terms, the NMHC Board may extend the term up to a period of sixty months. Should this accommodation still prove unaffordable, the property will go through the foreclosure process.

(6) Foreclosure. NMHC may use its right of first refusal, as set forth in the loan documents, written agreement with homebuyer, and restrictive deed or land covenant, to purchase the housing before foreclosure or deed in lieu of foreclosure to preserve affordability. Foreclosure triggers the CDBG-DR recapture agreement enforceable through the restrictive deed or land covenant.

(7) Foreclosure and Recapture. If the CDBG-DR assisted property is subject to recapture terms, NMHC has two options:

(i) Recapture Option 1: NMHC will recapture and pay to the CNMI CDBGCR account the net proceeds from the foreclosure sale of the property in accordance with the recapture terms; or

(ii) Recapture Option 2: NMHC may purchase the CDBG-DR assisted property at foreclosure sale and additional CDBG-DR funds may be spent. However, the total amount of the original and additional CDBG-

DR funds spent may not exceed the maximum per unit subsidy amount.

(c) If NMHC forecloses on its own loan, NMHC cannot spend any additional CDBG-DR funds to acquire the property.

Part 1000 - Mitigation to Foreclosure

§ 100-100.3-1001 Items Needed to Cancel Foreclosure and Reinstate Account

To cancel foreclosure and reinstate account, the Borrower shall:

(a) In accordance with 2 CMC § 4536(a), pay the entire amount then due under the terms of the mortgage other than such portion of principal as would not then be due had no default occurred, and reasonable attorney's fees actually incurred.

(b) Pay delinquent account current inclusive of one month advance payment.

(c) Have the homebuyer(s) submit a written proposal on how he/she will maintain the account in good standing.

(d) Submit paid in full receipt of homebuyer(s)' insurance coverage for fire and earthquake.

(e) Submit 2-3 recent check stubs and/or verification of benefits

Part 1100 - Performing New Construction Work

§ 100-100.3-1101 Performing New Construction Work

(a) Contractor Cost Estimates: The homebuyer(s)/applicant(s) shall be responsible in obtaining a minimum of three written construction cost estimates from at least three NMHC approved contractors, and each cost estimate submitted must include, at a minimum, the following information: bid price, cost breakdown of materials and labor charges, and schedule for completion of work. If for any reason that a construction cost estimate is unattainable, then a justification letter from the borrower and/or contractor may be accepted in lieu of this requirement.

(b) Selection of Contractor/Contract Award: The homebuyer(s) shall have the right to select whichever contractor to perform the construction work, provided that NMHC has assessed the sources and uses of funds and determined that the costs are reasonable, provided that the contractor's quotation and the appraiser's after-construction estimated value does not exceed the approved loan amount and the most current HUD-approved value limits, and provided that the contractor is an NMHC-approved contractor. Should it exceed the loan amount, the homeowner shall choose to either deposit the difference or negotiate with contractor in reducing the contract amount. Should the borrower not be able to deposit the

difference or the contractor unwilling to lower the contract amount, then the borrower shall select his/her/their next choice. The homebuyer(s) shall submit a contractor selection notice notifying NMHC of his/her/their selection. NMHC may, at its own discretion, select the appropriate contractor for the applicant if the homebuyer project is deeply subsidized using additional CDBG-DR funds. Deeply subsidized means additional funding assistance on top of the underwritten funding assistance.

(c) Construction Contract: The construction contract is a binding agreement strictly between the homebuyer(s) and the contractor whereby the contractor will provide the construction or repair work for a specified and agreed upon price. As NMHC's role is to finance the construction of the project, it is not a party to the construction contract. However, at any time the contractual provisions are not followed, NMHC shall have the right to withhold any progress payment until the contractor has complied with such provisions. The construction contract shall include, but is not limited to, the following provisions:

(1) Contractor's name and mailing address;

(2) Homeowner(s) name and mailing address;

(3) Date of the contract, the contract amount, and payment schedule for each incremental billing;

(4) Calendar days to complete the work (includes Saturdays, Sundays, and holidays);

(5) Contractor will provide the performance bond, and labor and material payment bond up to the contract amount, as well as a builder's risk policy for the project;

(6) The contractor will provide all the construction plans and permits necessary to comply with applicable local and federal laws;

(7) Issuance of the notice to proceed or the commencement of the project;

(8) Contractor will provide a one-year warranty on all work completed;

(9) NMHC's right to inspect the progress of the project and right to withhold progress payments;

(10) Change order procedures, if any; and

(11) A provision for liquidated damages must be included in the construction contract which shall be negotiated between the borrower(s)/homebuyer(s) and the contractor.

(12) Description of the work to be performed so that inspections can be conducted and, for rehabilitation, so that housing will meet NMHC's rehabilitation standards.

(d) Contractor Notification and Pre-Construction Requirements: Once NMHC is in receipt of the borrower(s)/homebuyer(s) contractor selection notice, NMHC shall notify the contractor of the borrower(s) selection of their company. NMHC shall inform the contractor of the scheduled pre-construction conference and shall likewise inform the contractor of the required construction documents for submission as listed below:

(1) Building permit (if applicable)
(2) Earthmoving and erosion control permit (if applicable)
(3) Construction contract
(4) Performance and payment bonds
(5) Plans and specification approved by DPW
(6) Private inspector's contract (if applicable)
(7) Notice that an environmental review and clearance has been conducted.

(e) Project Duration: Construction must start within 12 months of NMHC's execution of the CDBG-DR written agreement with the homebuyer(s).

(1) Progress payment requests shall be submitted to NMHC by the contractor incrementally as specified in the payment schedule. NMHC shall ensure that all work description indicated on the payment schedule is completed prior to releasing contractor's payment. An original and a copy of the requests must be submitted to NMHC. The contractor shall freely use his/her/their company's billing form when submitting a payment request. The payment request shall be accompanied with the following whenever applicable: inspection reports (DPW and/or private inspector), geotesting results, termite treatment certification and/or warranty, builder's warranty, and borrower/homebuyer's acceptance of the project. In addition, each billing submitted must include pictures of the progress of the project and a copy of the payment schedule.

(2) Payment schedule shall be as follows:
(i) Payment request number 1 shall not be more than 10% of the contract amount. This shall include the installation of the project sign board accompanied with a picture, the delivery of materials to the construction site, and commencement of the project.

(ii) Payment request number 2 shall not be more than 25% of the contract amount.

(iii) Payment request number 3 shall not be more than 25% of the contract amount.

(iv) Payment request number 4 shall not be more than 25% of the contract amount.

(v) Payment request number 5 shall be the 15% retainage request when all work is completed. The final payment request shall be accompanied with the

certificate of occupancy from the Commonwealth Building Safety Office, builder's warranty, window warranty if subcontracted, termite treatment warranty, final inspection report from the DPW and if applicable, the private inspector's, certificate of acceptance from the homeowners, geotesting results if applicable, pictures of project interior and exterior, and DEQ certificate of use (sewage disposal system), if applicable.

(3) Change Order Procedures. From time to time, the homebuyer(s) may request for changes in the plans and specifications. In the event that this should occur, the following steps must be taken to address such request:

(i) The borrower/homebuyer must notify contractor in written form of the proposed changes and provide NMHC a copy of the notification.

(ii) Upon receipt of the notification, the contractor must cease work at the project site and obtain NMHC's approval of the change order request. Upon approval the contractor shall then provide NMHC a revised plan and specifications, including a revised payment schedule (if scheduled payments will be altered by the proposed changes). The contractor must obtain NMHC's approval of the change order request.

(iii) Once the change order request is approved, the homeowner will be required to deposit the additional money needed to NMHC (if applicable) to carry out the change order. The contractor will be required to submit the revised plans and specifications to DPW for approval.

(iv) Should the change order request be denied, then the contractor shall resume work to ensure timely completion of the project. The contractor may not be able to complete the project on time because of the delays the change order request may have caused. Therefore, the homebuyer(s) shall give the contractor additional days equal to the time the work was ceased up until the time the change order request was denied to complete the project. The homebuyer shall not charge the contractor liquidated damages during this period.

(4) Once the contractor has obtained the DPW's approval of the plans and specifications, then it shall provide NMHC with the same copy. The contractor shall proceed in carrying out the change order and completing the project.

(f) Inspections: NMHC shall have the right, during the construction or improvement of the building, to inspect the same and to reject and to require to be replaced, any material or workmanship that does not comply with the plans and specifications, without any liability on the part of NMHC, as to workmanship or materials therein. Such inspection is solely for financing purposes and for the disbursement of funds, and any inspection or approval of any construction phase or increments of said dwelling shall not be deemed as a warranty by NMHC of the workmanship and material therein.

(g) Inspector: Upon completion, the building is subject to inspection by the Building Safety Office of the Department of Public Works (DPW) prior to the issuance of an occupancy permit or other permits as provided in the Building Safety Code codified in 3 CMC § 7101 et seq. Applicant(s) may have a private inspector, (i.e., a qualified licensed engineer or a qualified licensed architect), conduct inspection with the costs with such inspection to be handled in accordance with § 100-100.2-240.

(h) Minimum Property Standards (MPS): For new construction of housing and acquisition rehabilitation of housing, the 2018 International Building Code enacted by law and any updates approved by regulation by the Department of Public Works Building Safety Office and zoning laws (if applicable for Tinian and Rota), International Energy Conservation Code, NMHC written design standards for single family housing new/rehabilitation, and accessibility requirements (where applicable) must be adhered to.

(1) Further adherence to CDBG-DR acquisition and repair standards, which details the methods, materials, and other requirements that the housing must meet upon completion, including each of the following:

(i) Health and Safety [24 CFR 92.251(b)(1)(i)]
(ii) Major systems that were rehabilitated or replaced as part of the rehabilitation [24 CFR 92.251(b)(1)(ii)]
(iii) Lead-based paint [24 CFR 92.251(b)(1)(iii)]
(iv) Disaster mitigation, if applicable [24 CFR 92.251(b)(1)(vi)]
(v) State and local codes, ordinances and zoning requirements [24 CFR 92.251(b)(1)(vii)]
(vi) Minimum deficiencies that must be corrected based on inspectable items and areas in HUD's Uniform Physical Condition Standards [24 CFR 92.251(b)(1)(viii)]

(i) Homebuyer(s), through their contractors, must ensure that they are familiar with these requirements. PJs using MPS may rely on inspections performed by a qualified person. If using CDBG-DR funds solely for acquisition, the property must also meet the minimum property standards mentioned above or HUD's Uniform Physical Condition Standards (UPCS). The contractor will provide all the construction plans and permits necessary to comply with applicable local and federal laws.

(j) Project Completion:

(1) Project shall be completed within 4 years of the date of the CDBG-DR written agreement (the date the CDBG-DR funds were committed to the project). [24 CFR 92.205(e)(2)]

(2) Project completion information shall be entered in the Disaster Recovery Grant Reporting (DRGR) System within 120 days of the final project draw.

(k) Record Retention:

(1) NMHC shall retain CDBG-DR homebuyer project records for five years after project completion. [24 CFR 92.508(c)(2)]

(2) NMHC shall retain documents imposing recapture provisions for five years after the period of affordability terminates. [24 CFR 92.508(c)(2)]

(3) NMHC shall retain CDBG-DR homebuyer project written agreement records for five years after the agreement terminates. [24 CFR 92.508(c)(4)]

Part 1200 - Homebuyer Underwriting

§ 100-100.3-1201 Guidelines and Referenced Sections

In order to determine the specific amount of CDBG-DR assistance needed to ensure that the unit is affordable and sustainable over the long-term, NMHC's CDBG-DR Homebuyer Program design reflects and incorporates underwriting standards that the HOME regulations at § 92.254(f) has set forth; and further examines the following for each homebuyer:

(a) Program Eligibility and income;
(b) Housing and overall debt;
(c) Monthly expenses;
(d) Assets or cash reserve, as applicable; and
(e) Appropriateness of the amount of assistance

In addition to the underwriting provisions of these regulations, the following applies to Homebuyer activities:

(a) Determining how much of a loan an applicant would be eligible for or if a loan can be extended is determined by the applicant(s) gross annual income, repayment ability, and credit worthiness. These could be found in § 100-100.3-201.

(1) The NMHC CDBG-DR Homebuyer Program methodology for determining income-eligibility, income as a component of underwriting, income verification and required source documentations, treatment and the calculation of assets are derived from the HUD *Part 5 Technical Guidelines* as herein stated

(i) To receive CDBG-DR assistance, households must have incomes at or below 80 percent of the area median household income, adjusted for household size, and determined annually by HUD. Households with incomes at or below 120 percent of the area median household income, adjusted for household size, are also eligible for assistance.

(ii) CDBG-DR Homebuyer Program regulations require that income of all family members be included in the determination of income for the purpose of eligibility. The HOME regulations at 24 CFR 92.203 (d) require that a PJ

must project a household's income for the next 12 months. Chapter Two of the Part 5 Technical Guide reviews this in detail. The NMHC CDBG-DR Homebuyer Program shall also use the same methodology of projecting income for the purpose of underwriting.

(iii) The Part 5 definition of annual income provides specific guidance pertaining to whose income in a household must be included in that calculation. Chapter Three reviews this in detail.

(iv) Gross amount. NMHC uses the monthly gross amounts, before any deductions have been taken, for those types of income counted. Adjusted income is not required for CDBG-DR-funded homebuyer or for owner-occupied rehabilitation as per the Part 5 Technical Guide.

(v) For the purpose of underwriting and in determining loan repayment ability, the ratios loan payment-to-income (PTI) and the debt-to-income (DTI), NMHC shall use income and debt obligations from the loan applicant(s)/borrower(s). Any household member to be included in the mortgage must be underwritten accordingly by examining and factoring-in their income, debt, assets, credit information/analysis and any other information that is deemed applicable in the underwriting process.

(vi) The HOME regulations at 24 CFR 92.203(a) require that PJs determine income eligibility of HOME (and adopted for CDBG-DR) applicants by examining source documents, such as wage statements or interest statements, as evidence of annual income. NMHC requires additional supporting information to confirm eligibility and for purposes of underwriting. This is specified in §100-100.3-105, Supplemental Information. Review of documents and third-party verification is further reviewed in detail in Chapter Two of the Part 5 Technical Guide.

(vii) What to include as an Asset. There is no asset limitation for participation in the CDBG-DR Homebuyer Program. In essence, eligible families are not required to "spend down" assets before they can participate in the Program. Income from assets is, however, recognized as part of annual income under the Part 5 definition.

(viii) In general terms, an asset is a cash or non-cash item that can be converted to cash. Income that is earned, such as interest on a savings or checking account, is counted or factored into annual income. Chapter Three of the Part 5 Technical Guide explains in detail the treatment of assets and considers what is to be included as an asset, as well as, explains actual income from assets.

(2) Assessment of a homebuyer's debt is made by calculating two key ratios:

(i) The loan Payment-to-Income Ratio is determined by taking the expected monthly payment of the loan, which is the principal and interest, and dividing it by the total combined monthly gross income. For the NMHC CDBG-DR Homebuyer Program, this ratio should not exceed thirty-five percent of the homebuyer's gross monthly income.

Note on Insurance Premiums: Estimated monthly premium shall be factored into the ratio calculation and must not exceed the ratio threshold of thirty-five percent for approval.

(ii) The Debt-to-Income Ratio, or DTI, is determined by factoring all related debts, including the monthly loan payment and estimated insurance premium; plus, all recurring consumer debt, such as auto loan, credit card, student loan payments, and other installment and revolving debt that appears on the credit report. For the NMHC CDBG-DR Homebuyer Program, a homebuyer's DTI ratio should not exceed forty-five percent of their gross annual income. However, on a case-by-case basis, the debt ratio could be up to fifty-five percent provided that the applicant could still meet payment responsibilities.

(iii) Recurring monthly expenses, or those that are considered fixed monthly living expenses such as utilities and transportation costs are not factored in the DTI ratio but these type of expenses should be considered in the underwriting process and must be carefully budgeted and monitored by the homebuyer. The housing counseling shall address these types of essential expenses so that it does not decrease residual income and affect the homebuyer's ability to sustain the mortgage. A careful analysis of the overall debt obligations, housing costs, and recurring monthly living expenses shall be performed in determining the appropriate amount of CDBG-DR assistance to provide.

(b) The minimum and maximum loan assistance including the type to be extended to an applicant(s) are further explained in Part 700.

(c) The affordability restrictions that will be imposed on the property, a loan will only be extended to applicant(s) who will make their home assisted unit their primary residence (see § 100-100.3-201(d)).

§ 100-100.3-1205 Subsidy Layering

(a) NMHC may provide eligible homebuyers with additional locally-funded assistance to cover additional housing cost that is deemed to have exceeded the maximum CDBG-DR assistance limit.

(b) Homebuyer(s) that are approved for any additional, or supplemental assistance whether it be a CDBG-DR deferred loan or with NMHC's local funds, shall be required to choose from NMHC's house design and layouts. Such house layout and unit size is dependent on the household size, the original approved CDBG-DR assistance, as well as, the total estimated

costs to construct a new principal residence. This requirement is also applicable to eligible-homeowners who are approved for a CDBG-DR Rehab assistance for the reconstruction of a principal residential unit.

§ 100-100.3-1210 Acronyms Reference Section

[For Rehab & Homebuyer Policies and Procedures]

(a) AIA—American Institute of Architects

(b) AMI—Area Median Income

(c) CD—Corporate Director

(d) CFR—Code of Federal Regulations

(e) CNMI—Commonwealth of the Northern Mariana Islands

(f) CPSC—Consumer Product Safety Commission

(g) DCD—Deputy Corporate Director

(h) DEQ—Department of Environmental Quality

(i) DPW—Department of Public Works

(j) DTI—Debt-to-Income Ratio

(k) EA—Environmental Assessment

(l) GFE—Good Faith Estimate

(m) HOME Program—U.S. HUD Homeownership Investment Partnerships Program

(n) HQS—Housing Quality Standards

(o) MCD—Mortgage Credit Division

(p) MPS—Minimum Property Standards

(q) MPV—Maximum Property Value

(r) NAHA—National Affordable Housing Act

(s) NEPA—National Environmental Policy Act

(t) NMHC—Northern Marianas Housing Corporation

(u) NTP—Notice to Proceed

(v) PITI—Principal, Interest, Taxes, and Insurance

(w) PJ—Participating Jurisdiction

(x) PTI—Payment-to-Income Ratio

(y) PTR—Preliminary Title Report

(z) RER—Rehab Environmental Review

(aa) RESPA—Real Estate Settlement Procedures Act

(bb) SCRA—Service members Civil Relief Act

(cc) SSI—Supplemental Security Income [Social Security]

(dd) TCD—Time Certificates of Deposits

(ee) TILA—Truth in Lending Act

(ff) U.S. HUD—United States Department of Housing and Urban Development

(gg) USDA RD—United States Department of Agriculture Rural Development

(hh) USPAP—Uniform Standard of Professional Appraisal Practice

(ii) VOE—Verification of Employment

APPENDIX A.1: Crosscutting Requirements

1.1 Crosscutting Requirements

1.2 Fair Housing

The Fair Housing Act requires all grantees, subrecipients, and/or developers funded in whole or in part with HUD financial assistance to certify that no person was excluded from participation in, denied the benefit of, or subjected to discrimination in any housing program or activity because of their age, race, color, creed, religion, familial status, national origin, sexual orientation, military status, sex, disability or marital status. The Program complies with and enforces the Civil Rights requirements of Title I of the Housing and Community Development Act (HCDA) and the Fair Housing Law.

Projects must also assess how planning decisions may affect members of protected classes, racially and ethnically concentrated areas, as well as concentrated areas of poverty; will promote the availability of affordable housing in low-poverty, non-minority areas where appropriate; and will respond to natural hazard-related impacts. Program staff will use demographic, geographic, and social vulnerability analyses to determine any positive or negative impacts to protected classes. Should a project present negative impacts, project scope or design will be re-assessed to mitigate such impacts.

1.3 Environmental Review

Early environmental coordination must be completed to ensure effective implementation of all CDBG-DR Programs. CDBG-DR funding is contingent upon compliance with both local and federal environmental regulations. This includes compliance with NEPA and related environmental and historic preservation legislation and executive orders. In general, NMHC serves as the lead agency for purposes of NEPA.

HUD's Environmental Review process allows grantees to serve as the "Responsible Entity" to assume environmental review responsibilities under NEPA. As the grantee, NMHC serves as the Responsible Entity (through authorization from the Governor) as it relates to environmental review responsibilities under NEPA. Within NMHC, Environmental Review Staff will be responsible for performing environmental reviews and compiling the Environmental Review Records (ERR). Reviews are conducted either directly or using qualified environmental service contractors. NMHC 's Corporate Director, as the Certifying Officer, is ultimately responsible with certifying that NMHC's environmental reviews follow NEPA and HUD environmental regulations.

Federal Register Notice FR-6182-N-01 authorizes recipients of CDBG-DR funds under the Appropriations Act to adopt any environmental review, approval, or permit performed by a Federal agency for the same project to satisfy responsibilities with respect to environmental review, approval, or permit. NMHC will notify HUD in writing of its decision to adopt another

agency's environmental review. NMHC will also retain a copy of the review in its environmental records. Further information concerning the environmental review process is set forth in the Environmental Policies and Procedures.

1.4 Labor Standards

The Davis-Bacon and Related Acts (DBRA) applies to all federally-funded or assisted construction contracts in excess of $2,000. This may apply to projects that are fully or partially funded with CDBG-DR, including FEMA or FHWA match programs. In matched projects, only the scope of the CDBG-DR portion of the project are subject to crosscutting requirements DBRA requires all workers employed by contractors or subcontractors on CDBG-DR programs, be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with DBRA, as amended. DBRA also requires that workers on federally-assisted projects are paid not less than weekly.

Wage information for labor under CDBG-DR programs will be tracked in detail by both NMHC and relevant Implementing Partners and subrecipients throughout the life of the Program. Compliance for this requirement may be tracked in the following ways:

(1) Additional NMHC Program staff hired to track wages and verify contractor and agency compliance
(2) External contractor hired by NMHC to track DBRA compliance
(3) Enhanced TA provided to Implementing Partners to track DBRA compliance

Procedures for this process are currently under development and will be incorporated in a future update to this document.

For prime contracts in excess of $100,000, contractors and subcontractors must also, under the provisions of the Contract Work Hours and Safety Standards Act, as amended, pay laborers and mechanics, including guards and watchmen, at least one and one-half times their regular pay for all hours worked over 40 in a work week. Additionally, NMHC must follow the reporting requirements per HUD and U.S. Department of Labor (DOL) regulations. This requirement also extends to NMHC subrecipients, Implementing Partners, and contractors.

The Fair Labor Standards Act of 1938 (FLSA), as amended, establishes the basic minimum wage levels for all work and requires the payment of overtime at the rate of at least one and one-half times the basic hourly rate of pay for hours worked in excess of 40 per week. These labor standards are applicable to the entire construction contract whether or not CDBG-DR funds finance only a portion of the project.

1.5 Limited English Proficiency

Federal Executive Order 13166 requires NMHC and all satellite offices, programs, subrecipients, contractors, subcontractors, and/or developers funded whole or in part with CDBG-DR financial assistance to ensure fair and meaningful access to programs and services for families and individuals with Limited English Proficiency (LEP) and/or deaf/hard of hearing. Compliance with this requirement is detailed in NMHC's Language Action Plan (LAP) and will be coordinated and

tracked by the Monitoring and Compliance division at VIHFA. Depending on the program, NMHC, Implementing Partners, sub-recipients, and subcontractors will share the following expectations to comply with this Executive Order:

(1) Document Translation: All documents defined as "vital documents" will be translated into Chamorro or Carolinian by NMHC, Implementing Partners, and sub-recipients. A "vital document" is defined as a document that includes information regarding eligibility requirements, applications and instructions, program eligibility determinations, and appeals procedures. NMHC may aid to ensure this requirement is met.
(2) Where required, seek feedback from the community the project serves (advocacy groups serve vital role).

Language maps provided in the Language Action Plan will be used to determine the project's location and subsequent language context and if proactive LEP outreach will be required. These maps will be included as part of the Project Assessment Form used by NMHC to review the eligibility, priority level, and impacts of a potential project.

1.6 Minority and/or Women-Owned Business Enterprises

The Federal Executive Order 12432 guidelines require selected federal agencies to promote and increase the utilization of Minority-Owned and Women-Owned Business Enterprises (M/WBEs). Following procurement guidelines under 2 CFR 200.321, NMHC must make efforts to ensure that all subrecipients, contractors, subcontractors, and/or developers funded in whole or in part with HUD CDBG-DR financial assistance encourage participation in contracts and other economic opportunities by small and minority firms, women-owned business enterprises (WBEs), and labor surplus area firms whenever possible. NMHC will accept a MWBE certification from another state, local or regional, DPW, SBA HUB Zone, SBA 8-A certification (economically disadvantaged and 51% locally-owned), and other eligible certification processes. Documentation and goals regarding M/WBE percentages and reporting will be determined in the contracting agreements.

1.7 Section 3 Economic Opportunities

Section 3 is triggered when the award of CDBG-DR funds for new construction and rehabilitation projects creates the need for new employment, contracting, or training opportunities.

Section 3 of the Housing and Urban Development Act of 1968 is to "ensure that employment and other economic opportunities generated by certain U.S. Department of Housing and Urban Development (HUD) financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed to low and very low income individuals, especially recipients of government assistance for housing and to businesses which provide economic opportunities to low and very low income individuals."

The Section 3 program requires that recipients of HUD CDBG-DR funds, to the greatest extent

feasible, provide (a) employment and training, and (b) contracting opportunities for low- or very-low income residents in connection with construction projects in their neighborhoods.

It also specifically encourages economic opportunities for households who are recipients of government assistance for housing. NMHC and all administering entities will follow and require relevant contractors to follow Section 3 requirements in contracting.

Section 3 applies to the CNMI, as recipient of HUD funding, as well as to subrecipients or Implementing Partners/Sub-recipients receiving HUD funding exceeding $200,000. Whenever any portion of HUD funding is invested into projects involving housing construction, demolition or rehabilitation, commercial/private improvements for economic development, or other public construction (e.g., roads, sewers, community centers, and public facilities), the requirements of Section 3 apply.

In conjunction with construction activity, Section 3 applies to projects that are fully or partially funded with CDBG-DR assistance, including projects that are financed in conjunction with territory, local, or private matching or leveraged funds, provided that the Section 3 monetary threshold requirements are met. In particular:

- In conjunction with construction activities, Section 3 applies to contractors or subcontractors that receive contracts more than $100,000 for Section 3-covered projects/activities. Once it is determined that Section 3 applies to a project, the requirements apply to all contracts for construction work arising in connection with that project exceeding $100,000, including those not funded with CDBG-DR assistance. Contractors or subcontractors are required to comply with the Section 3 regulations in the same manner as the Commonwealth; and
- "Section 3-covered contract" includes professional service contracts, provided that the work to be performed is generated by the expenditure of funds in furtherance of Section 3 covered work (e.g., housing construction, housing rehabilitation, and other public construction), arising relating to construction projects. Professional service contracts that may constitute Section 3-covered contracts include construction contract oversight, engineering, architectural, environmental and property evaluation, construction progress and draw inspections, and prevailing wage labor compliance.

The regulations pertain to new hires required to complete Section 3-covered projects and activities. If the expenditure of funding for an otherwise covered project and activity does not result in new employment, contracting, or training opportunities, Section 3 reporting will still be required.

When NMHC awards CDBG-DR funds to other governmental departments, nonprofit organizations, subrecipients or other funded entities, NMHC will require they document how reasonable attempts were made to reach numerical goals set forth at 24 CFR Part 135.30. NMHC will inform its Implementing Partners and other funded entities of the requirements of Section 3, including the language required to be inserted into all construction-related contracts, assist them and their contractors with achieving compliance, and monitor their performance with respect to the Section 3 objectives and requirements.

Implementing Partners/Sub-recipients will receive training on this requirement and methods of compliance, technical assistance from Program staff, and continual monitoring from NMHC. Currently, a Section 3 Plan is under development, the details of which will be included in an update to this manual.

1.8 System for Award Management (SAMs)

SAM is the federal System for Award Management and is a requirement for doing business with the U.S. government. All vendors are required to register in SAM in order to be awarded contracts under the CDBG-DR program. Vendors are required to complete a one-time registration to provide basic information relevant to procurement and financial transactions. Vendors must update or renew their registration annually to maintain an active status.

1.9 Uniform Relocation and Real Property Acquisition Act (49 CFR 24)

The Uniform Relocation Assistance and Real Property Acquisition Act (URA), is a federal law that establishes minimum standards for federally funded programs and projects that require the acquisition of real property (real estate) or displace persons from their homes, businesses, or farms. The URA's protections and assistance apply to the acquisition, rehabilitation, or demolition of real property for federal or federally funded projects. The phrase "program or project" is defined in 49 CFR Part 24 as, "any activity or series of activities undertaken by a federal agency or with federal financial assistance received or anticipated in any phase of an undertaking in accordance with the federal funding agency guidelines."

The objectives of the URA are:

- To provide uniform, fair and equitable treatment of persons whose real property is acquired or who are displaced in connection with federally funded projects;
- To ensure relocation assistance is provided to displaced persons to lessen the emotional and financial impact of displacement;
- To ensure that no individual or family is displaced unless decent, safe, and sanitary (DSS) housing is available within the displaced person's financial means;
- To help improve the housing conditions of displaced persons living in substandard housing; and,
- To encourage and expedite acquisition by agreement and without coercion.

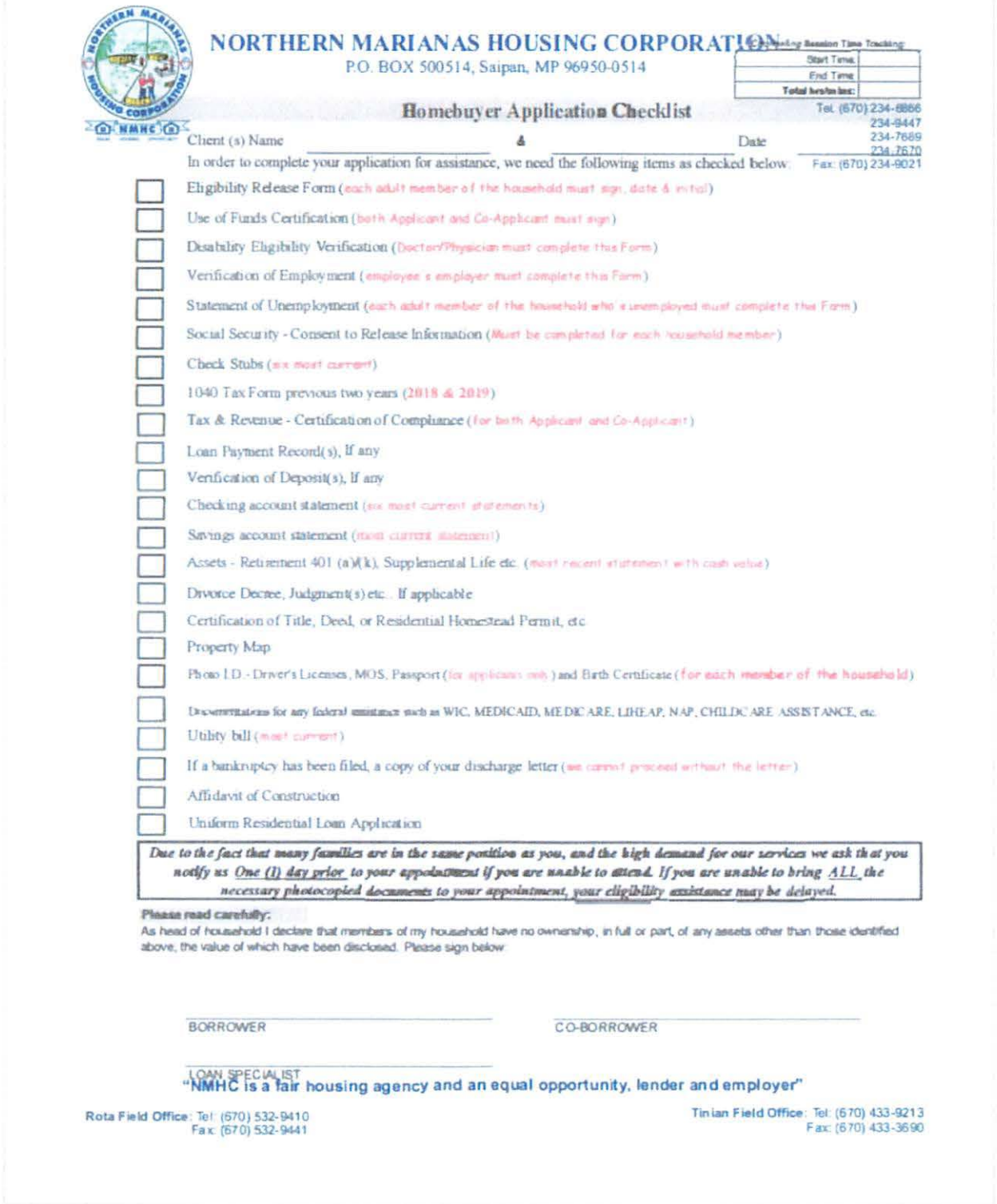
49 CFR 24.101(c)(1) provides that the subpart B requirements also apply to the acquisition of permanent and/or temporary easements necessary for the project. However, 49 CFR 24.101(c)(2) provides an exception for the acquisition of temporary easements which exclusively benefit the property owner.

Demonstrable Hardship - A demonstrable hardship is a substantial change in an applicant's financial situation that will prohibit or severely affect their ability to provide a minimal standard of living or the basic necessities of life including food, housing, clothing and transportation without causing economic distress well beyond mere inconvenience as shown by objective evidence. A demonstrable hardship must be occurring after the named storms. The demonstrable hardship must be of a severe, involuntary and unexpected nature. It must not be one that is generally shared by

other applicants affected by the named storms. Examples of demonstrable hardships may include job loss, failure of a business, divorce, severe medical illness, injury, death of a family member or spouse, unexpected and extraordinary medical bills, disability, substantial income reduction, unusual and excessive amount of debt due to a natural disaster, etc. None of the listed examples above, individually or taken together, automatically establish a demonstrable hardship nor is the listing above exhaustive as there may be other factors relevant to the issue of demonstrable hardship in a particular case. If an applicant believes that they are in the state of demonstrable hardship and that the demonstrable hardship causes them to not comply with any of the program policies, they may present their existence of a demonstrable hardship to their case worker (housing or loan specialist) and the Program will evaluate on a case-by-case basis after review of all of the circumstances. Applicants claiming a Demonstrable Hardship shall be required to provide evidence of such claimed Demonstrable Hardship to the case worker.

Not Suitable for Rehabilitation – properties where the cost of rehabilitation exceeds the after rehab appraisal and there is not a compelling historical or community justification to save the property.

APPENDIX A.2: HOMEBUYER APPLICATION CHECKLIST



NORTHERN MARIANAS HOUSING CORPORATION
P.O. BOX 500514, Saipan, MP 96950-0514

Counseling Session Time Tracking:
Start Time:
End Time:
Total hrs/min/sec:

Homebuyer Application Checklist

Tel: (670) 234-6866
234-9447
234-7689
234-7670
Fax: (670) 234-9021

Client (s) Name _____ & _____ Date _____

In order to complete your application for assistance, we need the following items as checked below:

- ☐ Eligibility Release Form (each adult member of the household must sign, date & initial)
- ☐ Use of Funds Certification (both Applicant and Co-Applicant must sign)
- ☐ Disability Eligibility Verification (Doctor/Physician must complete this Form)
- ☐ Verification of Employment (employee's employer must complete this Form)
- ☐ Statement of Unemployment (each adult member of the household who is unemployed must complete this Form)
- ☐ Social Security - Consent to Release Information (Must be completed for each household member)
- ☐ Check Stubs (six most current)
- ☐ 1040 Tax Form previous two years (2018 & 2019)
- ☐ Tax & Revenue - Certification of Compliance (for both Applicant and Co-Applicant)
- ☐ Loan Payment Record(s), If any
- ☐ Verification of Deposit(s), If any
- ☐ Checking account statement (six most current statements)
- ☐ Savings account statement (most current statement)
- ☐ Assets - Retirement 401 (a)(k), Supplemental Life etc. (most recent statement with cash value)
- ☐ Divorce Decree, Judgment(s) etc., If applicable
- ☐ Certification of Title, Deed, or Residential Homestead Permit, etc
- ☐ Property Map
- ☐ Photo I.D - Driver's Licenses, MOS, Passport (for applicants only) and Birth Certificate (for each member of the household)
- ☐ Documentations for any federal assistance such as WIC, MEDICAID, MEDICARE, LIHEAP, NAP, CHILDCARE ASSISTANCE, etc.
- ☐ Utility bill (most current)
- ☐ If a bankruptcy has been filed, a copy of your discharge letter (we cannot proceed without the letter)
- ☐ Affidavit of Construction
- ☐ Uniform Residential Loan Application

Due to the fact that many families are in the same position as you, and the high demand for our services we ask that you notify us One (1) day prior to your appointment if you are unable to attend. If you are unable to bring ALL the necessary photocopied documents to your appointment, your eligibility assistance may be delayed.

Please read carefully:
As head of household I declare that members of my household have no ownership, in full or part, of any assets other than those identified above, the value of which have been disclosed. Please sign below

_____ BORROWER

_____ CO-BORROWER

_____ LOAN SPECIALIST

"NMHC is a fair housing agency and an equal opportunity, lender and employer"

Rota Field Office: Tel: (670) 532-9410
Fax: (670) 532-9441

Tinian Field Office: Tel: (670) 433-9213
Fax: (670) 433-3690

SUBCHAPTER 100-100.4
POLICIES AND PROCEDURES FOR CDBG-DR HOMEOWNER REHABILITATION AND RECONSTRUCTION

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§ 100-100.4-002 Public Announcement

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§ 100-100.4-601 Affordability Restrictions

Part 700 Conveyance
§ 100-100.4-701 Sale, Conveyance, or Transfer or Property

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§ 100-100.4-901 Financial Hardship Assistance

Part 1000 Ethics
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Part 001 - General Provisions

§ 100-100.4-001 Introduction

As a result of the 2018 storms, namely Typhoon Mangkhut and Super Typhoon Yutu, the Commonwealth of the Northern Mariana Islands (CNMI) received an allocation of Community Development Block Grant Disaster Recovery (CDBG-DR) funds which will be administered by the Northern Marianas Housing Corporation (NMHC). NMHC has developed the Homeowner Rehabilitation and Reconstruction Program to cover the eligible costs to rehabilitate or reconstruct storm-related damaged properties in order to restore them back to decent, safe, and sanitary conditions. The governor of the CNMI has placed housing as the highest recovery priority. The total allocation amount at this time under this Program is $36,120,667.

Due to the limited availability of CDBG-DR funds allocated to the CNMI from the U.S. Department of Housing and Urban Development (HUD), financial assistance will be prioritized for the elderly or disabled extremely low-income families and then to low- to very low-income homeowners subject to HOME program income limits for the area adjusted for household size in accordance with HOME regulations at 24 CFR 92. NMHC has recognized these target groups to assist under the CDBG-DR program. Funds will be made available for eligible homeowner rehabilitation and reconstruction activities through deferred loans, combination of deferred loans and loans (non-interest and interest-bearing loans), and low interest loans to assist in the rehabilitation and reconstruction of their principal place of residence. The Program is designed to create a habitable living environment for homeowners with the most serious and significant damaged homes, and to serve as many impacted households as possible. As such, the Program requires the use of standard building materials, which may not restore some damaged homes to pre-storm conditions if luxury materials were damaged in the storm. To ensure the funding will assist the maximum number of households, rehabilitation and/or reconstruction work and materials will be limited to those items necessary to make the home livable.

Homeowner rehabilitation activities include those items identified at the initial inspection which are necessary in bringing the home in compliance with the 2018 International Building Code enacted by law and any updates approved by regulation by the CNMI Department of Public Works Building Safety Office and zoning laws (if applicable for Tinian and Rota), International Energy Conservation Code as adopted by the CNMI government, NMHC written design standards for single family housing new/rehabilitation, and accessibility requirements (where applicable) including the reduction of lead-based paint hazards and the remediation of other home health hazards.

The NMHC, on behalf of the CNMI, has been designated as the responsible entity in implementing and carrying out the objectives of the program. The Office of Housing under the CDBG-DR Program, Planning Division, will be responsible for the day-to-day operations of the Homeowner Rehabilitation and Reconstruction Program. Services include program outreach to potential eligible

homeowners, application intake, program eligibility verification (both for the household and property), Duplication of Benefits review, Verification of Benefits analysis, award calculation, and documentation execution. Support services will be provided by NMHC's Mortgage and Credit Division and Fiscal Division with respect to underwriting, disbursement of and collection of payments, accounting, and maintenance of financial records. Overall, the NMHC Corporate Director will assume ultimate responsibility for the efficient and proper administration of this program in accordance with statutory and regulatory requirements. Through these policies and procedures and by imposing NMHC and HUD-prescribed residential rehabilitation standards, NMHC will preserve and improve the quality of the general housing stock of the CNMI.

§ 100-100.4-002 Public Announcement

(a) Publicity.

(1) Upon notification from HUD of the approval of the grant agreement, NMHC shall publish such approval within thirty (30) calendar days from the date of the approval. General information of the Homeowner Rehabilitation and Reconstruction Program shall be published in the print media of the widest local circulation, on the NMHC website, and other suitable means available. The program information shall also be posted in public and private bulletin boards where announcements are commonly posted. Loan applications may be submitted on or after a specified date to be stated in the public notice.

(2) Note: When it is determined that funds have been exhausted, the application intake may be closed until funding is once again available. Those applicants who did not submit their loan applications when the funds were available may do so once NMHC is notified by HUD of the availability of funds and after such notice is published.

(b) Contents. Program announcements shall inform interested applicants on how and where they may obtain an application and additional information on the types of homeowner program activities being administered in the CNMI. Such announcements shall further contain the following information:

(1) Brief overview of the Homeowner Rehabilitation and Reconstruction Program;
(2) General list of eligible activities available;
(3) Amount of funding available;
(4) General eligibility requirements to qualify for financial assistance;
(5) Homeowner selection process;
(6) Fair Housing logo and Equal Opportunity language; and
(7) Opening date for acceptance of applications.

(c) Affirmative Marketing. To ensure that all persons are effectively and adequately informed about the rehabilitation and reconstruction program and the availability of funds, especially to those least likely to apply without regard to race, color, national origin, sex, religion, familial status, and disability, a marketing strategy such as brochures or information notices shall be

provided and distributed or posted in the following locations and shall contain the information described in subsection (b). NMHC shall maintain records of actions taken to affirmatively market the program, and maintain records to assess the results of those actions. Brochures and/or program information notices shall be made available at the following public and private areas:

(1) U.S. Post Offices;
(2) Major shopping centers;
(3) Public health centers;
(4) Places of worship;
(5) Government office buildings;
(6) The Nutrition Assistance Program (Food Stamp) office(s); and
(7) U.S. Social Security Administration office(s).

Part 100 - Purpose and Requirements

§ 100-100.4-101 Purpose of the Program

The purpose of the program is to provide no cost or low-cost financing assistance to extremely low, very low and low-income families for the rehabilitation or reconstruction of their principal residence. The rehabilitation goal is to increase the economic life of the existing dwelling, provide energy efficiency, and ensure a safe, decent, and healthy living environment for assisted families.

The rehabilitation component will be available to serve homeowners whose homes received Major or Severe damage but do not meet the definition of destroyed or substantially damaged. NMHC will use the services of A&E firms to provide construction management which includes conducting damage assessments, design services, developing scopes of work and costs estimates, progress inspections, and contractor assessments. The construction managers will work closely with the Office of Housing staff, contractors, and homeowners throughout the rehabilitation or reconstruction process.

The reconstruction component will be available to serve homeowners whose homes were destroyed or substantially damaged. Applicants that have already demolished their storm-damaged homes must also provide documentation evidencing the pre-storm structure type, total square footage, and that the damage to the home was caused by the storm. Applicants must also provide notices of condemnation, substantial damage notifications, or other notices requiring the property be demolished.

§100-100.4-102 Ineligible Activities

The following activities are *ineligible* and CDBG-DR grant funds *cannot* be used for any portion:

- Assistance for homeowners whose home was in a flood hazard zone and

previously received federal flood disaster assistance and failed to maintain the required flood insurance;

- Assistance for homeowners for which (a) the combined household income is greater than 120% AMI of the national median, (b) whose property sustained damage in the typhoons and was located in a floodplain at the time of the disaster, **and** (c) the owner did not maintain flood insurance on the damaged property, even if the property owner was not required to obtain and maintain such flood insurance (see Section 4.4 below);
- Forced mortgage payoffs;
- SBA home/business loan payoffs;
- Funding for units occupied by any households except the owner household (no rental or lease properties are allowed);
- Funding for second homes; or
- Compensation payments.

§ 100-100.4-103 General Requirements

To qualify for rehabilitation assistance, the applicant(s) must meet the following:

(a) Qualify as Low Moderate-Income family as defined by HUD including applicants who are above the 80% but less than 120% of AMI;

(b) The dwelling must be the applicant's primary residence prior to the storms and prior to applying for rehabilitation or reconstruction assistance;

(c) Must occupy and continue to occupy residence after the completion of such repairs and/or renovation;

(d) Own the property under an approved form of ownership as set forth in 24 CFR § 92.254(c), and as specified below:

(1) Has fee simple title to the property;
(2) Maintains a 40-year leasehold interest in the property;
(3) Owns a condominium fee simple or maintains a 40-year leasehold interest in the property;
(4) Owns or has a membership in a cooperative or mutual housing project that constitutes homeownership under state law; or
(5) Maintains an equivalent form of ownership approved by HUD.
(6) Undergo duplication of benefits analysis.

(e) Applicants not meeting any one of the above, do not qualify for assistance under this program.

Title 18, Section I 00 I, et seq. of the United States Code, the general false statement statute, outlaws making materially false statements, intentional or negligent misrepresentations in matters within the jurisdiction of a federal agency or department, such as federal disaster relief funding. Civil or criminal penalties, including but not limited to fine, imprisonment or both, as well as repayment of any assistance provided, may be pursued. Under Section 100I, a statement is a crime if it is false, regardless of whether it is made under oath. Failure to disclose accurate and complete information may affect eligibility requirements. Some of the information submitted by applicants will be validated through third-party sources during the eligibility process.

Part 200 - Loan Specifications

§ 100-100.4-201 Loan Amount

(a) Minimum and Maximum Loans: The minimum loan amount allowable under this program is ten thousand dollars to maximum HOME per-unit subsidy limits that apply to the jurisdiction provided by HUD. The maximum assistance amount cannot exceed the HUD HOME maximum per-unit subsidy limit. NMHC will assess the house and the proposed rehab to determine that when completed the after-rehab value of the house will not exceed the HOME 95% value limits for the CNMI published by HUD. NMHC will need to examine the sources and uses of funds for the project and determine that the costs are reasonable and that NMHC is not investing any more CDBG-DR funds, alone or in combination with other governmental assistance, than is necessary. . Please see **published value limits which is set at 95% of the area median purchase price for "Existing Homes" [see TABLE 1] for rehabilitation projects.**

(1) **The amount of Homeowner Rehab loan that may be used to rehabilitate an existing principal residence shall be based on the borrower(s) ability to repay the loan as determined by the program underwriting standards, for which, not to exceed the debt-to-income (DTI) ratio of forty-five percent (45%); as well as, not to exceed the payment-to-income (PTI) ratio of thirty-five percent (35%)**

(2) **Borrower(s) who are determined to exceed the 35% loan payment ratio, or PTI, may be approved for additional Rehab funds to supplement excess costs associated with the rehabilitation of a principal residence. This assistance shall be a forgivable deferred loan with additional years/time added to the affordability period as indicated in § 100-100.4-601 NMHC Affordability Restrictions.**

(3) **Homeowner(s) who are eligible for 100% deferred loan assistance may be approved for a loan amount up to the full cost to rehabilitate or reconstruct an existing principal residence provided that the rehabilitation (but not the reconstruction) cost estimate does not exceed that of the maximum Rehab loan amount; or 80% of the most current HUD HOME maximum per-unit subsidy limits.**

TABLE 1:

(Data through June 2019; New limits effective April 1, 2020)										
	Existing Homes HOME Purchase Price Limit					New Homes HOME Purchase Price Limit				
Metro FMR	1-Unit	2-unit	3-unit	4-unit	Unadjusted Median Value	1-Unit	2-unit	3-unit	4-unit	Unadjusted Median Value
Northern Mariana Is.	$157,000	$201,000	$243,000	$301,000	$164,900	$238,000	$304,000	$368,000	$456,000	$250,000

§ 100-100.4-205 Target Group

Because of the limited funding allocated to the CNMI, NMHC has recognized the need to prioritize the level of assistance to qualified families. In the event that there are more applicants than available funds, NMHC shall establish and maintain an applicant waiting list. All applicants being assisted, as well as those placed on the waiting list shall be processed on a first come, first serve basis.

NMHC will categorize the target groups based on income levels as follows:

(a) 0% to 30%

(1) Priority given to elderly or disabled families with incomes between 0%-30% of the area median income. Elderly or disabled household applicants may receive 100% forgivable loan assistance with an affordability period of 20 years on a 30-year term

(i) An elderly family is a family whose head of household, spouse, or sole member is age 62 or older

(ii) A disabled family is a family whose head of household, spouse, or sole member is a person with a disability. Person with a disability:

(I) Means a person who:

(a) Has a disability, as defined in 42 U.S.C. § 423;

(b) Is determined, pursuant to HUD regulations, to have a physical, mental, or emotional impairment that:

(i) Is expected to be of long-continued and indefinite duration;

(ii) Substantially impedes his or her ability to live independently, and

(iii)Is of such a nature that the ability to live independently could be improved by more suitable housing conditions; or

(c) Has a developmental disability as defined in 42 U.S.C. § 6001.

(II) Does not exclude persons who have the disease of acquired immunodeficiency syndrome or any conditions arising from the etiologic agent for acquired immunodeficiency syndrome; and

(III) Does not include a person whose disability is based solely on any drug or alcohol dependence.

The applicant's physician must complete the Homebuyer/Homeowner Program Disability Eligibility Verification to certify the borrower's disability. As appropriate, NMHC shall require a court legal guardianship in cases where the physician certification indicates that the applicant is incapacitated or incompetent to enter into a legal and binding agreement such as a mortgage.

(b) 30.01% to 50%: Extremely low- to very-low income families with limited financial resources; a combination of 25% non-interest loan and 75% forgivable loan assistance may be provided to extremely low- to very-low income applicants with an affordability period of 20 years on a 30-year term. If there are no missed payments during the affordability period, any remaining principal balance may be forgiven.80.01% to 120%: a 75% non-interest bearing loan and 25% forgivable loan shall apply throughout the term of the loan with an affordability period of 20 years on a 30-year term. If there are no missed payments during the affordability period, any remaining principal balance may be forgiven.

§ 100-100.4-210 Income Eligibility

NMHC shall use the HUD CPD Income Eligibility Calculator when determining income eligibility. NMHC shall also refer to the Technical Guide for Determining Income and Allowances for the HOME Program, Third Edition in verifying the household's assets and income which can be found in the HUD website. The NMHC shall adopt the guide and make use of the Part 5 income and asset calculation worksheets including any and all forms required in determining an applicant's annual and adjusted income. Information provided by the applicant shall be accompanied with proper documentations (i.e., check stubs, bank statements, 1040 tax forms, etc.). The anticipated gross annual household income and assets for the next twelve months is used in determining if an applicant(s) is/are eligible to participate in the program. NMHC shall calculate the weekly average income and assets and multiply it by 52 weeks. If the total household income falls within the 80% area median income as indicated in § 100-100.4-220(b), the applicant(s) is/are eligible to participate in the program. Households whose incomes are between 80% and 120% of the area median income are also eligible should a waiver be required and approved by HUD.

§ 100-100.4-215 Property Eligibility

(a) Property Ownership: Interested applicant(s) must provide proof of fee simple ownership or must have at least a 40-year leasehold interest in the property to be improved. In addition, the applicant must be present and have interest on the property on or before the presidential disaster

declaration date for Typhoon Mangkhut or Super Typhoon Yutu. The assisted unit must be located in the CNMI, more specifically, on Saipan, Rota, or Tinian.

(b) In the event of the death of an applicant that has been determined as eligible but prior to loan/grant execution, their heirs who are able to document they were occupants of the residence at the time of the disaster and can prove current ownership through heirship will be eligible to apply for Program assistance.

If an owner occupant of a property damaged by Typhoon Mangkhut and/or Super Typhoon Yutu has passed away, their heirs may apply for Program assistance, provided they are able to submit evidence the damaged property was also the heir's primary residence at the time of one of the storms.

Heirs who were not occupants at the time of either disaster event are not eligible for Program assistance.

(c) Conformance to Property Standards: All assisted properties that are rehabilitated with CDBG-DR assisted funds must meet the program's established rehabilitation standards (see APPENDIX A.2). The Rehabilitation Standards are the program's guidelines of acceptable construction methods and materials to be used when performing rehabilitation and the quality standards that the property must meet when all rehabilitation work is completed.

NMHC's HOME/CDBG-DR Written Rehabilitation Standards shall detail the methods, materials and requirements that the housing must meet upon completion of rehab, including all of the following:

(1) Health and Safety - identifying all life-threatening deficiencies that must be addressed immediately if the housing is occupied [24 CFR 92.251(b)(1)(i)];
(2) Major systems – requiring that, upon project completion, each major system, as defined in 24 CFR 92.251(b)(1)(ii), had a remaining useful life of a minimum of 5 years, or for a longer period as specified by the NMHC, or the major system was rehabilitated or replaced as part of the rehabilitation [24 CFR 92.251(b)(1)(ii)];
(3) Lead-based paint [24 CFR 92.251(b)(1)(iii)];
(4) Disaster mitigation (if applicable) – requiring the property meet the disaster mitigation requirements [24 CFR 92.251(b)(1)(vi)];
(5) State and local codes, ordinances and zoning requirements [24 CFR 92.251(b)(1)(vii)];
(6) Minimum deficiencies that must be corrected based on inspectable items and areas in HUD's Uniform Physical Condition Standards [24 CFR 92.251(b)(1)(viii)].

NMHC shall make the rehabilitation standards available to the Department of Public Works (DPW) inspectors and the inspectors shall use them as a guide to certify that completed work was done accordingly.

(d) Local/State, National, or International Codes: Upon completion of rehabilitation or reconstruction work, the CDBG-DR assisted owner-occupied rehabilitation property must meet the 2018 International Building Code (2018) enacted by law and updates approved by regulation by the CNMI Department of Public Works Building Safety Office, zoning laws, and International Energy Conservation Code as adopted by the CNMI government.

(e) Upon completion of rehabilitation work, the CDBG-DR assisted owner-occupied rehabilitation property must meet accessibility requirements, where applicable; and the homeowner must also maintain, at their own expense, property insurance on the mortgaged property covering fire, earthquake, typhoon, and if applicable, flood damage. An insurance waiver may be granted, in whole or in part, to homeowners who show financial hardship.

(f) Principal Residence and Annual Recertification:

(1) CDBG-DR rehab applicants approved to receive financial assistance must own the property and occupy the property as their principal residence at the time of application, upon completion of the CDBG-DR-funded project, and throughout the NMHC affordability period. In order to maintain compliance with the affordability restrictions, borrower(s) shall be recertified annually for principal residency throughout their affordability period. An annual recertification for principal residency notice and form shall be sent to homeowners/borrowers to complete, sign, and submit to NMHC in order to confirm and have on file that they are continually occupying the mortgaged property and housing. The following stipulations apply for a principal residence: (i) A deed restriction or covenant running with the land shall incorporate this requirement; (ii) A written agreement between the homeowner and NMHC shall also incorporate this requirement; (iii) Temporary subleases are not allowed.

(2) Annual recertifications are conducted in order for homeowners to maintain compliance with the affordability restrictions.

(3) Annual recertifications through field visits may be conducted if the required completed form has not been provided, or if the account status is pending probate, or the account has been accelerated to the collection attorney for foreclosure proceedings. The Loan Specialist shall verify the borrower(s) principal residence and, as necessary, to take photos and document the status of the residential unit.

(g) Maximum Property Value: The projected after rehabilitation value of each assisted property must not exceed <u>the most current 95 percent area median purchase price for single family housing, as determined by HUD.</u> To determine such value, a written appraisal (which is an eligible soft cost) must be obtained by the borrower from an appraiser approved by NMHC. The appraisal report must document the appraised value and the appraisal approach used.

§ 100-100.4-220 Interest Rate and Type of Assistance

(a) The interest rate charged on the outstanding principal balance for each target group is determined by the gross household income which falls in the following percentage of the established Northern Mariana Islands Income Limits published by HUD for the HOME program. See Table 2 and Table 3 below for more details. NMHC from time to time may revise the specified interest rates below as it deems beneficial for the administration of the program.

Table 2

CDBG-DR Program Income Limits for the CNMI	Interest Rate	Type of Assistance
0% - 30%	0%	Deferred Loan†
30.01% - 50%	0%	75% Deferred Loan and 25% Non-Interest Bearing Loan
50.01 – 80%	0%	50% Deferred Loan and 50% Non-Interest Bearing Loan
80.01% - 120%	0%	25% Deferred Loan and 75% Non-Interest Bearing Loan

†—Priority given to qualified elderly or disabled household applicant(s).

The Area Median Income for the Northern Mariana Islands as established by the U.S. Department of Housing and Urban Development for the HOME program as periodically revised is provided below and referenced as Table 3. NMHC shall comply with any revisions that the U.S. Congress enacts.

Table 3

NORTHERN MARIANA ISLANDS HOME INCOME LIMITS 2020								
Person Household	**1 Person**	**2 Person**	**3 Person**	**4 Person**	**5 Person**	**6 Person**	**7 Person**	**8 Person**
15% of Median Income	$5,055	$5,775	$6,495	$7,215	$7,800	$8,370	$8,955	$9,525
30% of Median Income	$10,150	$11,600	$13,050	$14,450	$15,650	$16,800	$17,950	$19,100
50% of Median Income	$16,850	$19,250	$21,650	$24,050	$26,000	$27,900	$29,850	$31,750
80% of Median Income	$26,950	$30,800	$34,650	$38,500	$41,600	$44,700	$47,750	$50,850
120% of Median Income	$40,440	$46,200	$51,960	$57,720	$62,400	$66,960	$71,640	$76,200

For most current HOME program income limits published by U.S. Department of Housing and Urban Development, please go to https://www.hudexchange.info/programs/home/home-income-limits/

§ 100-100.4-225 Loan Terms and Repayment

(a) Deferred Loans: Deferred loans are provided with no requirements or expectations of repayment. Homeowners that receive deferred loans to rehabilitate or reconstruct their principal residence must occupy the assisted unit throughout the NMHC affordability period following completion of the rehabilitation or reconstruction. However, should the assisted homeowner(s) decide to vacate, rent out, transfer title, or sell the assisted unit during the NMHC affordability period, the homeowner must repay the deferred loan. See part 600 for an explanation of the affordability restrictions and recapture.

(b) Non-Interest Bearing Loans: The principal amount of loans is paid back on a regular basis over time, but no interest is charged. The repayment term of all non-interest bearing loans shall be 30 years or 360 months and shall be fully amortized to produce equal monthly payments.

(c) Interest-Bearing Loans (if applicable): These loans are amortizing loans. Repayment is expected on a regular basis so that over a fixed period of time, all the principal and interest is repaid. The repayment term of all interest-bearing loans shall be 30 years or 360 months and shall be fully amortized at either 1%, 1.5%, or 2%, to produce equal monthly payments. The interest rate is dependent on the applicant's gross household income as specified in § 100-100.4-220(a).

(d) Extended Terms: Should a financial hardship beyond the borrower(s) control exists, a request for an extended loan term may be considered provided that the borrower(s) are able to meet the repayment of their re-amortized loan. The borrower(s) must provide NMHC with documentation justifying their inability to meet the loan repayment term while at the same time providing an adequate standard of living for his/her/their family. An extended term must be recommended by the CDBG-DR Housing Administrator (or designee) and concurred by the MCD Mortgage Manager and approved by the Corporate Director. All extended terms granted must not exceed a five (5)-year extension term for each request made or in the case of leasehold interest, the extension should not exceed the remaining leasehold term. The maximum number of times such an extension may be requested by a homeowner is two (2). Financial hardship includes, but is not limited to:

(1) Reduction-in-force;
(2) Reduction in pay;
(3) Family medical emergency (including death of an immediate family member: parents, siblings, child(ren), spouse, and in-laws);
(4) Medical condition (including career-ending injury) that causes homeowner to discontinue employment. The borrower's physician must complete the homebuyer/homeowner program disability eligibility verification to certify the borrower's medical condition;
(5) Temporary relocation (provided that at least one of the original household members is still residing in the assisted unit; or
(6) Natural disaster.

§ 100-100.4-230 Repayment Analysis

(a) Deferred Loans: 100% deferred loan assistance need not be repaid so long as the homeowner is in compliance with the requirement to occupy the CDBG-DR assisted housing as the homeowner's principal residence throughout the NMHC affordability period. Provisions in § 100-100.4-225(a) apply to this section as well.

(b) Non-Interest and Interest-Bearing Loans: Maximum monthly debt service for either type of loan including existing long-term obligations, insurance, plus the rehabilitation loan that will be incurred shall not exceed **45%** of the gross household income.

(c) (1) The maximum debt-to-income ratio shall be not more than **45%** (or most current ratio) of the gross household income. The maximum payment-to-income ratio of the rehabilitation loan itself shall not be more than **35%** (or most current ratio) of the gross household income. (2) On a case-by-case basis, NMHC may provide an exception to exceed the **45%** debt-to-income ratio, but not more than **55%,** upon NMHC's determination that the applicant(s) can meet repayment responsibilities. This provision is also applicable in determining and providing financial hardship assistance (see part 900).

Additional CDBG-DR funds used to supplement excess costs associated with the rehabilitation/repair or reconstruction of the principal residence and household income exceeds the 35% loan payment ratio, shall be a forgivable loan but with additional years/time added to the affordability period as indicated by the following schedule:

Supplemental CDBG-DR Funds	Additional Years Added to the Affordability Period
$1.00 - $50,000	5 years
More than $50,000	10 years

§ 100-100.4-235 Use of Loan Funds

(a) (1) The loan/deferred funds will be used to assist existing homeowners to repair, rehabilitate, or reconstruct owner-occupied housing units affected by the storms for the primary purpose of correcting dwelling deficiencies ensuring a safe and healthy living condition, and preserving and extending the physical life of the dwelling. All corrections shall conform to the 2018 International Building Code enacted by law and any updates approved by regulation by the CNMI Department of Public Works Building Safety Office, zoning laws, International Energy Conservation Code as adopted by the CNMI government, and also ensure that it meets the NMHC HOME/CDBG-DR Rehabilitation Standards as adopted by the NMHC Board.

(2) Special purpose homeowner repairs such as weatherization, emergency repairs, and accessibility may only be undertaken within a more comprehensive scope of work that brings the housing unit up to standard.

(b) (1) Rehabilitation - This includes the alteration, improvement, or modification of an existing structure. It also includes moving an existing structure to a foundation constructed with HOME funds. Rehabilitation may include adding rooms outside the existing walls of a structure.
(2) Adding a housing unit is considered new construction and is not eligible.

(c) Reconstruction - In most instances, applicant(s) requesting assistance under this program live in substandard homes which are often unsafe and unsanitary. Many of which are termite infested and dilapidated to the point where a complete tearing down of the unit would be most appropriate. These types of structures would most likely endanger the households during storms and other calamities. Reconstruction refers to rebuilding a structure on the same lot where the housing unit is standing at the time of the storms. CDBG-DR funds may be used to build a new foundation or repair an existing foundation. Reconstruction may take place on the same foundation that the existing structure was on. Reconstruction may take place anywhere on the lot. During reconstruction, the number of rooms per unit may change, but the number of units may not.

(d) Luxury items and improvements are not eligible, including but not limited to: barbecue pits, bathhouses, exterior hot tubs, saunas, whirlpool baths, swimming pools, satellite dishes, tennis courts, dirty kitchens, and granite counter tops. Any additions or alterations to provide for commercial use are not eligible.

§ 100-100.4-240 Eligible Costs

In line following the HOME Program, (a) As defined in 24 C.F.R. § 92.206(a)(2)-(5), (b), and (d), CDBG-DR funds can be used to cover the hard rehabilitation costs necessary to meet required rehabilitation standards and associated "soft costs." CDBG-DR funds may be used to pay for property improvements that are considered standard for the area. However, non-essential luxury or cosmetic improvements to the property are not permitted.

(1) Hard costs include the following:
(i) Meeting the rehabilitation standards;
(ii) Meeting applicable codes, standards, and ordinances;
(iii) Essential improvements;
(iv) Energy-related improvements;
(v) Lead-based paint hazard reduction;
(vi) Accessibility for disabled persons;
(vii) Repair or replacement of major housing systems;
(viii) Incipient repairs and general property improvements of a non-luxury nature; and
(ix) Site improvements and utility connections.

(2) Soft costs include the following:
(i) Financing fees;
(ii) Initial credit report;
(iii) Preliminary title report (PTR) and lender's title policy, if applicable;
(iv) Recordation fees, transaction taxes;
(v) Legal and accounting fees;
(vi) Appraisals;
(vii) Architectural/engineering fees, including specifications and job progress inspections;
(viii) Project costs incurred by the PJ that are directly related to a specific project; and
(ix) Refinancing of secured existing debt if the housing is owner-occupied and refinancing allows the overall costs of borrower to be reduced and the housing is made more affordable and rehabilitation cost was greater than the amount of debt refinanced.

(b) NMHC shall set aside $2,508.50 (more or less, depending on current costs) per project from the program budget to assist each qualified rehab or recon borrower to pay for the following loan closing fees and other related costs. This form of assistance shall not be in any way, a part of the rehab loan amount extended to the client. Borrowers will not be required to pay back any of this amount so long as they are in compliance with NMHC affordability restrictions. The entire amount shall be immediately due and payable by the borrower should NMHC determine that borrower(s) are not in compliance with NMHC affordability restrictions.

(1)	$400.00	Utility connection*;
(2)	$1200.00	First annual premium for hazard insurance;
(3)	$550.00	Appraisal report;
(4)	$150.00	Recordation of mortgage documents;
(5)	$200.00	Preliminary title report (PTR);
(6)	$8.50	Credit report @ $4.25 each.
	$2,508.50	Total

*Borrower must ensure that there are no outstanding issues with the utility company

(1) If the homeowner(s) opt to have a private inspector perform unit inspection, the first/initial unit inspection fee may be covered by NMHC, subject to any conditions set by NMHC. Any cost associated with any subsequent inspection shall be the responsibility of the homeowner(s).

Part 300 - Loan Application Process

§ 100-100.4-301 Confidentiality

As is NMHC's practice, all applicant information is kept confidential and shall be made available only to borrower(s); borrower(s') authorized representative; HUD and the Comptroller General of the United States, any of their representatives, have the right of access to any pertinent books, documents, papers or other records of the participating jurisdiction, state recipients, and

subrecipients, in order to make audits, examinations, excerpts, and transcripts; and authorized NMHC personnel.

§ 100-100.4-305 Discrimination Prohibited

Under no circumstances shall any of the NMHC Board of Directors, its officers, employees, agents, or contractors providing services to the corporation discriminate any applicant or borrower on the basis of race, color, national origin, religion, sex, ancestry, disability, or familial status (including children under the age of 18 living with parents or legal custodians, pregnant women, and people securing custody of children under the age of 18).

§ 100-100.4-310 Pre-Qualification Interview

(a) Before an applicant can be given a formal application, the interviewing loan specialist must conduct a pre-qualification interview to initially determine an applicant's eligibility for assistance. A Homeowner Rehabilitation and Reconstruction Program Pre-Qualification Interview Worksheet shall be completed by the interviewing loan specialist.

(b) Because the information collected from the applicant during this process may not be accurate, as the loan specialist may only be relying on "assumed estimates" regarding their employment, debt, and assets, applicants who are initially determined eligible may later be determined ineligible for the program.

§ 100-100.4-315 Eligibility Notification

Once the applicant(s) has been pre-qualified and have been later determined eligible for the program, NMHC shall officially notify the applicant(s) in writing of their eligibility. Such notification shall be mailed no later than five (5) working days after the determination, and shall contain a listing of additional information to be submitted for completion of loan file. Eligible applicant(s) shall be given thirty (30) calendar days to submit the additional information requested. Applicant(s) who do not submit all pending information before the thirty (30) calendar day deadline, shall have their application(s) file placed in the inactive files.

§ 100-100.4-320 Ineligible Applicants

All ineligible applicants shall be notified in writing of their ineligibility. Such notification shall be mailed no later than five (5) working days after the determination of ineligibility and shall include a description/reason of such determination. Those found ineligible may appeal such determination to the Corporate Director within ten (10) working days from the date of receipt of the ineligibility notice. The Corporate Director will then review the appeal and render a decision within thirty (30) days from the date of receipt of the appeal letter. Ineligible applicants may further appeal the Corporate Director's decision to the NMHC Board for reconsideration.

§ 100-100.4-325 Initial Inspection of Residence

Initial inspections shall be conducted by NMHC's A&E firm contractor(s) or project manager and in coordination with the loan specialists or an NMHC representative to identify and verify deficiencies noted by eligible homeowners/applicants. NMHC personnel conducting the inspections shall note deficiencies in written form and shall document (i.e., obtain pictures) the condition of the unit. Such inspections shall also verify the eligibility and be the basis in estimating the costs of the rehabilitation activities requested and in developing the scope of work for the rehabilitation project. The applicant and the inspection personnel (A&E firm), as well as the responsible loan specialist, shall work cooperatively to develop the scope of work for the project. The rehab scope of work needs to adequately describe the work to be performed so the housing will meet NMHC's written rehabilitation standards at completion. The scope of work must be an eligible activity as described in § 100-100.4-235. The scope of work shall be provided to three (3) NMHC-approved contractors by the borrower(s) who shall prepare a cost breakdown estimate for the project. The estimates shall then be submitted along with the applicant(s) choice of contractor for the project upon submission of his/her/their loan application. If the applicant(s)'s choice of contractor is not on NMHC's approved contractor listing, the contractor shall be vetted prior to award of the contract. With regard to reconstruction projects, NMHC may provide pre-approved house plans to the applicant that best fit the footprint of the destroyed home. NMHC may, at its own discretion, select the appropriate contractor for the applicant if the rehab project is deeply subsidized using additional CDBG-DR funds. Deeply subsidized means additional funding assistance on top of the underwritten funding assistance.

§ 100-100.4-330 Lead-Based Paint

(a) The federal government banned lead-based paint from housing in 1978. Deteriorating lead-based paint (peeling, chipping, chalking, cracking, or damaged) is a hazard and needs immediate attention.

(1) For Homeowner Rehabilitation Projects: Before any rehabilitation work is done, homeowners must provide documentation that shows that their homes were built either before or after January 1, 1978. Such documentation may include a copy of the building permit, if one can be provided; a notarized declaration/affidavit by the homeowner(s) or contractor attesting to the completion date of the home construction; and the age of the dwelling unit/property.

(b) For those homes deemed to have been completed before January 1, 1978, they must be checked for lead in one of two ways, or both:

(1) A paint inspection which shows the lead content of every different type of painted surface in the home;
(2) A risk assessment which shows if there are any sources of serious lead exposure (such as peeling paint and lead dust). A risk assessment provides the homeowner the necessary actions to take when addressing these hazards.

(c) Only a trained, certified professional is allowed to check the home for such hazards. Only a certified lead "abatement" contractor is allowed to permanently remove lead hazards. However, if the risk assessment does not reveal any lead-based paint hazards, NMHC will not require the homeowner to conduct any abatement of hazards.

(d) For those homes that were completed before January 1, 1978, the following forms must be completed:

(1) Lead Hazard Evaluation Notice;
(2) Notice of Lead Hazard Reduction;
(3) Relocation Screening Sheet for Projects with Lead Hazard Reduction Activities;
(4) Protection of Occupants' Belongings and Worksite Preparation for Projects with Lead Hazard Reduction Activities; and
(5) Property Owner/Rehab Contractor Contract Addendum Reduction of Lead Paint Hazards

(e) The following are required activities to address lead-based paint;

(1) Notification
(i) Lead Hazard Information Pamphlet—Occupants, owners, and purchasers must receive the EPA/HUD/Consumer Product Safety Commission (CPSC) lead hazard information pamphlet, or an EPA-approved equivalent.
(ii) Disclosure—Property owners must provide purchasers and lessees with available information or knowledge regarding the presence of lead-based paint and lead-based paint hazards prior to selling or leasing a residence.
(iii) Notice of Lead Hazard Evaluation or Presumption—Occupants, owners, and purchasers must be notified of the results of any lead hazard evaluation work or the presumption of lead-based paint or lead hazards.

(2) Notice of Lead Hazard Reduction Activity—Occupants, owners, and purchasers must be notified of the results of any lead hazard reduction work.
(3) Lead Hazard Evaluation—Evaluation methods include visual assessments, paint testing, and risk assessments.
(4) Lead Hazard Reduction—Reduction methods described include paint stabilization, interim controls, standard treatments, and abatement.

§ 100-100.4-335 Environmental Review Procedures for Entities Assuming HUD Environmental Responsibilities (24 C.F.R. Part 58)

(a) CDBG-DR rehabilitation activities to be undertaken by NMHC are subject to the environmental review requirements at 24 C.F.R. Part 58. CNMI is the responsible entity and is responsible for ensuring that the environmental review process is satisfied before CDBG-DR funds are committed to specific project site.

(b) Rehabilitation of homeowner housing may be categorically excluded per 24 C.F.R. §58.35(a)(3) when the following conditions are met:
(1) The building is for residential use and has one to four units;
(2) The density will not increase beyond four units;
(3) The land use will not change; and
(4) The footprint of the building will not increase in a floodplain or in a wetland.

(c) Reconstruction of a single-family unit in a new location on the same lot is classified as new construction for the purposes of environmental review. Reconstruction of homeowner housing may be categorically excluded per 24 C.F.R. § 58.35(4)(i) when it is an individual action (reconstruction only) on a one to four family dwelling.

(d) Homeowner rehabilitation housing categorically excluded per 24 C.F.R. § 58.35 is categorically excluded from an environmental assessment (EA) and finding of no significant impact (FONSI) under the National Environmental Policy Act (NEPA) except for extraordinary circumstances. To document compliance with environmental review requirements, NMHC must:

(1) Complete the Rehab Environmental Review (RER) (which includes the Notice of Intent to Request Release of Funds for Tiered Projects and Programs, submitting a RROF to HUD, and obtaining the ATUGF from HUD), in accordance with 24 CFR 58; and,
(2) Complete the RER Appendix A when an individual loan or grant application is received before approving any site-specific loan or grant for each structure, document and implement the mitigation of impacts as necessary, and keep all supporting documents in the Environmental Review Record as evidence of compliance.

§ 100-100.4-340 Rehabilitation or Reconstruction Loan Application

(a) Applicants determined eligible for assistance will be provided a Rehabilitation or Reconstruction Loan Application. A checklist of all required documentation for submission is attached to the loan application. Preliminary requirements include:

(1) Certificate of title/deed/homestead permit/lease agreement;
(2) Property map and sketch of direction to property;
(3) 1040 tax form for the previous tax year;
(4) Program eligibility release form;
(5) Latest two (2) months of pay stubs;
(6) Verification of employment;
(7) Current loan statement or loan payment record;
(8) Most recent savings account statement (TCD, bonds, form passbook, money market accounts);
(9) The last six (6) months checking account statement available;
(10) Profit sharing plan (bank or duty free employees);

(11) Most recent retirement plan statement;
(12) Current certification of child care expenses;
(13) Current Certificate of Compliance from Division of Revenue and Taxation;
(14) Judgments (if any); divorce statement and/or probate decree;
(15) Verification of medical expenses (transportation and medication);
(16) Verification of full-time student status;
(17) Business income tax forms for three (3) previous years, if applicable;
(18) Most current financial statements, if applicable.

(b) For further verification purposes, the application shall also be attached with the following documents:

(1) Verification of income from business;
(2) Verification of Social Security benefits;
(3) Verification of pension and annuities;
(4) Verification of Veterans Affairs benefits;
(5) Verification of public assistance income;
(6) Verification of child support payments;
(7) Verification of alimony or separation payments;
(8) Verification of recurring cash contributions;
(9) Verification of income from military service;
(10) Verification of assets on deposit;
(11) Verification of assets disposed;
(12) Record of oral verification;
(13) Three cost estimates for the rehabilitation project;
(14) Current appraisal by a licensed and Uniform Standard of Professional Appraiser Practice (USPAP) certified appraiser, if available.

(c) Add duplication of benefits verification

§ 100-100.4-345 Application Intake and Processing

Upon receipt of the Rehabilitation and Reconstruction Loan Application, the loan specialist must provide the applicant(s) with a Good Faith Estimate (GFE) Disclosure Statement as required by the Real Estate Settlement Procedures Act (RESPA) of 1974. The GFE discloses all costs and/or fees associated with the processing of such loan request. If the GFE is not provided to the client at the time of their submission of their application, the form must be mailed out within three (3) business days after NMHC's receipt of the loan application. If the application is denied within a three (3) business day period, then NMHC is not obligated to send one out.

§ 100-100.4-350 Credit History and Verification of Income

As part of determining income eligibility and credit worthiness (NMHC may focus on the income and credit worthiness of the head of household and spouse; however, to determine income eligibility, NMHC needs to consider the income of ALL household members), the applicant(s) shall provide NMHC with an executed Program Eligibility Release Form to conduct a third-party verification of the following:

(a) Credit Report—The applicant(s) shall provide a written authorization for NMHC to request and obtain a written credit report from a recognized credit bureau, more specifically, Equifax. The credit report will be used as a reference in determining the applicant(s) credit worthiness. Poor repayment of credit obligations shall be considered a credit risk and shall be a reason for denial of assistance. On a case by case basis, NMHC may reconsider its decision if the applicant has reestablished his/her credit standing, or if the applicant demonstrates a good faith effort to pay-off or resolve his/her delinquent account(s) or bad debt(s), and shall be required to submit a letter justifying any delinquency and/or bad debt.

(b) Employment—NMHC shall send the employer(s) of all household members a signed Verification of Employment (V.O.E.) form who shall furnish the requested information on the V.O.E. NMHC may consider job stability as one of the bases in determining loan approval. As such, NMHC, on a case-by-case, may require that an applicant, or one of the applicants, be employed for at least two (2) years before the loan request is submitted to the Corporate Director for approval.

(c) Assets, Business Income, and Credit Accounts—All household members of the applicant(s) shall provide NMHC with a written authorization to obtain third party verifications whenever applicable. Monthly bank statements from the previous six (6) months for each checking account owned, and the most recent savings account, Time Certificates of Deposits (TCD), and other bank/investment accounts must be provided to NMHC for asset verification purposes. Third party verification from creditors shall also be conducted to determine applicant(s)' credit worthiness.

§ 100-100.4-355 Administration, Approval, Appeals Process

(a) Program Administration

(1) The MCD Manager shall assist the Office of Housing in implementing and management of related tasks. The MCD Manager shall assign loan specialists to assist in loan and grant origination, underwriting and closings under the Homeowner Rehabilitation and Reconstruction Program.

(2) The MCD Manager shall review each submitted application provided by the Office of Housing, ensure all supportive documentation is in place and complete, and concur or make any necessary recommendations to the Corporate Director prior to the Corporate Director making the final decision on the loan application.

(b) Loan Review & Approval
Under the direction of the MCD Manager, a loan specialist shall review and verify all applicants' credit, income, assets, liabilities, title reports, and any other requested reports and documentation. Upon completion of the review process, the loan specialist shall prepare a loan write-up containing his/her recommendations.

(1) The MCD Manager shall review the loan write-up for concurrence before submitting the same to the Corporate Director for a final decision. Final approval or denial of any loan shall be made by the Corporate Director except as follows:

(i) If the Corporate Director is off-island or on extended leave at the time the loan or grant is submitted to him/her for a final decision, then the Deputy Corporate Director may make the final decision to approve or deny the loan; or

(ii) If the Corporate Director and Deputy Corporate Director are both simultaneously off island or on extended leave at the time the loan is submitted for a final decision, then the Acting Corporate Director may make the final decision to approve or deny the loan.

(3) For purposes of these policies, off-island or extended leave shall be defined as an absence or leave that extends for more than three (3) working days after the loan or grant is submitted to the Corporate Director for his or her final decision.

(4) A written notice of the final decision shall be provided to the applicant and a copy/report of the decision shall be provided to the NMHC Board of Directors for informational purposes.

(c) Loan Denial Appeals Process
(1) Applicants denied assistance under this program may appeal the final decision to the NMHC Board of Directors (Board) by submitting their appeal in writing to the Corporate Director within ten (10) calendar days of the written notice of the final decision.

(2) Any appeal submitted must indicate the basis for the appeal and include any supporting documents. Upon receipt of an appeal, the Corporate Director shall submit the same to the Board of Directors for review and action at the next scheduled Board meeting.

§ 100-100.4-360 Homeowner Counseling Session

(a) All applicants for loan assistance must attend a Homeownership/Homebuyer Education and Counseling Session that will be provided by NMHC. On or before August 1, 2021, NMHC employees providing housing counseling will be HUD certified housing counselors, and NMHC will have applied directly to HUD and received approval, or NMHC will have applied to a HUD-approved intermediary and received approval by the entity to be its affiliate. NMHC shall notify the applicant(s) of the date, time, and location of the session. The education and

counseling session shall be scheduled after the loan has been preliminarily approved and may be conducted before or on the day that NMHC issues the commitment letter to the applicant(s). The counseling session shall include a discussion of the terms and conditions of the loan, educate the homeowner(s) of their financial responsibilities, the importance of budgeting, making timely payments, foreclosure prevention, as well as, home maintenance and repair measures. Acceptable delivery method for housing counseling may be in-person, phone, or internet. Duration of the housing counseling is eight (8) hours. Upon completion of the housing counseling, the borrower(s) will receive a counseling certificate and this counseling certificate is valid for 2 years. Funding for housing counseling will come from project-related soft costs.

(b) NMHC shall inform applicant(s) at the time of their submission of their application of the required homeowner counseling session and again in written form when NMHC notifies the applicant(s) of NMHC's preliminary approval of their loan request. Failure to attend the required Homeownership/Homebuyer Education and Counseling Session may be grounds for denial or cancellation of assistance.

§ 100-100.4-365 Commitment Letter

(a) Once the loan request has been approved by the NMHC Corporate Director, the responsible loan specialist shall prepare the commitment letter for the Corporate Director's signature. The commitment letter is a binding agreement between NMHC and the borrower(s) wherein it discloses the terms and conditions of the approved loan including the estimated after rehab value to ensure compliance with 24 CFR 92.254(a)(2)(iii) and (b)(1); the housing is the principal residence of an income qualified homeowner; the amount and form of assistance (e.g., grant, amortizing loan, deferred payment loan); the rehabilitation work to be performed; the completion date; and the property standards that must be met. Borrowers who have been approved shall agree not to incur additional debts, unless formally requested by the borrowers and authorized by NMHC.

(b) The responsible loan specialist shall obtain a written certification (via email or memo format) from the Chief Financial Officer or Finance Manager that funds are available for the project before the Corporate Director executes the commitment letter.

(c) After the commitment letter has been signed and dated by the Corporate Director, the responsible loan specialist shall schedule the applicant(s) to come in and also sign and date the document should they agree with the terms and conditions.

(d) NMHC must reexamine the household's income eligibility if the determination was made more than six (6) months before signing the Commitment Letter.

(e) NMHC must set up the activity in DRGR following execution of the commitment letter and commitment of CDBG-DR funds.

§ 100-100.4-370 Preliminary Title Report (PTR)

(a) The responsible loan specialist shall order a preliminary title report (PTR) on behalf of the borrower(s) within two (2) weeks after the borrowers have executed their commitment letter. The purpose in obtaining a title report is to ascertain ownership of the proposed property for collateral and to ensure that NMHC holds the first lien on the property. A title search and review of recorded ownership information is conducted to verify that the property to be assisted with CDBG-DR funds is held in one of the eligible forms of ownership.

(b) The responsible loan specialist shall obtain the preliminary title report (PTR) by submitting an email request to the local title companies. The project will be granted on a first come, first serve basis to the company agreeing to the rate set by NMHC.

(c) The Loan Specialist shall obtain an updated PTR prior to loan closing to ensure that NMHC maintains the first lien on the property.

§ 100-100.4-375 Pre-Construction Conference

(a) The pre-construction conference shall be held after NMHC's receipt of the PTR and the same has been determined to have met NMHC's requirement as indicated in § 100-100.4-370. The responsible loan specialist shall inform the homeowner(s) and their contractor, and their private inspector (if applicable), in written form of the scheduled pre-construction conference. The notice shall include the date, time, and location of the conference. The conference shall be conducted by the responsible loan specialist and shall include the homeowner(s), their contractor, and their private inspector (if applicable).

(b) The homeowner(s) and their contractor, and if applicable, their private inspector, are to be provided with information such as their rights and responsibilities before, during, and after the rehabilitation period of their home.

§ 100-100.4-380 Submission of Pre-Construction Documents

The NMHC shall notify the contractor of the homeowner(s) selection of his/her/their company and shall likewise instruct the contractor to submit the required construction documents listed below. These documents are to be provided to NMHC within thirty 30 days from the date of notice.

(a) Building permit (if applicable);

(b) Zoning Permit (if applicable);

(c) Earthmoving & erosion control permit (if applicable);

(d) Construction contract;

(e) Performance bond;

(f) Plans & specifications approved by DPW;

(g) Private inspector's contract (if applicable).

§ 100-100.4-385 Loan Closing/Settlement

Promissory Note, Mortgage, Restrictive Covenant, Consent to Encumber Land, Affidavit

(a) Promissory Note: All loans will require borrowers to sign a promissory note. The promissory note shall be attached together with the mortgage and loan agreement and shall be filed at the Commonwealth Recorder's Office as one document in the following order: Mortgage, promissory note, and loan agreement.

(b) Mortgage, Consent to Encumber Land, Restrictive Covenant: All loans will require all legal owners, including the spouse of a borrower who may or may not be an applicant of the rehabilitation loan to sign the aforementioned documents. The consent to encumber land and restrictive covenant shall be attached together with the mortgage, loan agreement, and promissory note and shall be filed at the Commonwealth Recorder's Office as one document.

(c) Affidavit of Marital Status: All loans will require that all unmarried borrowers declare their marital status before executing the documents stated in subsections (a) and (b).

(d) The responsible loan specialist shall prepare the following disclosure forms to be executed by borrowers: Federal Truth-in-Lending Disclosure, HUD 1, Fixed Rate and Variable Rate Disclosure Form.

Part 400 - Rehabilitation

§ 100-100.4-401 Performing Rehabilitation Work

(a) Contractor Cost Estimates. The homeowner(s) shall be responsible in obtaining a minimum of three (3) written rehabilitation cost estimates from at least three (3) NMHC approved contractors, and each cost estimate submitted must include, at a minimum, the following information: bid price, cost breakdown of materials and labor charges, and schedule for completion of work. If for any reason that a construction cost estimate is unattainable, then a justification letter from the borrower and/or contractor may be accepted in lieu of this requirement (3 cost estimates).

(b) Selection of Contractor. The homeowner(s) shall have the right to select a contractor to perform the rehabilitation work, provided that the contractor's quotation and after rehab value does not exceed the HOME published after rehab value limits for existing homes and the assistance to the homeowner cannot exceed the maximum per unit subsidy limit. The contractor must be an NMHC-approved contractor or if not an approved contractor then NMHC must vet the contractor prior to award of the project. Should it exceed the loan amount, the homeowner shall negotiate with the contractor in reducing the contract amount. If the contractor is not willing to lower the contract amount, then the borrower shall select his/her/their next choice. Once the homeowner and contractor agree to the project and cost, the homeowner shall submit a contractor selection notice notifying NMHC of his/her/their selection.

(c) Construction Contract. The construction contract is a binding agreement strictly between the homeowner and the contractor whereby the contractor will provide the rehabilitation or repair or reconstruction work for a specified and agreed upon price. As NMHC's role is to finance the construction of the project, it is not a party to the construction contract. However, at any time the contractual provisions are not followed, NMHC shall meet with the homeowner and contractor to discuss the dispute and come to a mutual agreement. The construction contract shall include, but is not limited to, the following provisions:

(1) Contractor's name and mailing address;
(2) Homeowner(s) name and mailing address;
(3) Date of the contract, the contract amount, and payment schedule for each incremental billing;
(4) Calendar days to complete the work (includes Saturdays, Sundays, and holidays);
(5) Contractor will provide the performance bond, labor and material payment bond up to the contract amount, as well as a builder's risk policy for the project;
(6) The contractor will provide all the construction plans and permits necessary to comply with applicable local and federal laws;
(7) Issuance of the notice to proceed or the commencement of the project and that the rehab must start within 12 months of NMHC executing the commitment letter with the borrower;
(8) Contractor will provide a one-year warranty on all work completed;
(9) NMHC's right to inspect the progress of the project and right to withhold progress payments;
(10) Change order procedures, if any;
(11) A provision for liquidated damages must be included in the construction contract which shall be negotiated between the homeowner and contractor; and
(12) Description of the work to be performed so that inspections can be conducted and, for rehabilitation, so that housing will meet NMHC's rehabilitation standards.

(d) Contractor Notification and Pre-Construction Requirements. Once NMHC is in receipt of the homeowner's contractor selection notice, NMHC shall notify the contractor of the homeowner's selection of their company. NMHC shall inform the contractor of the scheduled pre-construction

conference and shall likewise inform the contractor of the required construction documents for submission as listed below.

(1) Building permit (if applicable);
(2) Zoning permit (if applicable);
(3) Earthmoving and erosion control permit (if applicable);
(4) Construction contract;
(5) Performance and payment bonds;
(6) Plans and specification approved by DPW;
(7) Private inspector's contract (if applicable).

(e) Project Duration – Project needs to be completed within 4 years of the date of the Commitment Letter.

(1) Progress payment requests shall be submitted to NMHC by the contractor incrementally as specified in the payment schedule. NMHC shall ensure that all work description indicated on the payment schedule is completed prior to releasing the contractor's payment. An original and a copy of the request must be submitted to the NMHC. The contractor shall freely use his/her/their company's billing form when submitting a payment request. The payment request shall be accompanied with the following whenever applicable: inspection reports (DPW and/or private inspector), geotesting results, termite treatment certification and/or warranty, builder's warranty, and/or homeowner's acceptance of the project. In addition, each billing submitted must include pictures of the progress of the project and a copy of the payment schedule.

(2) Payment schedule shall be as follows:
(i) Payment request number 1 shall not be more than 10% of the contract amount. This shall include the installation of the project sign board accompanied with a picture, the delivery of materials to the construction site and commencement of the project;
(ii) Payment request number 2 shall not be more than 25% of the contract amount;
(iii) Payment request number 3 shall not be more than 25% of the contract amount;
(iv) Payment request number 4 shall not be more than 25% of the contract amount;
(v) Payment request number 5 shall be the 15% retainage request when all work is completed. The final payment request shall be accompanied with the certificate of occupancy from DPW's Building Safety Office, builder's warranty, window warranty if subcontracted, termite treatment warranty, final inspection report from the DPW and if applicable, the private inspector's inspection report, certificate of acceptance from the homeowners, geotesting results if applicable, pictures of the project's interior and exterior, and DEQ certificate of use (sewage disposal system), if applicable.

(3) Change Order Procedures. From time to time, homeowners may request for changes in the plans and specifications. In the event that this should occur, the following steps must be taken to address such request:

(i) Homeowner must notify contractor in written form of the proposed changes and provide NMHC a copy of the notification.

(ii) Upon receipt of the notification, the contractor must cease work at the project site and obtain NMHC's approval of the change order request. Upon approval the contractor shall then provide NMHC with the revised plans and specifications, including a revised payment schedule (if scheduled payments will be altered by the proposed changes). The contractor must obtain NMHC's approval of the change order request.

(iii) Once the change order request is approved, the homeowner will be required to deposit the additional money needed to NMHC (if applicable) to carry out the change order. The contractor will be required to submit the revised plans and specifications to DPW for approval.

(iv) Should the change order request be denied, then the contractor shall resume work to ensure timely completion of the project. The contractor may not be able to complete the project on time because of the delays the change order request may have caused. Therefore, the homeowners shall give the contractor additional days equal to the time the work was ceased up until the time the change order request was denied to complete the project. The homeowner shall not charge the contractor liquidated damages during this period.

(v) Once the contractor has obtained the DPW's approval of the plans and specifications, then it shall provide the NMHC with the same copy. The contractor shall proceed in carrying out the change order and completing the project.

(vi) Inspections: NMHC shall have the right, during the rehabilitation work or improvement of the unit, to inspect the same and with justification, to reject and to require to be replaced, any material or workmanship that does not comply with the plans and specifications, without any liability on the part of NMHC, as to workmanship or materials therein. Such inspection is solely for financing purposes and for the disbursement of funds, and any inspection or approval of any rehabilitation phase or increments of said dwelling shall not be deemed as a warranty by NMHC of the workmanship and material therein.

(vii) Inspector: Progress and final inspections shall be conducted by the Building Safety Office of the Department of Public Works (DPW) to ensure all work performed is done according to the plans and specifications as approved by the applicant and DPW and applicable property standards. Homeowner(s) may have a private inspector, (i.e., a qualified licensed engineer or a qualified licensed architect), conduct inspection at the homeowner's costs with such inspection to be handled in accordance with § 100-100.4-240.

(viii) Minimum Property Standards (MPS): For new construction of housing and acquisition and/or rehabilitation of housing, CNMI Building Safety Code and zoning laws (if applicable for Tinian and Rota), International Energy Conservation Code, NMHC written design standards for single-family housing new/rehabilitation, and accessibility requirements (where applicable) must be adhered to. Homeowners, through their contractors, must ensure that they are familiar with these requirements. NMHC may rely on inspections performed by a qualified person. If using the funds

solely for acquisition, the property must also meet the minimum property standards mentioned above (or the Uniform Physical Conditions Standards).

(ix) The contractor will provide all the construction plans and permits necessary to comply with applicable local and federal laws.

Part 500 Payments

§ 100-100.4-501 Mortgage Loan Payments

(a) Prepayment of Mortgage Loan—There shall be no prepayment penalties for all rehabilitation loans that are "paid-off" prior to the maturity date (original or revised). Pre-paying off the loan relieves the borrower(s) from the affordability restrictions imposed on the property. NMHC may terminate the affordability period restrictions when the homeowner pre-pays the loan because the HOME program does not require the enforcement of an affordability period for homeowners rehabilitation not involving acquisition or new construction.

(b) The monthly mortgage payments (inclusive of principal, interest, late charges, or any other amounts due) shall be made to the NMHC whose central office is located in the corner of Micro Beach Road and Chalan Pale Arnold Road, Garapan, Saipan. NMHC's respective field offices in Rota and Tinian are likewise accepting payments during business hours. NMHC's Rota Field Office is currently located in Songsong Village. NMHC's Tinian Field Office is located in San Jose Village. Acceptable forms of payment are cash, personal checks, debit or credit cards (available only in Saipan), cashier's check, money order, allotment, or direct deposit thru Bank of Guam.

(1) The first monthly mortgage payment inclusive of the principal and interest, shall begin thirty (30) days after all construction work is satisfactorily completed. Payment application shall be applied in the following order:

(i) Accrued interest;
(ii) Principal;
(iii) Late fees.

(2) Irregular payments from time to time may be made by borrowers. Should they occur, the NMHC shall apply the payments as follows:

(i) Partial payments made that are less than a borrower's scheduled payment shall be deposited and credited to the account, but shall not excuse the requirement of full payment.
(ii) Multiple Payments—In instances where borrower(s) may have two existing loan accounts with NMHC, but makes less than the combined scheduled payments, payments are to be applied first to the oldest loan and the balance shall be deposited and credited to the other loan.

(iii) Excess Payments—In instances where borrowers make more than their scheduled monthly payments, the payments are to be applied to the unpaid principal, unless the borrowers indicate in written form to have the payments applied as advance payments.

(iv) Charged-off Accounts—Borrowers whose account(s) have been charged off will still have the opportunity to pay-off such account. Borrower(s) will be required to execute a charged off payment agreement prior to making any payment.

§ 100-100.4-505 Failure to Make Payment as Required

(a) Late Fees for Overdue Payments: A penalty fee of one (1) percent of the monthly mortgage payment will be assessed on all accounts not paid by the fifteenth of each month each day that the full payment is not received.

(1) Delinquencies

(i) Notices—Written notices of past due accounts shall be sent to borrower(s) based on the following schedule:

(A) First notice—Account over 30 days past due;

(B) Second notice—Account over 60 days past due;

(C) Third notice (demand notice)—Account over 90 days past due;

(D) Fourth notice (2nd demand notice)—Account over 120 days past due.

(ii) In the event that the borrower(s) fail(s) to update the account after the receipt of the fourth notice, NMHC shall forward the account to legal for further collection efforts, which may include foreclosure.

(b) Default: Should a borrower under this loan program fail to make payment as required or breaches any of the terms and conditions of the mortgage and the promissory note, the borrower will be considered in default of said agreements. NMHC shall have the right to collect any and all outstanding amounts due and demand a full payment thereof. NMHC shall have the right to charge the borrower(s) all legal expenses and fees caused by the borrower's failure to pay.

(c) Foreclosure: NMHC may use its right of first refusal, as set forth in the loan documents, written agreement with the homeowner, and restrictive deed or land covenant, to purchase the property before foreclosure or deed in lieu of foreclosure. Foreclosure triggers the NMHC recapture agreement enforceable through the restrictive deed or land covenant.

(1) Foreclosure and Recapture. If the assisted property is subject to recapture terms, NMHC has two options:

(i) Recapture Option 1: NMHC will recapture and pay to the CNMI CDBG account the net proceeds from the foreclosure sale of the property in accordance with the recapture terms; or

(ii) Recapture Option 2: NMHC may purchase the assisted property at foreclosure sale and additional CDBG-DR funds may be spent. However, the total amount of the original and additional funds spent may not exceed the maximum per unit subsidy amount.

(2) In the event of default by the borrower, the NMHC may foreclose its lien on the property as secured by the mortgage. Such foreclosure proceedings may result in the sale of the rehabilitated real property. If NMHC forecloses on its own loan, NMHC cannot use any additional CDBG-DR funds to acquire the property. Should the property be sold through foreclosure, then the amount due to NMHC will be the net proceeds of the sale up to the amount of loan assistance provided, including interest due, late charges, outstanding principal, legal fees, and any other amounts due.

Part 600 - Affordability

§ 100-100.4-601 NMHC Affordability Restrictions

(a) Long Term Affordability: NMHC has elected to impose NMHC affordability requirements that require that assisted properties remain affordable for a specific period of time, depending on the level of funds invested in the property and the nature of the activity funded:

DR Funds Invested per Unit	Minimum Length of the Affordability Period
Less than $49,999	5 years
$50,000-$100,000	10 years
More than $100,000 to Max. Loan Limit	15 years

Supplemental Rehab Assistance	**Additional Years Added to the Affordability Period**
$1.00 - $50,000	**5 years**
More than $50,000	**10 years**

(1) Affordability Restrictions

(i) The affordability requirements are to be imposed by deed restrictions, covenants running with the land, or other mechanisms approved by HUD, except that the affordability restrictions may terminate upon foreclosure or transfer in lieu of foreclosure or upon loan payment in full.

(2) Affordability and Special Exceptions

(i) The affordability restrictions shall be revived according to the original terms if, during the original affordability period, the owner of record before the termination event, or any entity that includes the former owner or those whom, the former owner has or had family or business ties, obtains an ownership interest in the project or property. If a home rehabilitated with CDBG-DR assistance is sold during the NMHC affordability period, NMHC recapture provisions apply to ensure the continued provision of affordable homeownership.

(b) Right of First Refusal. During the affordability period, the homeowner(s) agrees not to sell or assign the residence hereby rehabilitated to any persons unless and until homeowner(s) proposes

to sell same to NMHC, its successors or assigns on terms consistent with preserving affordability and allows then sixty (60) days' time within which to purchase said residence.

(c) Recapture. NMHC will ensure that it recoups all or a portion of the loan assistance provided to the homeowner(s), if the housing unit ceases to be the principal residence of the homeowner(s) for the duration of the period of affordability. Subsidy amounts (in the form of loans) that directly benefited the property owner (i.e., through deferred loans, non-interest bearing loans, interest bearing loans, etc.) are also subject to recapture. Recapture is capped at what is available out of net proceeds for agreements after November 2004. Net proceeds are defined as the sales price less superior non CDBG-DR debt (if any) less closing costs. NMHC shall utilize the following recapture options:

(1) Recapture the Entire Amount. NMHC may recapture the entire amount of the loan and/or subsidy from the homeowner(s) if the sale of the property occurs within halfway into the given NMHC affordability period. For example, a homeowner was approved for a $50,000 CDBG-DR loan to rehabilitate a home. The NMHC affordability period is therefore ten (10) years. On the fourth year, the homeowner sells the house for $60,000. Since the homeowner failed to comply with the minimum five (5) years of the ten (10) year affordability period, the recaptured amount is $50,000.

(d) Forgiveness: Reduction during NMHC Affordability Period. NMHC may reduce the deferred loan amount or loan amount to be recaptured on a pro rata basis for the period the homeowner(s) has/have owned and occupied the housing unit measured against the required NMHC affordability period; however, the homeowner(s) must occupy the housing unit as his/her/their principal residence for a minimum of five (5) years or at least halfway into the NMHC affordability, whichever is greater, in order to qualify for this recapture option. For example, if the assistance is $50,000 with a 10 year affordability period, the homeowner sells the property in the 6th year of the NMHC affordability period having lived in the home for a full 5 years for $60,000, the homeowner has a superior debt of $15,000, and the homeowner's share of the closing cost is $1,500, the amount subject to recapture is calculated as follows:

(i) Net Proceeds:

$60,000	(sales proceeds)
–$15,000	(superior private debt)
–$1,500	(closing cost)†
$43,500	**(net proceeds)**

†If client pays closing cost, it will be subtracted. If not, it will be added on as part of the net proceeds.

(ii) Reduction to Direct Subsidy:
$50,000 ÷ 10 year NMHC affordability period = $5,000
per year so, 5 years X $4,000 per year = $20,000 forgiven
Amount to Recapture:
$50,000 subsidy – $20,000 forgiven = $30,000 subject to recapture

(iii) Homeowner Gets:
(net proceeds amount to recapture)
$43,500 net proceeds – $30,000 recaptured = $13,500 for homeowner

(3) Homeowner(s) Recover of Initial Investment. The homeowner(s) investment (i.e., down payment and capital improvements made by the owner after completion of the rehab work) may be repaid in full before any funds are recaptured, provided that the homeowner(s) have occupied the housing unit at a minimum of five (5) years before the sale of the property and the homeowner's household income is at or below 50% of the Area Median Income.

(4) Shared Appreciation. In the case where net proceeds exceed the amount necessary to repay both the homeowner(s)' investment and the CDBG-DR assistance, the excess proceeds may be shared proportionately (i.e., percentage of investment provided) by both parties.

(d) Note: When the recapture requirement is triggered due to a voluntary or involuntary sale during the period of affordability and there are no net proceeds or the net proceeds are insufficient to repay the CDBG-DR investment due, NMHC may recapture an amount less than or equal to the net proceeds available.

(e) Legal Instruments to Enforce Recapture. NMHC must use deed restrictions, land covenants, or other similar legal documents approved by HUD to enforce these recapture restrictions as approved by HUD.

Part 700 - Conveyance

§ 100-100.4-701 Sale, Conveyance, or Transfer of Property

(a) Enforcement of the terms of the recapture provisions as set forth in the written agreements/commitment letters is triggered upon the sale, conveyance, or transfer of title of the rehabilitated and mortgaged real property under this program during the NMHC affordability period which may not necessarily result in the repayment of all CDBG-DR assistance. Upon sale of the home and enforcement of the recapture provisions, the affordability period will terminate.

(b) At the sole discretion of NMHC, a title transfer will only be permitted through the laws of descent or through a loan assumption, or upon selling the property, provided that NMHC has been properly informed and the same has consented to such sale. If, should any of these occur, one must submit his/her intention of loan assumption or selling of the property and request for the NMHC Board's approval for the transfer of title. If the title changes hand through the laws of descent during the affordability period, the affordability period may not terminate and continue with the new homeowner if the new homeowner satisfies the eligibility requirements. The new homeowner may assume the loan and the affordability period if the new homeowner meets the eligibility requirements. If the title changes hand through the laws of decent during the NMHC affordability period and the new homeowner does not meet the eligibility

requirements, NMHC will enforce the terms of recapture set forth in the commitment letter and enforced with recorded deed restrictions or land covenants. Upon enforcement of the recapture provisions, the NMHC affordability period will terminate.

Part 800 - Assumption

§ 100-100.4-801 Loan Assumption

(a) Death of a Borrower—Immediately upon notification to NMHC of a borrower's death, the surviving borrower or a family member of the borrower(s) shall complete a deceased borrower's report and/or submit a copy of the death certificate.
  (1) Upon the death of a borrower, the entire unpaid balance of the loan shall be immediately due and payable. NMHC shall instruct legal to file a claim against the estate; or
  (2) For those accounts covered with a mortgage life insurance, or where the borrower assigns his/her life insurance to NMHC, NMHC shall ensure that it files its claim with the insurance company to ensure that the outstanding balance including the principal, interest, insurance, late fees, and any other fees due to the account is paid off; or
  (3) In situations where there exists a surviving borrower, the same may submit a request to maintain the current monthly payment as scheduled without having the account sent for legal collection; or
  (4) If both borrowers are deceased, then NMHC may allow for an assumption of the loan by the heir(s) as indicated in the probate decree (which shall be provided to NMHC).
    (i) This assumption exception is permitted where transfer of title is through the laws of descent provided that the heir is of legal age, meets all program eligibility requirements and has a full, undivided interest in the real property. The heir will be required to fill out an application and execute a mortgage update and will be subject to a credit, income, and asset verification just like a new applicant.
    (ii) The heir or heirs of the deceased will be responsible in maintaining the account current as they await the probate decree. Once they are in receipt of the decree, they must submit it to NMHC so that NMHC will prepare the loan assumption agreement.

(b) Foreclosure Prevention
  (1) In situations where a foreclosure is imminent, the NMHC may allow a borrower to have a program eligible immediate relative (i.e., mother, father, brother, sister, son, daughter) assume the loan, all for the purpose of preserving the affordability period. The total outstanding balance thereof shall be fully amortized at the original interest rate and terms to produce equal monthly payments.
  (2) If the program eligible immediate relative assuming the loan cannot afford the repayment of the loan at its original rate and terms, NMHC may but is not required to waive that requirement and extend an additional term of up to a period of five (5) years or sixty (60) months to the existing term.

(c) Foreclosure—Should NMHC determine the borrower(s) or family member's absolute inability to repay the loan, then it shall sell the property to recover all assistance provided. Recapture provision shall take place. See § 100-100.4-505 for guidance on foreclosures and § 100-100.4-601 for guidance on recapture.

Part 900 - Financial Hardship

§ 100-100.4-901 Financial Hardship Assistance

(a) Reduction-In-Force—Monthly loan payments may be deferred for a period of up to twelve (12) months. Late charges will not accrue. If this approach is still deemed unaffordable, the current term rate may be extended and re-amortized with an additional sixty (60) months. Term extensions for leasehold properties are limited to the leasehold term.

(b) Reduction in Pay—Monthly loan payments may be deferred for a period of up to twelve (12) months. If this approach is still deemed unaffordable, the current term may be extended and re-amortized with an additional sixty (60) months. Term extensions for leasehold properties are limited to the leasehold term.

(c) Family Medical Emergency—Monthly loan payments may be deferred for a period of up to twenty-four (24) months. Late charges will not accrue. The current term may be extended and re-amortized with an additional sixty (60) months. Term extensions for leasehold properties are limited to the leasehold term.

(d) Medical Condition or Disability Assistance—Provided to borrower(s) who, after obtaining CDBG-DR rehabilitation or reconstruction assistance become physically or mentally disabled and are certified by a physician to be incapable of resuming work. The assistance may be conducted in the following manner:
   (1) Borrower(s) are to submit a doctor's certification certifying their incapability to resume work.
   (2) Borrower(s) outstanding loan balance may be converted to a grant.

(e) Natural Disaster including pandemic spread of disease
   (1) Monthly loan payments may be deferred for a period of up to six (6) months in the event of a natural disaster, such as fire, typhoon, earthquake, or flood. Final decisions regarding requested deferments shall be made by the Corporate Director. Late charges shall not accrue during deferment.
   (2) Borrowers may be eligible for a deferment upon written request accompanied by acceptable evidence of negative impact caused by natural disaster. Further, in order to qualify for a deferment, the borrower's loan and hazard insurance must be up to date.

(f) Other Hardships and Exceptions—Any other claimed financial hardship outside of the aforementioned eight listed hardships, as well as exceptions on a case-by-case basis, shall be brought to the Board for review and decision.

Part 1000 Ethics

§ 100-100.4-1001 Conflict of Interest

(a) Under no circumstances shall any immediate family members (whether by blood, marriage or adoption) the spouse, parent (including a stepparent), child (including a stepchild); brother, sister (including a stepbrother or stepsister), grandparent, grandchild, and in-laws of a covered person, elected or appointed officials of the CNMI government, NMHC's Board of Directors, its officers, agents, and employees may participate in any CDBG-DR assisted projects or units including the procurement of materials, or have an interest in any contracted services, or be a beneficiary in any proceeds. Other provisions in 24 C.F.R. § 92.356 shall apply. Conflict of interest applies to covered persons who exercise or have exercised any functions or responsibilities with respect to activities assisted with CDBG-DR funds or who are in a position to participate in a decision-making process or gain inside information with regard to these activities. Covered persons may not obtain a financial interest or financial benefit from a CDBG-DR activity, or have a financial interest in any contract, subcontract, or agreement with respect to the CDBG-DR assisted activity, or the proceeds from such activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for one year thereafter.

(b) Exceptions: Threshold requirements. Upon the written request of the participating jurisdiction, HUD may grant an exception to the provisions above on a case-by-case basis when it determines that the exception will serve to further the purposes of the CDBG-DR Program and the effective and efficient administration of the participating jurisdiction's program or project. An exception may be considered only after the participating jurisdiction has provided the following:
   (1) A disclosure of the nature of the conflict, accompanied by an assurance that there has been public disclosure of the conflict and a description of how the public disclosure was made; and
   (2) An opinion of the participating jurisdiction's or state recipient's attorney that the interest for which the exception is sought would not violate state or local law.

(c) Factors to be considered for exceptions. In determining whether to grant a requested exception after the participating jurisdiction has satisfactorily met the requirements mentioned above, HUD will consider the cumulative effects of the following factors, where applicable:
   (1) Whether the exception would provide a significant cost benefit or an essential degree of expertise to the program or project which would otherwise not be available;
   (2) Whether the person affected is a member of a group or class of low-income persons intended to be the beneficiaries of the assisted activity, and the exception will permit such person to

receive generally the same interests or benefits as are being made available or provided to the group or class;

(3) Whether the affected person has withdrawn from his or her functions or responsibilities, or the decision-making process with respect to the specific assisted activity in question;

(4) Whether the interest or benefit was present before the affected person was in a position as described in paragraph (c) of this section;

(5) Whether undue hardship will result either to the participating jurisdiction or the person affected when weighed against the public interest served by avoiding the prohibited conflict; and

(6) Any other relevant considerations.

Part 1100 - Miscellaneous

§ 100-100.4-1101 Acronyms Reference Section

[For Rehab and Reconstruction Program Policies and Procedures]

(a) AIA—American Institute of Architects

(b) AMI—Area Median Income

(c) CD—Corporate Director

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

(e) CFR—Code of Federal Regulations

(f) CNMI—Commonwealth of the Northern Mariana Islands

(g) CPSC—Consumer Product Safety Commission

(h) DCD—Deputy Corporate Director

(i) DEQ—Department of Environmental Quality

(j) DPW—Department of Public Works

(k) DTI—Debt-to-Income Ratio

(l) EA—Environmental Assessment

(m) GFE—Good Faith Estimate

(n) HOME Program—U.S. HUD Homeownership Investment Partnerships Program

(o) LEP—Limited English Proficiency

(p) LMI—Low Moderate Income

(q) MCD—Mortgage Credit Division

(r) MBE—Minority-Owned Business Enterprise

(s) MPS—Minimum Property Standards

(t) MPV—Maximum Property Value

(u) NAHA—National Affordable Housing Act

(v) NEPA—National Environmental Policy Act

(w) NMHC—Northern Marianas Housing Corporation

(x) NTP—Notice to Proceed

(y) PII—Personally Identifiable Information

(z) PITI—Principal, Interest, Taxes, and Insurance

(aa) PJ—Participating Jurisdiction

(bb) PTI—Payment-to-Income Ratio

(cc) PTR—Preliminary Title Report

(dd) RER—Rehab Environmental Review

(ee) RESPA—Real Estate Settlement Procedures Act

(ff) SCRA—Service Members Civil Relief Act

(gg) SSI—Supplemental Security Income [Social Security]

(hh) TCD—Time Certificates of Deposits

(ii) TILA—Truth in Lending Act

(jj) U.S. HUD—United States Department of Housing and Urban Development

(kk) USDA RD—United States Department of Agriculture Rural Development

(ll) USPAP—Uniform Standard of Professional Appraisal Practice

(mm) VOE—Verification of Employment

(nn) WMBE—Women-owned or minority-owned business enterprise

Definitions:

Adjusted Gross Income (AGI): AGI is an individual's total gross income minus specific deductions. Adjusted income is derived by subtracting any of the five allowed deductions that apply to household from the household's annual (gross) income. For elderly or disabled households, deductions for the type of household, dependent childcare, medical and disability assistance expenses are allowed; family households may deduct dependent, childcare and disability assistance expenses.

Area Median Income (AMI): Calculated annual limits based on HUD-estimated median family income with adjustments based on family size used for demonstrating LMI beneficiaries in the program. May also be referred to as Area Median Family Income (AMFI) in other program documents.

Beneficiary: An individual, person, family or household receiving advantage or assistance from the CDBG-DR funding.

Builder/Contractor: (Used interchangeably) A person who contracts to reconstruct or repair houses and or supervise building operations.

Case Management: The collaborative process of providing services that include assessment, planning, facilitation, coordination and advocacy for reconstruction or rehabilitation to individual homeowner applicants to ensure they fully understand the Program's housing solutions, resulting in clear and transparent determination of eligibility, reconstruction or rehabilitation options, assistance award amounts, the construction management process, documentation and ongoing compliance requirements. Case Managers will work to decrease barriers for homeowners to participate in the program wherever possible. Case Workers will explain the Program's solutions and provide information on the Reconstruction/Rehabilitation process in standardize formats.

Common Area Under Roof: The total area under the common roof is

primarily interior, conditioned spaces and, for single-story homes is equal to the footprint of the house. The term is also synonymous with the eligible area. Exterior spaces such as detached porches and garages are considered *ineligible* areas.

Damage Assessment: A report resulting in a physical inspection of the housing unit to document damage from the event. The assessment must be conducted by a certified or licensed inspector and is required to specifically and clearly document storm-related property damage via photographic evidence and detailed narratives. Damage assessments must include a final estimated cost of repairs according to local code, an assessment of cost-effectiveness of each recommended activity (reconstruction or rehabilitation), mold remediation and the total amount of assistance needed to bring the home up to code at completion.

Demolition: The clearance and proper disposal of dilapidated building and improvement materials.

Duplication of Benefits: The amount determined by the Program that would represent financial assistance covering costs that have been received from another source. The Robert T. Stafford Disaster Assistance and Emergency Relief Act (Stafford Act) prohibits any person, business concern, or other entity from receiving financial assistance from CDBG-DR funding with respect to any part of a loss resulting from a major disaster as to which he/she has already received financial assistance under any other program or from insurance or any other source. A Duplication of Benefit amount determined by the Program would result in the reduction of an award amount.

Environmental Review: All qualified projects must undergo an environmental review process. This process ensures that the activities comply with National Environmental Policy Act (NEPA) and other applicable federal and territorial laws. 24 CFR Part 58 Environmental Review Procedures for Entities Assuming HUD Environmental Responsibilities as well as Related Federal Laws and Authorities Listings under 24 CFR 50.4 and 58.6 will be followed.

Estimated Cost of Repair (ECR): The report resulting from a damage assessment detailing the estimated project costs necessary to repair /or reconstruct the home to the minimum housing rehabilitation standards, and costs for mitigation and elevation efforts to reduce the impact of future storms.

Federal Emergency Management Agency (FEMA): The agency of the United States Department of Homeland Security with the primary purpose of

coordinating the response to a disaster that has occurred within the United States and that overwhelms the resources of local authorities.

FEMA-Designated High-Risk Area: Areas designated by FEMA as vulnerable to significant wind and/or storm surge damage and areas located in the 100-year flood zones. These areas will be identified during the environmental review process for each participating jurisdiction.

Flood Hazard Area: The land area covered by the floodwaters of the base flood is the Special Flood Hazard Area (SFHA) on NFIP maps. The SFHA is the area where the National Flood Insurance Program's (NFIP's) floodplain management regulations must be enforced and the area where the mandatory purchase of flood insurance applies. The SFHA includes Zones A, AO, AH, A1 -30, AE, A99, AR, AR/A1-30, AR/AE, AR/AO, AR/AH, AR/A, VO, V1-30, VE, and V.

Flood Insurance: The Flood Disaster Protection Act of 1973 (42 U.S.C. 4012a) requires that projects receiving federal assistance and located in an area identified by FEMA as being within a Special Flood Hazard Areas (SFHA) be covered by flood insurance under the National Flood Insurance Program (NFIP). For property owners to be able to purchase flood insurance, the community must be participating in the NFIP. If the community is not participating in the NFIP, federal assistance cannot be used in those areas.

Floodplain: FEMA designates floodplains as geographic zones subject to varying levels of flood risk. Each zone reflects the severity or type of potential flooding in the area.

"'100-year floodplain" - the geographical area defined by FEMA as having one percent chance of being inundated by a flooding event in any given year.

"500-year floodplain" - the geographical area defined by FEMA as having a 0.2 percent change of being inundated by a flooding event in any given year.

Household: A household is defined as all persons occupying the same housing unit, regardless of their relationship to each other. The occupants could consist of a single family (including a family that consists of a single individual), two or more families living together, or any other group of related or unrelated persons who share living arrangements. For housing activities, the test of meeting the LMI National Objective is based on the combined income of the household.

Individual Mitigation Measures (IMM): Activities designed to mitigate and/or

reduce risk beyond the pre-disaster condition of a housing unit when the activities are above and beyond federal, state, or local units, and the payment of flood insurance are not IMM activities. Examples of IMM activities include elevation above the base flood elevation level, or the addition of storm shutters, disaster proof windows, roof straps, etc. as long as those improvements are not required to comply with local code requirements and did not exist on the housing unit prior to the disaster damage.

Low- to Moderate-Income (LMI) National Objective: Activities which benefit households whose total annual gross income does not exceed 80% of Area Median Income (AMI), adjusted for family size. Income eligibility will be determined and verified in accordance with 24 CFR Part 5 requirements using procedures as stated in the Technical Guide for Determining Income and Allowances, 3rd Edition (HUD-1780-CPD). The most current income limits, published annually

by HUD, shall be used to verify the income eligibility of each household applying for assistance at the time assistance is provided.

Major or Severe Damages: $8,000 or more of FEMA inspected real property damage or 1 foot or more of flood water on the first floor. Inspection documentation must be maintained in the project file (a copy of the FEMA inspection, or photographic evidence of the flood water damage).

Manufactured Housing Unit (MHU): A structure, transportable in one or more sections which in the traveling mode is 8 body-feet or more in width, and 40 body-feet or more in length, or when erected on site, is at least 320 square feet, and which is built on a permanent chassis designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and includes the plumbing, heating, air-conditioning, and electrical systems contained therein.

Minimum Housing Standards: Assisted properties will meet the following standards upon project completion: each living unit will be used and maintained individually, having access such that it is unnecessary to pass through any other living unit, will include utilities and a water supply and will meet the CNMI building codes in place at the time of assistance. Fixtures and finishes will be of "standard" and not "luxury" quality.

Mitigation: Improvements made to a property specifically to reduce the possibility of future property damage, personal and commercial hardship, as well as long lasting monetary burden. For example, creating a flood mitigation program such as an acquisition of at-risk flood-prone property/housing, and elevation of housing in high-risk floodplains are too visible and effective mitigation projects that can be taken to make residents and communities safe in the face of natural disasters.

Modular Home: A home built in sections in a factory to meet state, local, or regional building codes. Once assembled, the modular unit becomes permanently fixed to one site.

National Flood Insurance Program (NFIP): The National Flood Insurance Program aims to reduce the impact of flooding on private and public structures by providing affordable insurance to property owners, renters and businesses and by encouraging communities to adopt and enforce floodplain management regulations.

New Construction: The site preparation for, and the construction of, an entirely new residential structure in a location that did not previously contain a residential structure.

Reconstruction: Demolition and rebuilding of a residential structure, including a modular housing unit, on the same lot and in substantially the same footprint and manner as the previous housing unit (whether demolished with CDBG-DR assistance, or demolished prior to Program application). This activity also includes replacing an existing substandard site-built, modular housing, or manufactured housing unit (MHU). The number of units may not be increased, and the total square footage of the reconstructed structure may not be substantially increased beyond the original principal residence square footage. However, the number of rooms within a unit may be increased or decreased based on the applicant's current household size.

Rehabilitation: Repair or restoration of a storm-damaged housing unit to applicable CNMI building and construction codes, and minimum property standards for a residential dwelling.

Single Family Home: A single unit containing any group of rooms located within a dwelling and forming a single habitable unit with facilities which are used or intended to be used for living, sleeping and cooking. A single-family home may be detached or attached to another single unit.

Subrogation Agreement: An agreement executed by the homeowner beneficiary agreeing to repay any duplicative assistance if the homeowner beneficiary later receives other disaster assistance for the same purpose as disaster recovery funds already received.

Substantial Damage: Storm damage sustained by a structure whereby the cost of restoring the structure to its pre-storm damaged condition would equal or exceed 50 percent of the market value of the structure before the damage occurred (44 CFR 59.1). Substantial damage includes properties that were fully destroyed by the storm events. A substantially damaged determination may be made by a Commonwealth

government official or floodplain manager, or the determination may be made by the CDBG-DR Program based on the Estimated Cost to Repair.

Uniform Relocation Assistance and Real Property Acquisitions Policies Act of 1970, as amended (Title 49 CFR Part 24) (42 U.S.C. 4601 et seq.) (URA): URA applies to all acquisitions of real property or displacements of persons resulting from federal or federally assisted program projects. The objective of the URA is to provide uniform, fair, and equitable treatment of persons whose real property is acquired or who are displaced in connection with federally funded projects. For the purposes of these guidelines, URA mostly applies to involuntary displacements from residential units (49 CFR Subpart B) and acquisition or multifamily damaged/occupied activities that require the relocation of tenants.

Since participation in the Homeowner Reconstruction and Rehabilitation Program is voluntary, permanent relocation compensation is not available to the property owners.

However, NMHC must assure that the Uniform Relocation Act requirements will be followed and that both displaced occupants and any current occupants if any of the project are identified. These occupants are entitled to advisory services, in the form of notices and counseling, moving and/or storage expenses, and coverage of all displacement costs for temporary or permanent relocation pursuant to formula and applicable Federal Register notices. The program will monitor displaced and current tenants and maintain records from the inception of the project. Failure to do so can lead to unexpected and substantial costs and work delay.

Demonstrable Hardship - A demonstrable hardship is a substantial change in an applicant's financial situation that will prohibit or severely affect their ability to provide a minimal standard of living or the basic necessities of life including food, housing, clothing and transportation without causing economic distress well beyond mere inconvenience as shown by objective evidence. A demonstrable hardship must be occurring after the named storms. The demonstrable hardship must be of a severe, involuntary and unexpected nature. It must not be one that is generally shared by other applicants affected by the named storms. Examples of demonstrable hardships may include job loss, failure of a business, divorce, severe medical illness, injury, death of a family member or spouse, unexpected and extraordinary medical bills, disability, substantial income reduction, unusual and excessive amount of debt due to a natural disaster, etc. None of the listed examples above, individually or taken together, automatically establish a demonstrable hardship nor is the listing above exhaustive as there may be other factors relevant to the issue of demonstrable hardship in a particular case. If an applicant believes that they are in the state of demonstrable hardship and that the demonstrable hardship causes them to not comply with any of the program policies, they may present their existence of a demonstrable hardship to their case worker (housing or

loan specialist) and the Program will evaluate on a case-by-case basis after review of all of the circumstances. Applicants claiming a Demonstrable Hardship shall be required to provide evidence of such claimed Demonstrable Hardship to the case worker.

Not Suitable for Rehabilitation – properties where the cost of rehabilitation exceeds the after rehab appraisal and there is not a compelling historical or community justification to save the property.

Urgent Need National Objective: An activity that addresses an urgent need, defined as a situation where existing conditions pose serious and immediate threat to the health or welfare of the community and are recent or recently became urgent. The Territory, along with any and all subrecipient (s), must document no funds are available and costs cannot be financed for the activities. The CDBG certification requirements set forth in 24 CFR 570.208(c) and 570.489(d) have been waived per 83 FR 5844. The Territory and the subrecipients must document how each activity, program. and/or project funded under this National Objective category responds to a disaster-related impact. (See 24 CFR 570.208(c) and applicable Federal Register Notices which are 83 FR 5844 and 83 FR 40314.)

§ 100-100.4-1105 Homeowner Rehabilitation
Underwriting Guidelines and Referenced Sections

(a) Determining how much of a loan an applicant would be eligible for or if a loan can be extended is determined by the applicant(s) gross annual income, repayment ability, and credit worthiness. These could be found in §§ 100-100.4-205, 100-100.4-210, 100-100.4-220, 100-100.4-225, 100100.4-230, and 100-100.4-350. An applicant(s) debt ratio should not exceed forty-five (45) percent of their gross annual income. However, on a case-by-case basis, the debt ratio could be up to fifty-five (55) percent provided that the applicant could still meet payment responsibilities.

(b) The minimum and maximum loan assistance can be found in § 100-100.4-201 including the type to be extended to an applicant(s) which are further explained in §§ 100-100.4-220, 100-100.4-225, and 100-100.4230.

(c) The affordability restrictions that will be imposed on the property, a loan will only be extended to applicant(s) who will make their assisted unit their primary residence (see § 100-100.4-215(e)).

Records Management

NMHC will comply with 24
C.F.R. Part 5.2, Compliance with the Privacy Act, which requires

the safeguarding of personally identifiable information (PII) by:

- Minimizing the use of PII on program documents and records.
- Providing access to PII only to those who require it for official business.
- Securing PII appropriately for paper or electronic forms.
- Training for data security and compliance with the Privacy Act will be provided to all employees and contractors (if applicable) as part of their on boarding process.

In accordance with HUD regulations, as a grantee and recipient of CDBG-DR funds, NMHC follows the records retention as cited in 2 CFR Part 200.333-337, which includes financial records, supporting documents, statistical records and all other pertinent records are maintained for five (5) years after closeout of the grant between HUD and NMHC.

APPENDIX A.1: Crosscutting Requirements

1.1 Crosscutting Requirements

1.2 Fair Housing

The Fair Housing Act requires all grantees, subrecipients, and/or developers funded in whole or in part with HUD financial assistance to certify that no person was excluded from participation in, denied the benefit of, or subjected to discrimination in any housing program or activity because of their age, race, color, creed, religion, familial status, national origin, sexual orientation, military status, sex, disability or marital status. The Program complies with and enforces the Civil Rights requirements of Title I of the Housing and Community Development Act (HCDA) and the Fair Housing Law.

Projects must also assess how planning decisions may affect members of protected classes, racially and ethnically concentrated areas, as well as concentrated areas of poverty; will promote the availability of affordable housing in low-poverty, non-minority areas where appropriate; and will respond to natural hazard-related impacts. Program staff will use demographic, geographic, and social vulnerability analyses to determine any positive or negative impacts to protected classes. Should a project present negative impacts, project scope or design will be re-assessed to mitigate such impacts.

1.3 Environmental Review

Early environmental coordination must be completed to ensure effective implementation of all CDBG-DR Programs. CDBG-DR funding is contingent upon compliance with both local and federal environmental regulations. This includes compliance with NEPA and related environmental and historic preservation legislation and executive orders. In general, NMHC serves as the lead agency for purposes of NEPA.

HUD's Environmental Review process allows grantees to serve as the "Responsible Entity" to assume environmental review responsibilities under NEPA. As the grantee, NMHC serves as the Responsible Entity (through authorization from the Governor) as it relates to environmental review responsibilities under NEPA. Within NMHC, Environmental Review Staff will be responsible for performing environmental reviews and compiling the Environmental Review Records (ERR). Reviews are conducted either directly or using qualified environmental service contractors. NMHC 's Corporate Director, as the Certifying Officer, is ultimately responsible with certifying that NMHC's environmental reviews follow NEPA and HUD environmental regulations.

Federal Register Notice FR-6182-N-01 authorizes recipients of CDBG-DR funds under the Appropriations Act to adopt any environmental review, approval, or permit performed by a Federal agency for the same project to satisfy responsibilities with respect to environmental review, approval, or permit. NMHC will notify HUD in writing of its decision to adopt another agency's environmental review. NMHC will also retain a copy of the review in its environmental records. Further information concerning the environmental review process is set forth in the Environmental Policies and Procedures.

1.4 Labor Standards

The Davis-Bacon and Related Acts (DBRA) applies to all federally-funded or assisted construction contracts in excess of $2,000. This may apply to projects that are fully or partially funded with CDBG-DR, including FEMA or FHWA match programs. In matched projects, only the scope of the CDBG-DR portion of the project are subject to crosscutting requirements DBRA requires all workers employed by contractors or subcontractors on CDBG-DR programs, be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with DBRA, as amended. DBRA also requires that workers on federally-assisted projects are paid not less than weekly.

Wage information for labor under CDBG-DR programs will be tracked in detail by both NMHC and relevant Implementing Partners and subrecipients throughout the life of the Program. Compliance for this requirement may be tracked in the following ways:

1. Additional NMHC Program staff hired to track wages and verify contractor and agency compliance
2. External contractor hired by NMHC to track DBRA compliance
3. Enhanced TA provided to Implementing Partners to track DBRA compliance

Procedures for this process are currently under development and will be incorporated in a future

update to this document.

For prime contracts in excess of $100,000, contractors and subcontractors must also, under the provisions of the Contract Work Hours and Safety Standards Act, as amended, pay laborers and mechanics, including guards and watchmen, at least one and one-half times their regular pay for all hours worked over 40 in a work week. Additionally, NMHC must follow the reporting requirements per HUD and U.S. Department of Labor (DOL) regulations. This requirement also extends to NMHC subrecipients, Implementing Partners, and contractors.

The Fair Labor Standards Act of 1938 (FLSA), as amended, establishes the basic minimum wage levels for all work and requires the payment of overtime at the rate of at least one and one-half times the basic hourly rate of pay for hours worked in excess of 40 per week. These labor standards are applicable to the entire construction contract whether or not CDBG-DR funds finance only a portion of the project.

1.5 Limited English Proficiency

Federal Executive Order 13166 requires NMHC and all satellite offices, programs, subrecipients, contractors, subcontractors, and/or developers funded whole or in part with CDBG-DR financial assistance to ensure fair and meaningful access to programs and services for families and individuals with Limited English Proficiency (LEP) and/or deaf/hard of hearing. Compliance with this requirement is detailed in NMHC's Language Action Plan (LAP) and will be coordinated and tracked by the Monitoring and Compliance division at NMHC. Depending on the program, NMHC, Implementing Partners, sub-recipients, and subcontractors will share the following expectations to comply with this Executive Order:

1. Document Translation: All documents defined as "vital documents" will be translated into Chamorro or Carolinian by NMHC, Implementing Partners, and sub-recipients. A "vital document" is defined as a document that includes information regarding eligibility requirements, applications and instructions, program eligibility determinations, and appeals procedures. NMHC may aid ensure this requirement is met.
2. Where required, seek feedback from the community the project serves (advocacy groups serve vital role).

Language maps provided in the Language Action Plan will be used to determine the project's location and subsequent language context and if proactive LEP outreach will be required. These maps will be included as part of the Project Assessment Form used by NMHC to review the eligibility, priority level, and impacts of a potential project.

1.6 Minority and/or Women-Owned Business Enterprises

The Federal Executive Order 12432 guidelines require selected federal agencies to promote and increase the utilization of Minority-Owned and Women-Owned Business Enterprises (M/WBEs). Following procurement guidelines under 2 CFR 200.321, NMHC must make efforts to ensure that all subrecipients, contractors, subcontractors, and/or developers funded in whole

or in part with HUD CDBG-DR financial assistance encourage participation in contracts and other economic opportunities by small and minority firms, women-owned business enterprises (WBEs), and labor surplus area firms whenever possible. NMHC will accept a MWBE certification from another state, local or regional, DPW, SBA HUB Zone, SBA 8-A certification (economically disadvantaged and 51% locally-owned), and other eligible certification processes. Documentation and goals regarding M/WBE percentages and reporting will be determined in the contracting agreements.

1.7 Section 3 Economic Opportunities

Section 3 is triggered when the award of CDBG-DR funds for new construction and rehabilitation projects creates the need for new employment, contracting, or training opportunities.

Section 3 of the Housing and Urban Development Act of 1968 is to "ensure that employment and other economic opportunities generated by certain U.S. Department of Housing and Urban Development (HUD) financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed to low and very low income individuals, especially recipients of government assistance for housing and to businesses which provide economic opportunities to low and very low income individuals."

The Section 3 program requires that recipients of HUD CDBG-DR funds, to the greatest extent feasible, provide (a) employment and training, and (b) contracting opportunities for low- or very- low income residents in connection with construction projects in their neighborhoods.

It also specifically encourages economic opportunities for households who are recipients of government assistance for housing. NMHC and all administering entities will follow and require relevant contractors to follow Section 3 requirements in contracting.

Section 3 applies to the CNMI, as recipient of HUD funding, as well as to subrecipients or Implementing Partners/Sub-recipients receiving HUD funding exceeding $200,000. Whenever any portion of HUD funding is invested into projects involving housing construction, demolition or rehabilitation, commercial/private improvements for economic development, or other public construction (e.g., roads, sewers, community centers, and public facilities), the requirements of Section 3 apply.

In conjunction with construction activity, Section 3 applies to projects that are fully or partially funded with CDBG-DR assistance, including projects that are financed in conjunction with territory, local, or private matching or leveraged funds, provided that the Section 3 monetary threshold requirements are met. In particular:

- In conjunction with construction activities, Section 3 applies to contractors or subcontractors that receive contracts more than $100,000 for Section 3-covered projects/activities. Once it is determined that Section 3 applies to a project, the

requirements apply to all contracts for construction work arising in connection with that project exceeding $100,000, including those not funded with CDBG-DR assistance. Contractors or subcontractors are required to comply with the Section 3 regulations in the same manner as the Commonwealth; and

- "Section 3-covered contract" includes professional service contracts, provided that the work to be performed is generated by the expenditure of funds in furtherance of Section 3 covered work (e.g., housing construction, housing rehabilitation, and other public construction), arising relating to construction projects. Professional service contracts that may constitute Section 3-covered contracts include construction contract oversight, engineering, architectural, environmental and property evaluation, construction progress and draw inspections, and prevailing wage labor compliance.

The regulations pertain to new hires required to complete Section 3-covered projects and activities. If the expenditure of funding for an otherwise covered project and activity does not result in new employment, contracting, or training opportunities, Section 3 reporting will still be required.

When NMHC awards CDBG-DR funds to other governmental departments, nonprofit organizations, subrecipients or other funded entities, NMHC will require they document how reasonable attempts were made to reach numerical goals set forth at 24 CFR Part 135.30. NMHC will inform its Implementing Partners and other funded entities of the requirements of Section 3, including the language required to be inserted into all construction-related contracts, assist them and their contractors with achieving compliance, and monitor their performance with respect to the Section 3 objectives and requirements.

Implementing Partners/Sub-recipients will receive training on this requirement and methods of compliance, technical assistance from Program staff, and continual monitoring from NMHC. Currently, a Section 3 Plan is under development, the details of which will be included in an update to this manual.

1.8 System for Award Management (SAMs)

SAM is the federal System for Award Management and is a requirement for doing business with the U.S. government. All vendors are required to register in SAM in order to be awarded contracts under the CDBG-DR program. Vendors are required to complete a one-time registration to provide basic information relevant to procurement and financial transactions. Vendors must update or renew their registration annually to maintain an active status.

1.9 Uniform Relocation and Real Property Acquisition Act (49 CFR 24)

The Uniform Relocation Assistance and Real Property Acquisition Act (URA), is a federal law that establishes minimum standards for federally funded programs and projects that require the acquisition of real property (real estate) or displace persons from their homes, businesses, or farms. The URA's protections and assistance apply to the acquisition, rehabilitation, or demolition of real property for federal or federally funded projects. The phrase "program or

project" is defined in 49 CFR Part 24 as, "any activity or series of activities undertaken by a federal agency or with federal financial assistance received or anticipated in any phase of an undertaking in accordance with the federal funding agency guidelines."

The objectives of the URA are:

- To provide uniform, fair and equitable treatment of persons whose real property is acquired or who are displaced in connection with federally funded projects;
- To ensure relocation assistance is provided to displaced persons to lessen the emotional and financial impact of displacement;
- To ensure that no individual or family is displaced unless decent, safe, and sanitary (DSS) housing is available within the displaced person's financial means;
- To help improve the housing conditions of displaced persons living in substandard housing; and,
- To encourage and expedite acquisition by agreement and without coercion.

49 CFR 24.101(c)(1) provides that the subpart B requirements also apply to the acquisition of permanent and/or temporary easements necessary for the project. However, 49 CFR 24.101(c)(2) provides an exception for the acquisition of temporary easements which exclusively benefit the property owner.

APPENDIX A.2: Construction Standards

NMHC's CDBG-DR Written Rehabilitation Standards shall detail the methods, materials, and requirements that the housing must meet upon completion of rehab, including all of the following:

(1) **Exigent Health and Safety (EHS).** Identifying all life-threatening deficiencies [1] that present a direct threat to life or well-being, e.g., that are likely to cause severe injury or reduction in physical or mental ability. These EHS life-threatening deficiencies include: locked emergency/fire exit egress, missing/broken electrical cover plates/switches/outlets, inoperable smoke detectors, and exposed wires/missing covers. See Attachment B.

(2) **Major Systems.** Requiring that, upon project completion, each major system, as defined by federal regulation, had a remaining useful life of 5 years, or for a longer period as specified by NMHC, or the major system was rehabilitated or replaced as part of the rehabilitation. Major systems are: structural support; roofing; cladding and weatherproofing (e.g., windows, doors, siding, gutters); plumbing; electrical; and heating, ventilation, and air conditioning. For rental housing, the participating jurisdiction's standards must require the participating jurisdiction to estimate (based on age and condition) the remaining useful life of these systems, upon project completion of each major systems. For multifamily housing projects of 26 units or more, the participating jurisdiction's standards must require the participating jurisdiction to determine the useful life of major systems through a capital needs assessment of the project. For rental housing, if the remaining useful life of one or more major system is less than the applicable period of affordability, the participating jurisdiction's standards must require the participating jurisdiction to ensure that a replacement reserve is established and monthly payments are made to the reserve that are adequate to repair or replace the systems as needed. For homeownership housing, the participating jurisdiction's standards must require, upon project completion, each of the major systems to have a remaining useful life for a minimum of 5 years or for such longer period specified by the participating jurisdiction, or the major systems must be rehabilitated or replaced as part of the rehabilitation work[2].

(3) **Lead-based Paint.** NMHC's standards must conform with HUD's lead-based paint requirements at 24 CFR part 35[3].

(4) **Disaster Mitigation (if applicable).** Require the property to meet the disaster mitigation requirements, e.g., housing to be improved to mitigate the impact of potential disasters (e.g., earthquake, hurricanes, flooding, and wildfires) in accordance with State and local codes, ordinances, and requirements[4] such as the 2018 International Building Code or most current building code adopted by the CNMI Department of Public Works Building Safety Office, zoning laws (note: zoning is currently applicable to Saipan only), International Energy Code, etc.

[1] 24 CFR 92.251(b)(1)(i)
[2] 24 CFR 92.251(b)(1)(ii)
[3] 24 CFR 92.251.(b)(1)(iii)
[4] 24 CFR 982.251(b)(1)(vi)

(5) **State and Local Codes, Ordinances, and Zoning Requirements.** NMHC's standards must require the housing to meet all applicable State and local codes, ordinances, and requirements in accordance to the 2018 International Building Code or most current building code adopted by the CNMI Department of Public Works Building Safety Office, zoning laws (note: zoning is currently applicable to Saipan only), International Energy Code, or, in the absence of a State or local building code, the International Building Code of the International Code Council[5].

(6) **Uniform Physical Conditions Standards.** NMHC's standards must reflect upon completion, the CDBG-DR-assisted project and units will be decent, safe, sanitary, and in good repair as described in 24 CFR 5.705. HUD will establish non-life threatening and minimum deficiencies that must be corrected under NMHC's standards based on inspectable items and inspected areas from HUD-prescribed physical inspection procedures (Uniform Physical Conditions Standards) pursuant to 24 CFR 5.705[6]. See Attachment B.

GENERAL NOTES:

1. **Scope Verification.** The contractor shall field verify locations, sizes, and quantities of work required for the project. Any quantities provided by NMHC need to be field verified for accuracy and exact installation requirements.

The contractor is responsible for coordinating with an in-house or third-party Architectural and Engineering (A&E) firm for their project design, proposal, and scope of work for review and certification as required.

2. **Tools, Material, and Equipment.** The contractor will supply all tools, materials, and equipment required to perform the Scope of Work unless otherwise specified.

3. **Permits, Inspections, and Testing.** Contractors and Subcontractors shall be responsible for all permits including but not limited to, the Saipan Zoning Board, the Bureau of Environmental and Coastal Quality (BECQ), and the Department of Public Works (DPW), inspections, testing, fees and licensing as pertaining to the law, ordinances, and regulations and as required to complete their respective Scopes of Work in this Agreement. The contractor shall pay for the entire cost of any remedial work resulting from a failed inspection.

4. **Taxes.** The contractor shall be responsible for all federal, state, and local taxes imposed directly or indirectly for its Services required to fill this Agreement.

5. **Insurance.** The contractor shall provide and maintain General Liability and Worker's Compensation insurance throughout the Term of this Agreement and Project duration. The contractor shall provide certificates of insurance or other acceptable evidence of insurance (i.e., payment and performance bond) in the amount of 100 percent of the rehabilitation contract sum upon execution of this Agreement.

[5] **24 CFR 92.251(b)(1)(vii)**
[6] **24 CFR 92.251(b)(1)(viii)**

6. **Clean-Up.** The contractor is responsible for daily cleanup of all areas where work is performed and disposal of debris.

NMHC PROJECT PROPOSAL STANDARD REQUIREMENTS:

a) Contractors and/or A&E firms are to conduct assessments of the client's existing home and property condition, existing home structural condition, existing plumbing and drainage system conditions, and existing electrical condition. The contractor and/or A&E firm will also need to verify the home's existing power pole drop line and water meter locations for planning purposes and reference in the scope of work development.

Also, the contractor will identify any potentially life-threatening conditions to include but not limited to:

- Lead-Based Paint
- Asbestos
- Mold
- Structural issues/failures

b) The contractor and/or A&E firm is responsible for securing as-built measurements of the home and project site for conversion to AutoCAD format for planning, layout renovation, and development of the rehabilitation scope of work.

c) Only contractors on NMHC's approved contractor listing are eligible to work on home loan clients' new or rehab home projects.

Note: Interested contractors not currently listed on NMHC's contractor listing must first submit all documents as listed on the request for qualifications notice to be added to the contractor listing and become eligible to work on housing projects.

d) The contractor is responsible for applying for all permits necessary for a new house construction proposal or renovation, extension, rehab project for a regular home or disability home project for the record.

e) The contractor is responsible for having all project design drawings reviewed and certified by a licensed A&E firm. The contractor will utilize the certified drawings to apply for the DPW Building Permit as required.

f) The contractor is responsible for complying with all DPW Building Safety Code requirements including but not limited to: inspections, report documentation, and testing reports throughout the construction process for new, rehab, renovation home projects for regular home or disability home construction, extensions, or house conversions to disability home compliance projects.

g) The Contractor is responsible for gathering and maintaining all project records and documentation required by DPW for the issuance of the Certificate of Occupancy upon project completion. Copies of all reports are also to be submitted to NMHC.

h) The contractor is required to conduct a pre-final inspection of the project with the homeowner and NMHC officials, before final inspection with DPW Building Safety inspectors, to test all the building systems and finishing work.

i) Any major systems, as defined below, installed by the contractor shall have a warranty of no less than 5 years. Such warranty shall be stipulated on the rehabilitation contract between the contractor and the homeowner. Should it be determined at any time during the 5-year warranty period that a major system failure was a result of the work completed by the contractor then the contractor will be obligated to repair the failure.

j) All other rehabilitation work performed by the contractor shall have a warranty period of no less than 1 year, beginning on the date of the Certificate of Occupancy issued by the Department of Public Works. Such warranty shall be stipulated on the rehabilitation contract between the contractor and the homeowner.

Major systems as defined by 24 CFR 92.251(b)(1)(ii)] – Structural support; roofing; cladding and weatherproofing (e.g., windows, doors, gutters); plumbing; electrical; and heating, ventilation, and air conditioning.

ZONING REFERENCES AND REQUIREMENTS:

a) Contractors are required to apply for all zoning permit(s)/clearance(s) required for a home renovation or rehabbing project, including any new home extension projects. Contractors will need to ensure full compliance with all zoning setback requirements.

Example: For any extension in the front of the house, the extension should be 15' feet away from the front property line to the new front wall extension. For the left or right-side, the zoning setback requirements are 10' feet away from the boundary line to a new building wall extension. And for the rear setback, zoning requires 20' feet clearance away from the rear property line. Any failure to meet these requirements may result in the home client having to pay for zoning variance fees.

b) Zoning fencing setback requirements - For any proposed fencing for the front side of the house facing the road entry, the fence line should be two feet inward of the property line. For the left, right, and rear side setbacks, the requirement is one foot inward the property line.

c) Should a new septic tank and leaching field be required, the Zoning office setback requirements are a minimum of ten feet at any angle from the property line for both the septic tank and leaching field.

Note: New septic tanks should be constructed fifteen feet from the house. DEQ also has regulations on Septic tanks and leaching fields that need to be adhered to.

SITE WORK:

a) All debris including abandoned vehicles, scrap material, metal objects, trash, vegetation, and other objects that pose a safety and/or health threat, as determined by the local jurisdiction or person qualified to make such a determination, must be removed from the property before the start of construction.

b) Any identified lead-based paint hazards must be abated by the contractor per the guidelines outlined in 24 CFR 92.251(b)(1)(iii).

c) Any ground-level hazards i.e. potholes around the home must be backfilled to finish grade elevation to prevent tripping hazards.

d) If required, any existing boundary fencing around the house/project site that can be repaired must be restored to a safe condition. If the fencing poses safety and/or health hazard then it must be immediately removed from the project site.

Note: Repairing of an existing boundary fence does not alleviate the contractor from installing the required protective hoarding around the house/project site.

PEST CONTROL:

a) Termite control shall be applied by a reliable and licensed termite control company familiar with local soils and termite control conditions and licensed by the Division of Environmental Quality.

1. The contractor shall apply for all permits necessary for pest treatment.

b) The contractor shall attain a certification of 2-year warranty and retreatment should ground nesting of termite occurs within the 2 years at no cost to the homeowner.

c) The contractor shall apply termite treatment for any new construction, renovation, rehab, and extension project as required.

FOUNDATIONS:

a) Footings will be designed for an assumed allowable soil bearing capacity of 3,000 PSI

b) All structural fill beneath footings and slab-on-grade shall be placed 12 inches thick on 8-inch maximum layers. Foundation Backfill will be compacted to 95% compaction maximum dry density.

c) Any soft spots encountered during excavation operations for foundations shall be over excavated till hard dirt limits, then backfilled with suitable material and properly compacted to 95%.

d) Compaction tests for the foundation shall be required and paid for by the homeowner if not included in the contract after receiving the compaction test result for the record. The tests must be performed by a licensed soil testing firm.

CONCRETE AND REINFORCEMENT:

1. All concrete shall develop a minimum compressive strength at the end of 28 days as follows:

• Foundation	3,000 PSI	Max slump	@4 inches
• Beams, Walls & Columns	3,000 PSI	Max Slump	@4 inches
• Suspended Roof Slab	3,000 PSI	Max Slump	@4 inches
• Slab on Grade	2,500 PSI	Max Slump	@5 inches
• Sidewalk / Pathway	2,000 PSI	Max Slump	@5 inches
• Driveway & Car Parking	3,000 PSI	Max Slump	@4 inches

Note: For a concrete flat rooftop on the middle portion, pour 7½" thick concrete slab, sloping to all corners of the house's downspouts or drainage passageways at 5" finish. A 2½" slope to be applied in the middle of the rooftop to prevent water ponding on the rooftop.

TESTING:

1. Compression Tests: All concrete placed for foundations, structural slabs, beams, and columns shall have a minimum of three cylinders taken for every 50 cubic yards of concrete placed or for any one concrete placement. Concrete cylinders shall be tested for compressive strength at a testing laboratory. Two compression tests shall be performed at 14 days and one compression test at 28 days for each set of three cylinders taken.
2. Slump tests @ 3"- 4": A slump test shall be taken in the presence of the architect or engineer for each batch of concrete delivered to the job site and shall be taken before placing any concrete. In the event a slump test fails, the entire batch of concrete shall be rejected, including removal of concrete already placed, without cost to the homeowner for the record.
3. Additional water to concrete mixture batch at the job site shall not be permitted.
4. All materials and workmanship shall conform with the 2018 International Building Code requirements for residential projects. All contractors must comply with the code for receiving the finished project's Certificate of Occupancy.

MAINTAIN MINIMUM CONCRETE COVERAGE FOR REINFORCING STEEL AS FOLLOWS:

1. For concrete cast against and permanently exposed to earth @ 3"
2. Concrete exposed to earth or weather no. 5 rebar or smaller @ 1 ½"
3. Concrete not exposed to earth or in contact with ground slabs & walls @ ¾"
4. Concrete not exposed to earth or in contact with beams & columns @ 1 ½"
5. Reinforcement of new walls and columns shall be dowelled to supporting footings, beams, columns and walls with bars of the same size and spacing as vertical and horizontal bars

STRIPPING OF FORMS AND SHORES:

1. For foundation forms, it can be removed after 24 hours after pouring curing time. For Walls and Columns forms, they should be removed after 48 hours minimum. For concrete roof beams and roof slabs, forms should be removed after 14 days minimum. All forms can be removed after 28 days of the date.
2. All concrete shall be kept moist for a minimum of 7 days immediately after placing by the use of wet burlap, fog spraying, curing compounds, and other approved methods an architect or engineer.
3. No heavy construction load is permitted more than 50% of the specified design load within the 28 days of concrete placement. In cases, do not overload more than the specified design load after the 28 days of placement. No concentrated load is permitted except over supporting columns and walls.

CONCRETE BLOCK WALL:

1. Masonry units shall have a factory's minimum compressive strength of 1,000 PSI.
2. Masonry units shall be sound, dry, clean, and free from cracks when placed in the structure.
3. Where masonry unit cutting is necessary, all work should be neat and true.
4. The maximum aggregate size shall be 3/8" for pouring CMU block cells.
5. Concrete block units shall be laid in the common bond pattern unless otherwise shown.
6. For wall thickness 4", 6" and 8", use No. 4 vertical rebars @ 16" on center typical.
7. Horizontal bars are placed at every two layers of blocks all around w/No.3 rebars typical.
8. For all corner walls, vertical bars install three No.5 vertical rebars on each side from the corner out @2' feet typical.
9. For all intersection walls, vertical bars install four No.5 vertical rebars one in center of T and one on each side out @2' feet typical.
10. For all end walls install two No.4 vertical bars w/No.3 bars C-ties @ 12" O.C. typical.

Note: Any new door or window to be opened up on an existing concrete house wall, construct a new lintel beam at 12" out from each side on top by 8" height by wall thickness typical and new 4" thick concrete sidings on both sides of window edging typically for door openings.

11. "Dur-O-Wal" reinforcement shall be continuous around all walls, corners, and intersections and shall lap @ 12" minimum splicing for all vertical rebar extension for all walls to roof beam level as required.
12. All CMU block cells shall be solidly filled with cement grout. Grout all cells below slab on grade. Typical unless noted otherwise.

13. When plastering roof beams and columns. Apply concrete bonding into your cement mixture and paintbrush the portions before plastering.
14. Any hollow sound on existing and newly plastered walls found on walls to be chipped removed out and re-plaster all hollow walls detected to its solid sound plaster condition.

Note: To be inspected and verified for approval for the record.

15. For painted finish. Apply muriatic acid on newly plastered walls. Wash down, dry up before applying two primer coats on newly plastered walls, and then apply two coated final painting finish. For existing concrete wall paint scrape and water blast all bubbling peeling out paint on walls, ceilings, etc. Apply one primer coat on existing dirty/stained washed walls before applying its new final paint color.
16. Any hollow sound on the existing floor, wall and counter ceramics, chip out and remove. Install new floor, wall, and counter ceramic with no hollow sound on the ceramic finishing work.

Note: To be inspected and verified for approval for the record.

CONCRETE WALL AND CONCRETE ROOF STRUCTURE EXTENSION:

a) For rehabbing an existing semi-concrete house to construct a new concrete roof structure on top, the contractor will construct new 8"x12" concrete columns with a 10" thick foundation concrete pouring by 30" square column footings. If the existing house is longer than 20', the contractor will construct another new column in between or in the middle for more structural support. The specifications are only for a house renovation with concrete roof ceiling height at 8' to 9' flooring finish to roof ceiling finish. For a 10' roof ceiling or over, the contractor will construct a 12"x12" size concrete columns for all with a 10" thick concrete pouring by 36" square column footings. Rebar sizes are standard sizes approved from its building permit plans as specified. See construction drawings for rebar sizes and dimensions.

Note: To refurbish/renovate a damaged roof on an existing semi-concrete house, replacing or repairing a tin roof will not be accepted as a rehab project. All eligible applicants must have their rooftop converted solid concrete mitigate any future disasters as outlined in 24 CFR 92.251(b)(1)(vi) and to comply with the rehab program requirement for homeowner insurance.

Note: The existing CMU walls to be used as existing concrete wall partitions. Do Not depend on the existing wall as wall bearing walls for the record. It will only serve as a non-bearing wall. The new concrete columns are designed to carry the new 5" thick concrete roof slab with new 17"x8" or 10" concrete roof beams that are specified in the structural construction drawings for the record.

PLUMBING STANDARD NOTES:

1. Install a new ¾" ball valve at the existing CUC water meter box facing the house. Secure with cover level to the existing grade. (For emergency shut off valve).

2. Run a new ¾" PVC cold water line into the house project. (Following the Plumbing Floor Plans and Specifications).
3. For cold water lines, use PVC water pipes and for hot water lines, use CPVC water pipes.
4. For the waste line, use ABS pipes for all drainage waste line.
5. Make sure that the electric water heater has a Pressure Relief valve down at 12" above ground level. This is to ensure that should the water heater tank be over-pressured; the valve opens to relieve the pressure in the tank and prevent tank explosion.
6. Check slopes of waste/soil lines. Pipping below 3" diameter shall be sloped at ¼" per foot. Piping over 3" shall be sloped at 1/8" per foot for the proper sloping waste line to the septic tank as required in the plumbing code.
7. Lay new water lines higher than sewer/waste lines to prevent contamination. Provide sand cushion around any plumbing piping. Keep water lines away from soil/sewer lines if in the same trench by at least 24".
8. Install new air chambers for all fixture supply piping. Use 18" air chamber, one size larger than branch piping.
9. Testing of water lines pressures for 100 PSI for one hour without any drop in water pressure. Retest all leaky joints. Submit all test results together with the rest of the closing reports.
10. Static testing of waste lines and vent lines to 10' static head for at least one hour. Retest all leaky joints when detected until it has no more leak for the record. Submit all test results together with the rest of the closing reports.
11. Always check that the flow of the waste/soil lines is correct. The vent line is directed to the rooftop at 18" above the roofline. For sewer line, use long sweep elbow or tee.
12. Whenever a water closet is installed, make sure there is a minimum 2" vent thru roof at 18" above the rooftop.
13. Provide floor drains on 2nd or higher floors for housekeeping.
14. Clearwater lines and waste lines away from foundation footings, columns, and beams.
15. Do not install/embed water lines in concrete. Provide piping chase or sleeves.
16. Provide shut off valves at strategic points in the water lines.
17. For propane gas lines, use galvanized piping for LPG gas lines. Encased LPG piping in PVC piping, if piping is installed underground. Use a One bigger size PVC pipe to sleeve the galvanized pipe inside before pouring under the slab.
18. Always provide strap around water heaters, gas tanks to prevent it from moving during an earthquake.
19. Provide cushion sleeves around any piping penetrating through concrete walls and floors.
20. Provide 36" standpipe for washer and P-trap shall be above ground readily accessible. Do not install P-trap under the ground.

21. Provide P-traps for floor drains, shower drains, kitchen sinks, and lavatories.
22. Provide ground or floor cleanouts at every 50'. Provide cleanouts to every angle as required in the plumbing code for preventive maintenance.
23. Do not install sewer lines in the same trench as water lines. Where there is crossing, concrete encase the sewer line 10' at 10" around the line to the end of crossing. Sewer lines should be always located deeper than the water lines in a trench.
24. For a long stretch of hot water piping lines, provide a loop comprising of elbows to offset expansion for safety purposes.
25. Provide 2" high overflow piping above a flat rooftop in addition to roof drains.
26. Provide supports for piping under slabs.
27. Provide vent piping 10' away horizontally from any window or door. Preferably, install a vent to terminate above the roof at 18" above finish rooftop.
28. The contractor shall be responsible for chipping existing concrete floors and walls to install new plumbing piping. The contractor is responsible also to restore floor slabs and walls to the original condition. These are part of the rehab and renovation work process. All extra work shall not be an additional cost to the homeowner. Everything should be included in the contract.
29. Standard sizes for water, soil/waste, and vent lines for each fixture are as follows:

Fixture:	Cold Water:	Hot Water:	Soil/Waste:	Vent:
Floor Drain			2" ABS	2" ABS
Water Closet	½" PVC		3" or 4" ABS	2" ABS
Urinal	¾" PVC		2" ABS	2" ABS
Kitchen Sink	½" PVC	½" CPVC	2" ABS	2" ABS
Lavatory	½" PVC	½" CPVC	2" ABS	2" ABS
Shower	½" PVC	½" CPVC	2" ABS	2" ABS
Dirty Kitchen Sink	½" PVC	½" CPVC	2" ABS	2" ABS

Note: Always tighten, secure, brace, and clamp all wall-mounted fixtures properly. Provide concrete splash boxes for drainage downspouts.

ELECTRICAL STANDARD NOTES:

1. The contractor is responsible for obtaining permits for temporary power hook up including applying and paying hookup and monthly use fees for their use for the project without cost to homeowners for the record.
2. GFCI outlets to be installed in any kitchen counter at 4' min. away from the sink.
3. Use the GFCI outlet for the restroom wall outlet. Do not use a regular outlet.

4. Use the GFCI outlet for the outside wall outlet with a weatherproof cover typical.
5. Design for outlets should be limited to 8 outlets for a 20-amp single pole breaker.
6. Design for lights should be limited to 8 lights for a 20-amp single pole breaker.
7. Provide at least one outlet in the hallway for housekeeping use.
8. Installing new electrical boxes shall include an adapter, lock nut, and bushing. Bushing shall be insulated.
9. The service entrance conduit shall be galvanized steel per CUC requirements.
10. Conduits underground shall be PVC.
11. For any exposed conduits it shall be a rigid aluminum or galvanized steel.
12. Conduits inside building in-ceiling or exposed may be electrical metallic tubing-EMT.
13. Minimum size for homerun shall be ¾" conduit for easy pulling.
14. For computer circuits, make sure the ground wire is isolated.
15. All power circuit conduit shall have ground wire.
16. Follow electrical wires standard color-coding per National Electrical Code. For residential rehab, projects shall be a 120/240 Volt system, 1 phase:

Phase A-color Black Phase B-color Red Neutral color: White Ground color: Green

Note: The neutral and grounding colors shall be the correct color wire throughout without any exception. Avoid color coding with electrical tape. Electrical hazard.

17. Splicing shall be the plastic pressure type connectors. For larger wires, splicing shall be terminal lugs type.
18. Any conduit crossing roadways or in traffic areas shall be embedded in concrete, or located per NEC. The minimum conduit depth is 18" to top of the conduit.
19. Separate communications conduits from power conduits by at least 12" laterally. The minimum conduit size shall be ¾" conduit. Provide pull wire in every empty communications conduit extending 12" at both ends for computer and TV. line connections.
20. Contractor to coordinate with telephone/internet company to seek the advice of where hand holes or access panels may be located for ease of pulling and service.
21. Be sure to apply rust spray paint to all electrical boxes before embedding them in concrete.
22. Position outlets on a horizontal orientation.
23. Where to put new light switches, place them right after opening a door on the closest wall at 4' height typical.

24. Light switches to be set on a vertical position at 4' height center of electrical boxes.
25. Conduits underground outside the house building shall have warning tape at 12" below grade.
26. Maximum bends in conduits shall be limited to three (3).
27. Standard Breaker amp size and its proper wire size use to prevent power shortage and fire for health and safety measures.
28. For reference, a 20-amp circuit breaker has a total of 1,920 Watts.
29. For a single-pole 20-amp circuit breaker, use No. 12 solid wires. Separate outlets and lights circuit breaker switch.
30. Use No. 12 solid wires for receptacle outlets. A limit of 8-outlets per 20-amp single pole circuit breaker switch.
31. Use No. 12 solid wires for light fixtures. A limit of 8-lights per 20amp single pole circuit breaker switch.
32. Use a 20-amp single pole circuit breaker with a No. 12 solid wire. For 110 volts air conditioning separately, use a ½" electrical conduit from the panel box to outlet location.
33. Use a 30-amp double pole circuit breaker with a No. 10 solid wire. For 220 volts air conditioning separately, use a ¾" electrical conduit from the panel box to the outlet location
34. Use a 50-amp double pole circuit breaker with No. 6 stranded wires in a 1" electrical conduit for electrical range.
35. Use a 20-amp single pole circuit breaker with a No. 12 solid wire. For a refrigerator separately, use a ½" electrical conduit from the panel box to outlet location.
36. Use a 20-amp single pole circuit breaker with a No. 12 solid wire, for computer station separately, use a ½" electrical conduit from the panel box to outlet location.
37. Use a 30-amp double pole circuit breaker with a No. 10 solid wire. For 220 volts Electric Water Heater separately, use a ¾" electrical conduit from the panel box to outlet location.
38. For reference information, using a 100amp double pole circuit breaker use a # 2 wire.
39. A 125-amp double pole circuit breaker uses a # 1 wire.
40. A 150-amp double pole circuit breaker uses a # 1/0 wire.
41. A 175-amp double pole circuit breaker uses a # 2/0 wire.
42. A 200-amp double pole circuit breaker uses a # 3/0 wire.
43. Make sure any electrical splicing to be connected uses an electrical connector, not electrical tape.
44. Make sure to tighten all loose connections properly.
45. Provide 4" high concrete pad for mounting an electrical water heater equipment. Allow for 4" extra distance on the width and length of the water heater.

46. Exposed conduits in exposed areas shall be painted to match the adjacent wall finish.
47. All equipment and disconnect switch in weather shall be sealed waterproof.
48. All testing work shall be performed by the contractor and the contractor shall pay for all water, fuel, electricity, instrument, and personal.
49. The contractor shall submit a written guarantee certificate warranting all materials and workmanship free of defects for one year from the date of acceptance.
50. The contractor must submit As-Built drawings of the electrical system after project along with Certificate of Occupancy

ELECTRICAL MOUNTING HEIGHT REQUIREMENTS FOR ELECTRICAL:

1.	Meter Box Height	5'-6" from finish grade to center of the meter box
2.	Panel Box Height	5'-0" from finish floor to top of the panel box
3.	Light Switches Height	48" from finish floor to center of the elect. Box
4.	Outlet Height	12" from fin. floor, for ADA outlet height 15"- 48"
5.	Fire Alarm Height	5'- 6" from finish floor to center of the pull box
6.	Fire Alarm Horn/Bell Height	7'- 6" from finish floor to center of the box
7.	Disconnect Switch	5'- 6" from finish floor to the center of the box

ELECTRICAL GENERAL NOTES:

1. All electrical work shall be per the applicable sections of the National Electrical Code (NEC) latest edition, and the rules and regulations of the Dept. of Public Works and the Commonwealth Utilities Corporation.
2. All equipment and materials shall be UL listed where the listing is available for that type of equipment or conform to ANSI or NEMA standards.
3. Workmanship shall conform to the construction practices recommended by the American Electricians, Handbook by Croft, and shall be subject to the approval of the agency who has jurisdiction and the electrical engineer.
4. Conduit shall be EMT (indoor dry) locations concealed above ground, rigid aluminum (exposed installations, PVC (underfloor slab or grade, and inside concrete). Flexible conduit shall be jacketed type and per NEC 350.
5. Wiring shall be typed THWN, THW, XHHN, 600 volts. The conductor shall be copper.
6. Minimum size conduit shall be ½" inch diameter unless otherwise noted; minimum wire size shall be #12 AWG. Do Not Use #14 wires.

7. Electrical work shall be under the full supervision of a master electrician or a professional electrical engineer licensed to practice in the CNMI.
8. Panelboard shall be complete with bus bars, enclosure trim, molded case circuit breakers, bolt-on type branch circuit breakers, grounding, and neutral terminal lugs, panel board director, and keys. The laminated nameplate shall be provided on the front cover of the panel board or transformer.
9. All electrical devices and equipment exposed to weather shall be weatherproof.
10. Any device may be relocated within 10' of the location shown in the plans subject to the direction by the electrical engineer. Any such relocation shall be performed without additional cost to the homeowner.
11. The electrical contractor shall coordinate with a mechanical contractor for exact locations of water lines and waste lines before rough-in work.
12. Grounding:
    a. Metallic enclosures, raceways, and electrical shall be grounded per NEC 250. Provide green ground wire in every raceway per NEC Table 250-95.
    b. Grounding connection of the grounded circuit conductor (Neutral) shall be made only at the service disconnection means per NEC 250-23(a). Grounding on the neutral shall not be made on the load side of the service disconnect. The neutral shall not be made on the load side of the service disconnect. The neutral conductor shall be insulated from all equipment enclosures or any grounded parts. Bonding of the neutral bus to the ground bus in sub-panels shall be removed.
13. The electrical panel board and main switchboard, power meter box shall be furnished completely assembled from the factory.
14. Contractor to provide all labor, materials, equipment, tools, and all necessary materials including wire connectors, tapes, markers, etc. to accomplish the work shown in the plans. The cost of permits shall be the contractor's responsibility.
15. Minimum service clearance in front of the main switchboard shall be 4'.
16. Testing: Operation, Insulation Resistance, Grounding Tests.

FINISH MATERIAL STANDARDS:

Flooring Standards:

(a) For the living room, dining room, kitchen room, hallways, and bedrooms floor, the finish is to be plastered level with a vinyl tile or ceramic tile finish (depending on cost and durability).

(b) For the standard restroom floor finishing, to be a ceramic finish with white cement grouted finish. The restroom floor ceramic must be approved nonslip type of ceramic finish.

Note: Ceramic color should be the client's choice of ceramic color on the contractor's approved standard min. ceramic size.

(c) For all concrete stoops, landings and sidewalks floor finish, to be plastered sweep finish and for the carport, floor finish to be plastered fine finish.

Note: Plaster the sides of the concrete sidewalks, landings, ramps, and garage floorings.

Door Standards:

(a) For the exterior front entry door, use a 1¾" thick x 36"x 6'-8" solid core decorative door with heavy-duty door hinges, regular doorknob, deadbolt with keys, painted varnish finish, and door bottom with threshold and a door stopper on the back.

Note: Use a lever-type doorknob for a disability or elderly rehab home project.

(b) For any exterior exit door, use a 1¾" thick x 32"x 6'-8" min. regular solid core door with heavy-duty door hinges, regular doorknob with a deadbolt, painted varnish finish, and door bottom with threshold and a door stopper on the back.

Note: For disability or elderly rehab home project, use a lever type door knob with keys and a 36" size regular solid core door.

(c) For bedroom doors, use a 1½" thick x 36", 34", 32", or 30"x 6'-8" min. regular hollow-core door with light-duty door hinges and regular doorknob w/no key type and door painted with a varnish finish and a door stopper installed on the back.

(d) Aluminum Typhoon Shutters. Homeowners may include if the rehabilitation budget is sufficient, the installation of aluminum typhoon shutters on the exterior main entrance and rear exit doors of the housing unit.

- Typhoon shutters must be accordion-type with lock and key.
- Use 3"x1/4" screws to bolt the typhoon shutters to the concrete wall. The minimum number of screws is 3 per side.

Note: For a disability rehab home project, use a lever type door knob with keys only on 36" door size.

Window Standards:

(a) Living room window min. size 4'x4' sliding glass window with a ¼" thick safety tempered glass with aluminum frame. 4 screws on each side.
(b) Kitchen window min. size 3'x3' sliding glass window with a ¼" thick safety tempered glass window with aluminum frame. 3 screws on each side.
(c) Dining room window min. size 3'x4' Height with a ¼" thick safety tempered sliding glass window with aluminum frame. 3 screws on each side and 4 screws each on top and bottom.
(d) Bedroom window must have at least one set 4'x4' sliding glass window (For egress, in case of fire) with a ¼" thick safety tempered glass window with aluminum frame. 4 screws on each side.

(e) Restroom window min. standard size. 2'x2' sliding glass window with a ¼" thick safety tempered glass window with aluminum frame. 2 screws on each side.
(f) Seal all window edgings inside and outside
(g) All windows shall also include window screens
(h) Frame Color to be Clients choice of color
(i) Install new typhoon metal brackets at the outside walls for all windows w/painted finish
(j) Use 3"x1/4" screws to bolt the sliding windows to the concrete wall. The minimum number of screws per window is mentioned above.
(k) Aluminum Typhoon Shutters. Homeowners may include if the rehabilitation budget is sufficient, the installation of aluminum typhoon shutters on all housing unit windows.

- Typhoon shutters must be accordion-type with lock and key.
- Use 3"x1/4" screws to bolt the typhoon shutters to the concrete wall. The minimum number of screws is 3 per side.

Note: All aluminum typhoon shutters shall meet or exceed the wind rating outlined in the 2018 International Building Code (IBC) and the Tropical Energy Code.

Faucet Standards:

(a) Kitchen Sink Faucet to be a regular faucet type.

Note: For disability or elderly Rehab Home Project to be a lever faucet set type.

(b) Restroom Lavatory Sink Faucet to be a regular faucet type.

Note: For disability or elderly Rehab Home Project to be a lever faucet set type.

Regular and Disability Rehab Home Projects Standard Finishes:

(a) For disability, concrete sidewalk & landing size requirements. Concrete sidewalk width 36" min. and for landing size 5' sq. no less.

Note: Sidewalks and landings that are higher than 7" above existing grade during rehab work, requires all sides to be backfilled at 4" finish grade at 1' level and slope out at 4' on both sides to existing grade elevation, otherwise install new aluminum hand railings within 33" to 36" height along the hazard sidewalk, ramps and landings pathway.

Note: For regular rehab home projects sidewalks, same at 36" and for landing 36" sq. is allowable.

(b) For the front entry and exit doors outside, construct a 5' sq. concrete stoop floor landing at ½" lower from the finished house floor elevation.
(c) The restroom floor elevation should be ½" lower from the inside house flooring. Also, for the shower room flooring is ½" lower than the restroom flooring as required.
(d) Install hand railings along any sidewalks or pathways and landings that are higher than 7" above finish grade.

(e) Construct a new concrete ramp at a ratio of 1" drop = 1' slope.
(f) Install smoke alarms in bedrooms and hallways as required by Building Safety Code. Smoke alarms must be hard-wired smoke alarms and that the smoke alarms are interconnected.
(g) Install water sprinklers with warning fire light signals for impairment of client individuals only.
(h) In designing a new rehab disability home layout extension or for reconstructed disability house floor plan design, consider a 3' clear passage for a wheelchair to maneuver from the entry of the house to the inside of the house. Ensure that in your design layout, take into consideration the furniture space in planning for wheelchair accessibility, through bedrooms, restroom(s), living room, kitchen, dining, and for exiting the exit door to the outside of the house with no hazards along for emergency purposes as required.
(i) Disability lavatory height should be set at 34" maximum.
(j) disability water closet height from the finished floor to the toilet seat is within 17" to 19". Note: For regular standard toilet height is 15" from the finished floor to the toilet seat.
(k) Install a new 2' ADA grab bars on the back of ADA toilet centered, 2' length on shower faucet wall and 42" on the side shower wall at height within 33" to 36".
(l) Install ADA medicine cabinet at 40" from the finished floor to the bottom of the medicine cabinet.

Note: For regular standard medicine cabinet height is 64" from the finished floor to center of the medicine cabinet.

(m) Install a towel hanging bar within 36" to 48" for disability or regular restroom.
(n) Install a toilet paper holder to the nearest wall at 19" above the finished floor and a maximum of 36" from the rear wall.
(o) Rehab finishing projects paint colors to be the home client's choice of paint color for all paint finishing work.

All technical reference information applies to all building systems standard needs for new house construction, rehabilitation project, renovation project and house conversion to disability home compliance project that meet all current CNMI local building code regulations and meet Housing Quality Standards (HQS) and Uniform Physical Condition Standards (UPCS) requirements.

The HUD CPD Green Building Retrofit Checklist will also be included in the rehabilitation standards (Attachment A). "CPD recognizes that not all elements of the checklist will be applicable in all climates and geographies. Because of this, CPD will consider exceptions to these standards based on climate or geography, if a grantee identifies the specific standards that aren't applicable, including offering alternatives if available, and CPD's Office of Environment and Energy accepts the grantee's request."

Other building systems may be accepted provided that they meet or exceed the standards mentioned above. Third-party certifications or specific standard testing methods are required to substantiate or validate the claims.

Attachment A:

HUD CPD Green Building Retrofit Checklist

The CPD Green Retrofit Checklist promotes energy efficiency and green building practices for residential retrofit projects. Grantees must follow the checklist in its entirety and apply all measures within the Checklist to the extent applicable to the particular building type being retrofitted. The phrase "when replacing" in the Checklist refers to the mandatory replacement with specified green improvements, products, and fixtures only when replacing those systems during the normal course of the retrofit.

Note: CPD recognizes that not all elements of the checklist will be applicable in all climates and geographies. Because of this, CPD will consider exceptions to these standards based on climate or geography, if a grantee identifies the specific standards that aren't applicable, including offering alternatives if available, and CPD's Office of Environment and Energy accepts the grantee's request.

WATER AND ENERGY CONSERVATION MEASURES

☐ **Water-Conserving Fixtures**
Install or retrofit water conserving fixtures in any unit and common facility, use the following specifications: Toilets-- 1.28 gpf; Urinals-- 0.5 gpf; Showerheads-- 2.0 gpm; Kitchen faucets-- 2.0 gpm; and Bathroom faucets-- 1.5gpm. [gpf = gallons per flush; gpm = gallons per minute]

☐ **ENERGY STAR Appliances**
Install ENERGY STAR-labeled clothes washers, dishwashers, and refrigerators, if these appliance categories are provided in units or common areas.

☐ **Air Sealing: Building Envelope**
Seal all accessible gaps and penetrations in the building envelope. If applicable, use low VOC caulk or foam.

☐ **Insulation: Attic** (if applicable to building type)

For attics with closed floor cavities directly above the conditioned space, blow in insulation per manufacturer's specifications to a minimum density of 3.5 Lbs. per cubic foot (CF). For attics with open floor cavities directly above the conditioned space, install insulation to meet or exceed IECC levels.

☐ **Insulation: Flooring** (if applicable to building type)
Install ≥ R-19 insulation in contact with the subfloor in buildings with floor systems over vented crawl spaces. Install a 6-mil vapor barrier in contact with 100% of the floor of the crawl space (the ground), overlapping seams and piers at least 6 inches.

☐ **Duct Sealing** (if applicable to building type)
In buildings with ducted forced-air heating and cooling systems, seal all penetrations of the air distribution system to reduce leakage in order to meet or exceed ENERGY STAR for Homes' duct leakage standard.

☐ **Air Barrier System**

Ensure continuous unbroken air barrier surrounding all conditioned space and dwelling units. Align insulation completely and continuously with the air barrier.

☐ **Radiant Barriers: Roofing**
When replacing or making a substantial repair to the roof, use radiant barrier sheathing or other radiant barrier material; if economically feasible, also use cool roofing materials.

☐ **Windows**
When replacing windows, install geographically appropriate ENERGY STAR rated windows.

☐ **Sizing of Heating and Cooling Equipment**
When replacing, size heating and cooling equipment in accordance with the Air Conditioning Contractors of America (ACCA) Manuals, Parts J and S, or 2012 ASHRAE Handbook--HVAC Systems and Equipment or most recent edition.

☐ **Domestic Hot Water Systems**
When replacing domestic water heating system(s), ensure the system(s) meet or exceed the efficiency requirements of ENERGY STAR for Homes' Reference Design. Insulate pipes by at least R-4.

☐ **Efficient Lighting: Interior Units**
Follow the guidance appropriate for the project type: install the ENERGY STAR Advanced Lighting Package (ALP); ***OR*** follow the ENERGY STAR MFHR program guidelines, which require that 80% of installed lighting fixtures within units must be ENERGY STAR-qualified or have ENERGY STAR-qualified lamps installed; ***OR*** when replacing, new fixtures and ceiling fans must meet or exceed ENERGY STAR efficiency levels.

☐ **Efficient Lighting: Common Areas and Emergency Lighting** (if applicable to building type)
Follow the guidance appropriate for the project type: use ENERGY STAR-labeled fixtures or any equivalent high-performance lighting fixtures and bulbs in all common areas; ***OR*** when replacing, new common space and emergency lighting fixtures must meet or exceed ENERGY STAR efficiency levels. For emergency lighting, if installing new or replacing, all exist signs shall meet or exceed LED efficiency levels and conform to local building codes.

☐ **Efficient Lighting: Exterior**
Follow the guidance appropriate for the project type: install ENERGY STAR-qualified fixtures or LEDs with a minimum efficacy of 45 lumens/watt; ***OR*** follow the ENERGY STAR MFHR program guidelines, which require that 80% of outdoor lighting fixtures must be ENERGY STAR-qualified or have ENERGY STAR-qualified lamps installed; ***OR*** when replacing, install ENERGY STAR compact fluorescents or LEDs with a minimum efficacy of 45 lumens/watt.

INDOOR AIR QUALITY

☐ **Air Ventilation: Single Family and Multifamily** (three stories or fewer)
Install an in-unit ventilation system capable of providing adequate fresh air per ASHRAE 62.2 requirements.

☐ **Air Ventilation: Multifamily** (four stories or more)
Install apartment ventilation systems that satisfy ASHRAE 62.2 for all dwelling units and common area ventilation systems that satisfy ASHRAE 62.1 requirements. If economically feasible, consider heat/energy recovery for 100% of corridor air supply.

☐ **Composite Wood Products that Emit Low/No Formaldehyde**
Composite wood products must be certified compliant with California 93120. If using a composite wood product that does not comply with California 93120, all exposed edges and sides must be sealed with low-VOC sealants.

☐ **Environmentally Preferable Flooring**
When replacing flooring, use environmentally preferable flooring, including the FloorScore certification. Any carpet products used must meet the Carpet and Rug Institute's Green Label or Green Label Plus certification for carpet, pad, and carpet adhesives.

☐ **Low/No VOC Paints and Primers**
All interior paints and primers must be less than or equal to the following VOC levels: Flats--50 g/L; Non-flats--50 g/L; Floor--100 g/L. [g/L = grams per liter; levels are based on a combination of the Master Painters Institute (MPI) and GreenSeal standards.]

☐ **Low/No VOC Adhesives and Sealants**
All adhesives must comply with Rule 1168 of the South Coast Air Quality Management District. All caulks and sealants must comply with regulation 8, rule 51, of the Bay Area Air Quality Management District.

☐ **Clothes Dryer Exhaust**
Vent clothes dryers directly to the outdoors using rigid-type duct work.

☐ **Mold Inspection and Remediation**
Inspect the interior and exterior of the building for evidence of moisture problems. Document the extent and location of the problems, and implement the proposed repairs according to the Moisture section of the EPA Healthy Indoor Environment Protocols for Home Energy Upgrades.

☐ **Combustion Equipment**
When installing new space and water-heating equipment, specify power-vented or direct vent combustion equipment.

☐ **Mold Prevention: Water Heaters**
Provide adequate drainage for water heaters that includes drains or catch pans with drains piped to the exterior of the dwelling.

☐ **Mold Prevention: Surfaces**
When replacing or repairing bathrooms, kitchens, and laundry rooms, use materials that have durable, cleanable surfaces.

☐ **Mold Prevention: Tub and Shower Enclosures**

When replacing or repairing tub and/or shower enclosures, use non-paper-faced backing materials such as cement board, fiber cement board, or equivalent in bathrooms.

☐ **Integrated Pest Management**
Seal all wall, floor, and joint penetrations with low-VOC caulking or other appropriate sealing methods to prevent pest entry. [If applicable, provide training to multifamily buildings staff.]

☐ **Lead-Safe Work Practices**
For properties built before 1978, if the project will involve disturbing painted surfaces or cleaning up lead contaminated dust or soil, use certified renovation or lead abatement contractors and workers using lead-safe work practices and clearance examinations consistent with the more stringent of EPA's Renovation, Repair, and Painting Rule and HUD's Lead Safe Housing Rule.

☐ **Radon Testing and Mitigation** (if applicable based on building location)
For buildings in EPA Radon Zone 1 or 2, test for radon using the current edition of American Association of Radon Scientists and Technologists (AARST)'s Protocols for Radon Measurement in Homes Standard for Single-Family Housing or Duplexes, or AARST's Protocol for Conducting Radon and Radon Decay Product Measurements in Multifamily Buildings. To install radon mitigation systems in buildings with radon level of 4 pCi/L or more, use ASTM E 2121 for single-family housing or duplexes, or AARST's Radon Mitigation Standards for Multifamily Buildings. For new construction, use AARST's Reducing Radon in New Construction of 1 & 2 Family Dwellings and Townhouses, or ASTM E 1465.

Attachment B: Uniform Physical Condition Standards for Single Family Housing Rehabilitation – Requirements for Site

Inspectable Item	Observable Deficiency	Type and Degree of Deficiency That Must Be Addressed
Fencing and Gates	Damaged/Failing/Leaning	
	Holes	
	Missing Sections	
Grounds	Erosion/Rutting Areas	
	Overgrown/Penetrating Vegetation	
	Ponding/Site Drainage (affecting unit)	
Health and Safety	Air Quality – Sewer Odor Detected	
	Air Quality – Propane/Natural Gas/Methane Gas Detected	

	Electrical Hazards – Exposed Wires/Open Panels	
	Electrical Hazards – Water Leaks on/near Electrical Equipment	
	Flammable Materials – Improperly Stored	
	Garbage and Debris – Outdoors	
	Play Equipment – Broken or Damaged	
	Hazards – Other (e.g., outbuildings)	
	Hazards – Sharp Edges	
	Hazards – Tripping	
	Infestation – Insects	
	Infestation – Rats/Mice/Vermin	
Mailboxes/Project Signs	Mailbox Missing/Damaged	
	Signs Damaged	
Driveways	Cracks	
	Potholes/Loose Material	
	Settlement/Heaving	
Retaining Walls	Damaged/Falling/Leaning	
Storm Drainage	Damaged/Obstructed	
Walkways/Steps	Broken/Missing Hand Railing	
	Cracks/Settlement/Heaving	
	Spalling	

Attachment B: Uniform Physical Condition Standards for Single Family Housing Rehabilitation – Requirements for Site

Inspectable Item	**Observable Deficiency**	**Type and Degree of Deficiency That Must Be Addressed**
Doors	Damaged Frames/Threshold/Lintels/ Trim	
	Damaged Hardware/Locks	

	Damaged Surface (Holes/Paint/Rusting/Glass)	
	Damaged/Missing Screen/Storm/Security Door	
	Deteriorated/Missing Caulking/Seals	
	Missing Door	
Foundations	Cracks/Gaps Spalling/Exposed Rebar	
	Cracks/Gaps Spalling/Exposed Rebar	
Health and Safety	Electrical Hazards – Exposed Wires/Open Panels	
	Electrical Hazards – Water Leaks on/near Electrical Equipment	
	Flammable/Combustible Materials – Improperly Stored	
	Garbage and Debris – Outdoors	
	Hazards – Other	
	Hazards – Sharp Edges	
	Hazards – Tripping	
	Infestation – Insects	
	Infestation – Rats/Mice Vermin	
Lighting	Broken Fixtures/Bulbs	
Roofs	Damaged Soffits/Fascia	
	Damaged Vents	
	Damaged/Clogged Drains	
	Damaged/Torn Membrane/Missing Ballast	
	Missing/Damaged Components from	
	Downspout/Gutter	
	Ponding	
Walls	Cracks/Gaps	
	Damaged Chimneys	
	Missing/Damaged Caulking/Mortar	
	Missing Pieces/Holes/Spalling	
	Stained/Peeling/Needs Paint	
Windows	Broken/Missing/Cracked Panes	

	Damaged Sills/Frames/Lintels/Trim	
	Damaged/Missing Screens	
	Missing/Deteriorated Caulking/Seals/Glazing Compound	
	Peeling/Needs Paint	
	Security Bars Prevent Egress	

Attachment B: Uniform Physical Condition Standards for Single Family Housing Rehabilitation – Requirements for Site

Inspectable Item	**Observable Deficiency**	**Type and Degree of Deficiency That Must Be Addressed**
Bathroom	Bathroom Cabinets - Damaged/Missing	
	Lavatory Sink - Damaged/Missing	
	Plumbing - Clogged Drains	
	Plumbing - Leaking Faucet/Pipes	
	Shower/Tub - Damaged/Missing	
	Ventilation/Exhaust System – Inoperable (if applicable	
	Water Closet/Toilet - Damaged/Clogged/Missing	
Ceiling	Bulging/Buckling	
	Holes/Missing Tiles/Panels/Cracks	
	Peeling/Needs Paint	
	Water Stains/Water Damage/Mold/Mildew	
Doors	Damaged Frames/Threshold/Lintels/Trim	
	Damaged Hardware/Locks	
	Damaged/Missing Screen/Storm/Security Door	
	Damaged Surface - Holes/Paint/Rusting/Glass	
	Deteriorated/Missing Seals (Entry Only)	
	Missing Door	
Electrical System	Blocked Access to Electrical Panel	
	Burnt Breakers	
	Evidence of Leaks/Corrosion	
	Frayed Wiring	
	GFI - Inoperable	
	Missing Breakers/Fuses	
	Missing Covers	
Floors	Bulging/Buckling	

	Floor Covering Damage	
	Missing Flooring Tiles	
	Peeling/Needs Paint	
	Rot/Deteriorated Subfloor	
	Water Stains/Water Damage/Mold/Mildew	
Health and Safety	Air Quality - Mold and/or Mildew Observed	
	Air Quality - Sewer Odor Detected	
	Air Quality - Propane/Natural Gas/Methane Gas	
	Detected	
	Electrical Hazards - Exposed Wires/Open Panels	
	Electrical Hazards - Water Leaks on/near Electrical	
	Equipment	
	Flammable Materials - Improperly Stored	
	Garbage and Debris - Indoors	
	Garbage and Debris - Outdoors	
	Hazards - Other	
	Hazards - Sharp Edges	
	Hazards – Tripping	
	Infestation - Insects	
	Infestation – Rats/Mice/Vermin	
Hot Water Heater	Inoperable Unit/Components	
	Leaking Valves/Tanks/Pipes	
	Pressure Relief Valve Missing	
	Rust/Corrosion	

Attachment B: Uniform Physical Condition Standards for Single Family Housing Rehabilitation – Requirements for Site

Inspectable Item	Observable Deficiency	Type and Degree of Deficiency That Must Be Addressed
HVAC System	Inoperable	
	Misaligned Chimney/Ventilation System	
	Noisy/Vibrating/Leaking	

	Rust/Corrosion	
Kitchen	Cabinets - Missing/Damaged	
	Countertops - Missing/Damaged	
	Dishwasher/Garbage Disposal –	
	Leaking/Inoperable	
	Plumbing - Clogged Drains	
	Plumbing - Leaking Faucet/Pipes	
	Range Hood/Exhaust Fans - Excessive	
	Grease/Inoperable	
	Range/Stove - Missing/Damaged/Inoperable	
	Refrigerator- Missing/Damaged/Inoperable	
	Sink – Damaged/Missing	
Laundry Area (Room)	Dryer Vent – Missing/Damaged/Inoperable	
Lighting	Missing/Inoperable Fixture	
Outlets/Switches	Missing	
	Missing/Broken Cover Plates	
Patio/Porch/Balcony	Baluster/Side Railings Damaged	
Smoke Detector	Missing/Inoperable	
Stairs	Broken/Damaged/Missing Steps	
	Broken/Missing Hand Railing	
Walls	Bulging/Buckling	
	Damaged	
	Damaged/Deteriorated Trim	
	Peeling/Needs Paint	
	Water Stains/Water Damage/Mold/Mildew	
Windows	Cracked/Broken/Missing Panes	
	Damaged/Rotting Window Sill	
	Missing/Deteriorated Caulking/Seals/Glazing Compound	
	Inoperable/Not Lockable	
	Peeling/Needs Paint	
	Security Bars Prevent Egress	

NORTHERN MARIANAS HOUSING CORPORATION

AFFORDABLE RENTAL HOUSING DEVELOPMENT PROGRAM POLICIES AND PROCEDURES

VERSION: 1.0

December 31, 2020

Prepared by:

Northern Marianas Housing Corporation- CDBG-DR Program Division

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1.0 INTRODUCTION

1.1 Summary

1) As a direct result of the damages sustained from Typhoon Mangkhut and Super Typhoon Yutu in September and October 2018, respectively, the Commonwealth of the Northern Mariana Islands (CNMI) received an allocation of Community Development Block Grant Disaster Recovery (CDBG-DR) funds which will be administered by the Northern Marianas Housing Corporation (NMHC). The CNMI through NMHC has allocated $36,120,667 to the Affordable Rental Housing Development Program. This program seeks to redevelop and create new affordable rental housing stock. Eligible development activities include development of low-income housing units through infill construction of new housing units, new construction on private lots or public lands, acquisition and rehabilitation of multi-family residential or commercial properties that include vacant or uninhabitable dwellings, and rehabilitation of residential units. These activities will result in additional rental housing units that will be available to low- and moderate-income households.

2) The program will incentivize the replacement of affordable housing units damaged in the storms and complemented with the development of new low-income housing units. While low-income housing stock remains an urgent priority, mixed-income housing is also needed throughout the CNMI, given the unmet needs for rental units across the full spectrum of citizens, from households typically supported by Low-Income Housing Tax Credit housing (e.g. those with incomes at or below 60% of the area's median incomes, or **AMI),** households with incomes that make them ineligible for LIHTC tax credit units that do not avail of income averaging (e.g. households with incomes between 60% - 80% of AMI), and tenants that can afford market rate units. NMHC defines affordable rent as rental costs (including utilities) that do not exceed 30% of a renter's income. NMHC uses the HUD-defined fair market rents (FMRs) as a basis to determine the payment standards as affordable rent caps.

3) This policy document explains the structure of the Affordable Rental Housing Development Program, outlines project funding eligibility criteria, and describes compliance criteria through the affordability period.

2.0 POLICIES

2.1 Version Policy

1) Version history is tracked in the table on the title page, with notes regarding version changes. The dates of each publication are also tracked in the table. The first version of this document is 1.0.

2) After adoption by the NMHC Board of Directors, any substantive changes to this document that reflect a policy change will result in the issuance of a new version 2.0, an increase in the primary version number. Future policy changes will result in additional revisions and the issuance of a new primary version number.

3) Non-substantive changes, i.e., wording and editing, and/or clarification of existing policy that do not affect the interpretation or applicability of the policy will be included in minor version updates denoted by a sequential number increase that will follow the primary version number, e.g., 2.1, 2.2, etc.

2.2 Policy Change

Policy review and changes for the CNMI's Affordable Rental Housing Development Program (Program) are pursued through a change control process. For example, when policy clarifications, additions, or deletions are required to accurately define the rules by which the Program will operate, Program staff will work with the Corporate Director to prepare a request to amend the policy. The NMHC Board of Directors is responsible in the review and approval of the request to amend the policy.

2.3 Acronyms

(1)	**AMI**	Area Median Income
(2)	**CDBG**	Community Development Block Grant
(3)	**CDBG-DR**	Community Development Block Grant Recovery
(4)	**CFR**	Code of Federal Regulations
(5)	**CPD**	Community Planning and Development
(6)	**DBRA**	Davis-Bacon and Related Acts
(7)	**DOB**	Duplication of Benefits
(8)	**DOL**	Department of Labor
(9)	**ECR**	Estimated Cost or Repair
(10)	**FEMA**	Federal Emergency Management Administration
(11)	**HCDA**	Housing and Community Development Act
(12)	**HCV**	Housing Quality Standards
(13)	**HUD**	U.S. Department of Housing and Urban Development
(14)	**IMM**	Individual Mitigation Measures
(15)	**LLC**	Limited Liability Corporation
(16)	**LIHTC**	Low Income Housing Tax Credit

(17) **LMA** Low- and Moderate-Income Area

(18) **LMH** Low- and Moderate-Income Housing

(19) **LMI** Low- and Moderate Income

(20) **LMJ** Low- and Moderate-Income Jobs

(21) **MBE** Minority-owned Business Enterprise

(22) **MWBE** Minority- and Women-Owned Business Enterprises

(23) **NEPA** National Environmental Policy Act

(24) **NFIP** National Flood Insurance Program

(25) **OMB** Office of Management and Budget

(26) **PII** Personally Identifiable Information

(27) **RFI** Request for Information

(28) **RFP** Request for Proposals

(29) **RFQ** Request for Qualifications

(30) **SFHA** Special Flood Hazard Area

(31) **UN** Urgent Need

(32) **URA** Uniform Relocation Act

(33) **USC** United States Code

(34) **WBE** Women-owned Business Enterprise

2.4 Definitions

(1) **Affordable rent:** Rental housing costs, including utilities, that is no more than 30 percent of a low- to moderate income household's gross (pre-tax) income.

(2) **Affordable unit:** A housing unit in which the total rental expenses (including utilities) does not exceed 30 percent of a low- to moderate- income household's (pre-tax) income.

(3) **Affordability Period:** The minimum period of time the units will be required to remain 'affordable' for low- and moderate-income households, based on the amount of CDBG-DR assistance, the activity (new construction or rehabilitation), and the number of housing units in the project. The Affordability Period restrictions will be enforced through recorded deed restrictions, covenants, or other similar mechanisms.

(4) **Area Median Income (AMI):** Calculated annual income limits based on HUD-estimated median

family income with adjustments based on family size used for demonstrating LMI beneficiaries in the program. This calculation may also be referred to as Area Median Family Income (AMFI) in other program documents.

(5) **Beneficiary:** The recipient deriving advantage from CDBG-DR funding. This includes household members of units created or rehabilitated with CDBG-DR funding, or developers of housing projects that include CDBG-DR funding, since developers are considered "end users" of the funding.

(6) **Builder/Contractor:** (Used interchangeably) A person who contracts to construct or repair houses and or supervises building operations associated with projects involving the development or rehabilitation of residential housing units, including mixed-use projects.

(7) **Carryover Allocation:** a document issued by a state housing credit agency (NMHC) that extends the amount of time that is allowed for a 9% competitive LIHTC project to be placed in service.

(8) **Choice Limiting Action:** The commitment of CDBG-DR funds through Acquisition (which includes executing a Purchase Agreement or Sales Contract), **and/or** <u>any</u> physical actions a developer, contractor or any other entity (including the seller) takes on a property prior to the issuance of an Authority to Use Grant Funds by HUD or the NMHC Certifying Officer.

(9) **Common Area Under Roof:** The total area under the common roof that is primarily interior, conditioned space, and for single-story homes is equal to the footprint of the house. The term is also synonymous with the eligible area. Exterior spaces, such as detached porches and garages, are not considered eligible areas.

(10) **Cost Reasonableness Requirements:** The Cost Principles established in 2 CFR Part 200, Subpart E, to determine costs are necessary, reasonable, allowable and allocable to the project.

(11) **Damage Assessment:** A report resulting from an inspection of the housing unit to document damage from the event. The assessment, conducted by a certified or licensed inspector, is required to specifically and clearly document storm-related property damage via photographic evidence and detailed narratives. Damage assessments must include final cost of repair estimates according to the most currently adopted building code, an assessment of cost-effectiveness of each recommended activity (reconstruction or rehabilitation), mold remediation and assistance needed to bring the home up to code at completion.

(12) **Davis-Bacon Act of 1931 (40 USC Part 3141 et seq.) and Related Acts:** A group of approximately 60 federal statutes that requires that each contract over $2,000 for the construction or repair of federally funded projects to contain a clause setting forth the minimum wages to be paid to various classes of laborers and mechanics employed under the contract. Under the provisions of the Act, Contractors or their subcontractors are to pay workers employed directly upon the site of the work no less than the locally prevailing wages and fringe benefits paid on projects of a similar character. The Davis-Bacon Act directs the Secretary of Labor to determine such local prevailing wage rates. If a construction project is funded or assisted under more than one federal statute, the Davis-Bacon prevailing wage provision may apply to the whole project if any of the applicable statutes requires payment of Davis-Bacon wage rates. This applies to the

rehabilitation and reconstruction of residential property if not less than 8 units.[1]

(13) **Demolition:** The clearance and proper disposal of dilapidated building and improvements debris.

(14) **Developers:** Private individuals and entities, including profit making and nonprofit organizations, which acquire properties to construct or rehabilitate, for the creation of residential units, through either rental or resale purposes.

(15) **Development Partners:** Any entity involved in the reconstruction or rehabilitation of affordable housing units, including subrecipient departments or agencies, for-profit or non-profit organizations, construction contractors or other entities or individuals hired to carry-out any actions on a CDBG-DR funded housing project.

(16) **Duplication of Benefits:** The Robert T. Stafford Disaster Assistance and Emergency Relief Act (Stafford Act) prohibits any person, business concern, or other entity from receiving financial assistance from CDBG-DR funding with respect to any part of a loss resulting from a major disaster as to which he/she has already received financial assistance under any other program or from insurance or any other source. A Duplication of Benefit is an amount determined by the Program that may result in the reduction of an award value.

(17) **Environmental Review:** The process of reviewing a project and its potential environmental impacts to determine whether it meets federal and territorial environmental standards. The environmental review process is required for all HUD-assisted projects to ensure that the proposed project does not negatively impact the surrounding environment and that the property site itself will not have an adverse environmental or health effect on end users. Every project's impact must be examined (the extent of the examination varies due to the actions that will be undertaken); every project must be in compliance with the National Environmental Policy Act (NEPA) and other applicable Territorial and federal environmental laws.

(18) **FEMA:** The Federal Emergency Management Agency, located within the U.S. Department of Homeland Security, is responsible for coordinating the federal government's response to natural and manmade disasters.

(19) **FEMA-Designated High-Risk Area:** Areas designated by FEMA as vulnerable to significant wind and/or storm surge damage and areas located in the 100-year flood zones. These areas will be identified during the environmental review process for each participating jurisdiction.

(20) **Final Cost Certification:** A report of the total actual costs incurred by the Developer in the delivery of a Development. This will assist NMHC in determining certain development costs and the amount of subsidy to be allocated to the Development.

(21) **Form 8609:** An IRS Low-Income Housing Credit Allocation and Certification. Owners of residential low-income rental buildings are allowed a low-income housing credit for each qualified building over a 10-year credit period. A separate Form 8609 must be issued for each building in a multiple building project.

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[1] Community Planning Development Act of 1974. (2019). Retrieved October 4, 2019, from https://www.hudexchange.infor/resources/documents/Housing-and-Community-Development-Act -1974.pdf

(22) **Flood Hazard Area:** Areas designated by FEMA as having risk of flooding.

(23) **Flood Insurance:** The Flood Disaster Protection Act of 1973 (42 U.S.C. 4012a) requires that projects receiving federal assistance and located in an area identified by FEMA as being within a Special Flood Hazard Area (SFHA) be covered by flood insurance under the National Flood Insurance Program (NFIP). In order to be able to purchase flood insurance, the community must be participating in the NFIP. If the community is not participating in the NFIP, federal assistance cannot be used in those areas.

(24) **Floodplain:** FEMA designates floodplains as geographic zones subject to varying levels of flood risk. Each zone reflects the severity or type of potential flooding in the area.

a. **"100-year floodplain"** - the geographical area defined by FEMA as having one percent chance of being inundated by a flooding event in any given year.

b. **"500-year floodplain"** the geographical area defined by FEMA as having a 0.2 percent change of being inundated by a flooding event in any given year.

(25) **Household:** A household is defined as all persons occupying the same housing unit, regardless of their relationship to each other. The occupants could consist of an individual, a single family, two or more families living together, or any other group of related or unrelated persons who share living arrangements. For housing activities, the test of meeting the LMI National Objective is based on the LMI of the household.

(26) **Housing Choice Voucher (HCV):** The housing choice voucher program is the federal government's major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. In HCV programs, a housing subsidy is paid to the landlord directly by the Public Housing Authorities on behalf of the participating family.

(27) **Housing Quality Standards (HQS):** Defines "standard housing" and establishes the minimum quality criteria necessary for the health and safety of households occupying the program rental housing units.

(28) **Individual Mitigation Measures (IMM):** Activities designed to mitigate and/or reduce risk beyond the pre-disaster condition of a housing unit when the activities are above and beyond federal, Commonwealth, or local units, and the payment of flood insurance are not IMM activities. Examples of IMM activities include elevation above the base flood elevation level, or the addition of storm shutters, disaster proof windows, roof straps, etc., and as long as those improvements are not required to comply with local code and did not exist on the housing unit prior to the disaster damage.

(29) **LIHTC:** a federal tax incentive that encourages private sector investors, developers and lenders to finance, construct and operate affordable housing pursuant to Section 42(h)(4) of the Code.

(30) **Low- and Moderate-Income (LMI) National Objective:** Activities which benefit households whose total annual gross income does not exceed 80% of Area Median Income (AMI), adjusted for family size.

(31) **Low- and Moderate-Income Housing (LMH):** A sub-set of the LMI National Objective identified as having a low- to moderate-income "housing" benefit, which is used when the eligible activity

involves the creation or rehabilitation of residential housing units.

(32) **Major/Severe Damages:** $8,000 or more of FEMA inspected real property damage or 1 foot or more of flood water on the first floor.

(33) **Mitigation:** Improvements made to reduce the possibility of property damage, personal and commercial hardship, as well as long lasting monetary burdens. For example, creating a flood mitigation program such as an acquisition of at-risk flood-prone property/housing, and elevation of housing in high-risk floodplains are two visible and effective mitigation projects that can be taken to make residents and communities safe in the face of natural disasters.

(34) **Northern Marianas Housing Corporation (NMHC): NMHC** is the Grantee for HUD's Community Development Block Grant-Disaster Recovery (CDBG-DR) funding. NMHC will retain day to day administrative management and oversight of CDBG-DR activities and will be responsible for establishing and maintaining financial accountability for CDBG-DR funds, compliance with CDBG-DR requirements and establishing and maintaining project files and records. NMHC will also be a developer within this program.

(35) **Not Suitable for Rehabilitation:** The NMHC defines properties as "not suitable for rehabilitation" for the Public and Affordable Housing Development Program when:

- Structures are considered "beyond rehabilitation," do not meet the Program's rehabilitation standards, and or federal or CNMI code requirements, and shall be deemed not suitable for rehabilitation, as determined by the Program and consistent with Program guidelines.

- Residential properties have experienced repetitive losses under FEMA's National Flood Insurance Program (NIFP).

- Residential properties that are in FEMA-designated flood hazard areas, and the owner previously received Federal Assistance (personal, commercial, or residential) for the subject property and failed to obtain and maintain flood insurance for the property.

(36) **Personally Identifiable Information (PII):** Defined in OMB M-07-16 as "...information which can be used to distinguish or trace an individual's identity, such as their name, social security number, biometric records, etc., alone, or when combined with other personal or identifying information which is linked or linkable to a specific individual, such as date and place of birth, mother's maiden name, etc."

(37) **Project Based Subsidy:** CDBG-DR assistance to a public housing complex, in which low- to moderate-income households may receive assistance only if they agree to live at the particular public housing project.

(38) **Rehabilitation:** Repair or reconstruction necessary for the restoration of storm-damaged housing units in the impacted areas to applicable construction codes and standards.

(39) **Reservation Certificate**: An agreement binding upon the Owner, and all successors in interest to the Owner as owners of the Project, as to the allocation of Low Income Housing Tax Credit authority to the building(s) in the Project, subject to compliance by the Owner with the requirements of Section 42 of the Code and the additional requirements of the NMHC CDBG-DR.

(40) **Section 3**: Section 3 is a provision of the Housing and Urban Development Act of 1968 that helps foster local economic development, neighborhood economic improvement, and individual self-sufficiency. CDBG-DR recipients must, to the greatest extent feasible, provide job training, employment, and contracting opportunities for low- or very-low income residents in connection with projects and activities in their neighborhoods.

(41) **Special Needs and Vulnerable Populations:** Special needs individuals are any persons with specific needs, including persons with disabilities; vulnerable populations are seniors, special needs individuals, including those with disabilities, and the homeless.

(42) **Subrogation Agreement:** An agreement executed by the Program beneficiary agreeing to repay any duplicative assistance if the beneficiary later receives other assistance for the same purpose as disaster recovery funds already received.

(43) **Substantial Damage:** Damage of any origin sustained by a structure whereby the cost of restoring the structure to its pre-damaged condition would be equal to or exceed 50 percent of the market value of the structure before the damage occurred (44 CFR 59.1).

(44) **Surplus Cash:** For the fiscal year period ending prior to the annual installment date, the sum of gross rent revenues (less rental taxes and tenant security deposits) and other income received from the operations of the project including amounts withheld from security deposits returned to tenants, less (a) annual accrued debt service for approved permanent senior loan(s); (b) actual operating expenses (including but not limited to utilities, supplies, repair and maintenance costs, property taxes, property management fees, insurance escrows and reserves and amounts deposited in any replacement reserve account) and excluding allowed or allowable depreciation and amortization, and (c) payments of an asset management fee pursuant to an Asset Management Services Agreement as required in a Low Income Housing Tax Credit (LIHTC) project. Specifically excluded expenses include any payments or disbursement to the project owner and/or borrower of funds, tax credit adjustors, depreciation, amortization, payments pursuant to developer guarantees or any payments on deferred developer fees. Surplus cash will be calculated based on an audited annual cash flow analysis report for the fiscal year period ending prior to the annual installment date.

(45) **Ten-percent Cost Certificate:** If a project is not placed in service by the end of the calendar year in which the LIHTC allocation was received, the project must qualify for a carryover allocation.

(46) **Uniform Relocation Assistance:** The Uniform Relocation Assistance and Real Property Acquisitions Policies Act of 1970, as amended (Title 49 CFR Part 24) (42 U.S.C. 4601 et seq.) (URA): Applies to all acquisitions of real property or displacements of persons resulting from federal or federally assisted program projects. URA's objective is to provide uniform, fair, and equitable treatment of persons whose real property is acquired or who are displaced in connection with federally funded projects. For the purposes of these guidelines, URA mostly applies to residential displacements in involuntary (49 CFR 14 Subpart B) and acquisition or multifamily damaged/occupied activities that require the relocation of tenants.

(47) **Urgent Need (UN) National Objective:** An urgent need that exists because conditions pose serious and immediate threat to the health or welfare of the community; the existing conditions are recent or recently became urgent; and the subrecipient cannot finance the activities on its own because other funding sources are not available. Subrecipients or the CNMI must document how each program and/or activity funded der this category responds to a disaster-related impact. See 24 CFR 570.208(c).

3.0 PROGRAM OVERVIEW

(1) The Program seeks to redevelop and create new affordable rental housing stock including subsidized rental units. Eligible development activities include development of low-income housing units through infill construction of new housing units, new construction on private lots or public lands, acquisition and rehabilitation of multi-family residential or commercial properties that include vacant or uninhabitable dwellings, and rehabilitation of residential units. These efforts will increase the supply of affordable housing available to low- and moderate-income households.

(2) This program intends to enable the development of rental housing which prevents concentrations of poverty. NMHC defines affordable rent as rental costs (including utilities) that do not exceed 30% of a renter's income. NMHC uses the HUD defined fair market rents as a basis to determine payment standards for affordable rent caps. For LIHTC projects, rents are restricted and calculated using HUD income limits.

(3) This program proposes to address the current housing rental shortage through the rehabilitation and development of affordable rental housing, including acquisition, demolition, rehabilitation and new construction, as it pertains to the development of subsidized and affordable units for LMI individuals.

3.1 Affordable Rental Housing Development Program

(1) The Affordable Rental Housing Development Program provides financing assistance for costs associated with the acquisition and new construction or substantial rehabilitation of larger affordable rental housing projects. The Program seeks to leverage other pubic and private affordable housing financing sources, including public lands (property) and Low-Income Housing Tax Credits.

(2) The Program supports the development of new affordable housing (including individually-scattered houses), to address the rental housing shortage and help revitalize hard hit communities.

(3) Projects selected for assistance will primarily serve LMI residents, including special needs and other vulnerable populations. The Program may also assist mixed-income projects where the majority of units are reserved for occupancy by persons of LMI and for which developers are able to leverage other funding to support more LMI and non-LMI units.

(4) This Program will allow the acquisition, demolition, rehabilitation, and new construction as it pertains to the development of affordable units for LMI individuals.

(5) Assistance is provided for rehabilitation, reconstruction, and new construction of housing after accounting for all federal, local and/or private sources of disaster-related assistance, including but not limited to, property owners and/or flood insurance proceeds.

3.2 Total Allocation

Total Allocation: **$31,120,667**.

3.3 Tie-back to the Storm

All projects must include a tie-back to the storms, and documentation supporting this tie-back must be maintained in the project files. CDBG DR funds can only be spent to meet the recovery needs caused

by disasters specifically stated in appropriation measures and as declared a major disaster area pursuant to the Stafford Act[2].

3.4 National Objective

(1) All projects must result in affordable housing units primarily occupied by LMI persons; therefore, the CDBG-DR funding provided to the project will qualify under the Low- to Moderate-Income Housing, or LMH, National Objective.

(2) The Program will obtain written commitments and source documentation from developers/partners showing that a minimum of 51% or more of the housing units will be rented to LMH tenants accordingly. The number of LMH tenants will be calculated as proportional to the CDBG-DR investment into the project. Tenant Income is verified at initial lease, and annually thereafter for all tenants of the LMH units, and throughout the Affordability Period.

3.5 Eligible Activities

(1) Eligible activities include the rehabilitation and new construction of affordable housing as listed and described below:

a. Acquisition of Real Property subject to HUD's "Uniform Relocation Assistance and Real Property Acquisition for Federal and Federally Assisted Programs"[3] (HCDA Section 105(a)(1);

b. Public Facilities and Improvements[4] (HCDA Section 105 (a)(2);

c. Clearance, Rehabilitation, Reconstruction and Construction of Buildings (including Housing) (HCDA Section 105(a)(4));

d. Public Services (HCDA Section 105(a)(8)).

(2) Developers must meet program minimum property standards; and may exceed the minimum property standards, as long as project costs funded by the Program meet cost reasonableness requirements. Upgrades above minimum property standards must be paid for with private funds.

(3) Program funds may be used for:

a. Acquisition, site preparation, construction and related soft costs (including environmental health hazard mitigation costs) required for the new construction or rehabilitation of affordable housing developments. (Acquisition is not eligible as a stand-alone activity.) Site work may be an allowable construction cost to the extent it is necessary to render the residential units decent, safe, and sanitary. Site work includes grading and excavation, as well as installation of the septic and infiltration systems, utilities, and other ancillary residential structures and improvements.

b. Reimbursement of eligible repair/replacement costs, acquisition, capital costs and related soft costs (including environmental health hazard mitigation costs), associated with the new

[2] Community Development Block Grant Disaster Recovery Policy Guidance for Grantees (2019)
[3] 49 CFR Part 24
[4] 24 CFR § 570.202 - Eligible rehabilitation and preservation activities

construction or rehabilitation of affordable housing developments related to the repair of disaster-impacted property. Reimbursement is also applicable to the repair of individual houses that cater to LMI residents.

c. When practical and warranted, reimbursement for cost of mitigating future damage (including elevation when practical and cost effective) for properties located within a 100-year floodplain.

d. "Gap financing" for Low Income Housing Tax Credit projects to reduce debt service and increase long term viability.

e. Assistance for cost-effective mitigation activities including but not limited to:

i. The replacement of disaster-impacted non-luxury residential appliances
ii. Elevation of substantially damaged properties located within the 100-year floodplain.
iii. If elevating, the structure must be elevated to at least 2 feet above the Base Flood Elevation or to a level dictated by the local building authority and environmental agencies (if applicable).
iv. Elevation of electrical systems and components
v. Securing of fuel tanks
vi. Use of flood resistant building materials below base flood elevation
vii. Installation of backflow valves (only if structure is elevated)
viii. Installation of roof strapping (only if structure is elevated)
ix. Installation of window shutters

3.6 Ineligible Activities

(1) Activities are ineligible for CDBG funding if the activity:

a. Does not respond to an identified Typhoon Mangkhut or Super Typhoon Yutu-related impact.

b. Is restricted in the Public Laws appropriating the CDBG-DR funds (Public Law 116-20) or in the Housing and Urban Development Block Grant Disaster Recovery
   - Federal Register Notices (Docket numbers FR-6066-N-01, FR-6109-N-01 and FR-6136-N-01).

c. Is a prohibited activity in the CDBG-DR authorizing Public Laws or Federal Register Notice(s) for the CDBG-DR funding.

d. Is ineligible according to CDBG Program requirements (and a waiver has not been granted).

e. Fails to meet an appropriate national objective.

3.7 Eligible Applicants

Eligible applicants include governmental and non- governmental entities and owners of multi-family housing rental development dedicated for low-and moderate-income households. Owners shall be any individual, joint venture, partnership, limited partnership, trust, corporation, limited liability company, other legal entity, or any combination thereof which meets the requirements below:

a) Be organized on a for-profit, including limited profit, or nonprofit basis, and

b) Must demonstrate experience relevant to owning and developing affordable rental housing through evidencing current capacity (including financial resources, an office and payroll), and one or both of the following:

(1) Successful prior ownership and development of affordable rental housing, or

(2) Employment of a staff with demonstrated experience owning and developing affordable rental housing.

c) If the Owner entity is a joint venture and qualifies as an eligible Applicant Owner under a) and b) above based on the experience of only one joint venture partner, that partner must have a controlling interest in the joint venture and a substantial and continued role in the Project's ongoing operations, as evidenced in the documents governing the joint venture.

3.8 Estimated Start and End Dates

Acquisition, reconstruction and/or rehabilitation activities will occur between 2021 through 2026, and/or as detailed in the CDBG-DR Action Plan and Amendments.

3.9 Geographic Area(s) Served

The geographic areas served will be within the CNMI.

3.10 Maximum Award

(1) The maximum CDBG-DR award amount for a housing project is $31,120,667, and a per unit construction cost cap of up to $200,000 has been set. Circumstances where additional costs may be incurred will be reviewed against cost reasonableness requirements approved on a case-by-case basis. Awards will be in the form of either a loan or a grant; however, in some instances a loan will be the required structure for financing rental development. If this is the case, the terms of the loan may be forgivable.

(2) The maximum CDBG-DR award amount for the individual houses program used or to be used for rental housing of LMI residents is $5,000,000. A cap of up to $200,000 per unit has been set. Reimbursement of actual costs of rehabilitation must be provided and materials used must not be luxurious. New construction or reconstruction of individual houses to be used as rental housing is also capped at $200,000.

(3) To direct sufficient levels of assistance to those most in need, especially low- to moderate-income and minority households, a higher overall dollar cap amount may be applied to those properties that provide a significant number of units designated for Very Low Income (VLI) households (whose incomes do not exceed 30% AMI), special needs, and other vulnerable populations or including Low Income Housing Tax Credits which do not allow households above 60% AMI.

(4) Projects that combine other sources of financing (local, federal, private, etc.) will be evaluated to ensure that no more CDBG-DR funding than is necessary to ensure successful development of the affordable housing units. Documentation demonstrating that other available financing sources have been maximized, resulting in the lowest amount of CDBG-DR funding necessary to assure project feasibility.

(5) To incentivize the development of this stock, the CNMI will provide financing appropriate to the project. Multi-family rental development of 8 units or more will be required to adhere to Davis Bacon requirements. Assistance will be provided as one of the following structures:

a. Amortized Loans:

i. Requires repayment (annually).
ii. Interest rates will range from zero percent (0%) to rates that will typically be lower than market lending rates (interest rates will be determined by cash flow projections and will be negotiated with the implementing agency (NMHC), plus allowable fees. A Deed of Trust will be secured for the length of the Affordability Period, or the term of the loan, whichever is longer.

b. Deferred Payment Loans:

i. Loan terms can be from 10 - 20 years, or at the sale or transfer of the property.
ii. Interest rates will range from zero percent (0%) to rates that will typically be lower than market lending rates (interest rates will be determined by cash flow projections and will be negotiated with the implementing agency (NMHC), plus allowable fees. A Deed of Trust will be secured for the length of the Affordability Period, or the term of the loan, whichever is longer.

c. Forgivable Loans

i. Loan forgiveness may occur at one point in time (at the end of the affordability) or forgiven incrementally overtime. This is typically applicable to projects with subsidized rents.
ii. A Deed of Trust will be secured for the length of the Affordability Period, or the term of the loan, whichever is longer.

d. Non-Interest-Bearing Loans

i. Loan terms vary and will be negotiated with the implementing agency (NMHC). Interest rate is zero percent (0%).
ii. The principal is paid back on a regular basis (annually), but no interest is charged.
iii. A Deed of Trust will be secured for the length of the Affordability Period, or the term of the loan, whichever is longer.

e. Surplus Cash Loans

i. If full amortization is not feasible due to limited cash flow, funds shall be repaid from an agreed upon percentage split of surplus cash on an annual or bi-annual basis. Borrowers must provide an Annual Cash Flow Analysis Report that demonstrates the calculation and accrual of applicable surplus cash funds.

f. Grants

i. Provided with no requirement or expectation for repayment. NMHC elects to provide grant funding as the first choice for all rental program developers.
ii. Most commonly used for projects with special needs populations or target below the low-

income AMI threshold populations.

iii. A Deed of Trust will be secured for the length of the Affordability Period, or the term of the loan, whichever is longer.

3.11 Federal Labor Standards

(1) Every CDBG-DR project with a construction contract, regardless if it is for construction or rehabilitation of 8 or **more** CDBG-DR-assisted units is required to comply with all of the following federal labor standards: the Davis Bacon and Related Acts (DBRA), the Copeland "Anti- Kickback" Act (the Anti-Kickback Act), the Contract Work Hours and Safety Standards Act, as amended (CWHSSA), and the Fair Labor Standards Act of 1938, as amended (FLSA). The term "CDBG-DR Assisted Unit" means the housing units developed with the assistance of CDBG-DR funds, including non-construction related assistance such as land acquisition or down payment assistance.

(2) The Davis-Bacon and Related Acts, published in Chapter 3, section 276(a) 7 et seq. of U.S.C. Title 40 ensures that mechanics and labors employed in construction work under federally-assisted contracts are paid wages and fringe benefits equal to those that prevail in the locality where the work is performed. According to the Department of Labor (DOL) regulations, the term mechanics and laborers "includes at least those workers whose duties are manual or physical in nature (including those workers who use tools or who are performing the work of a trade), as distinguished from mental or managerial... " The term does not apply to workers whose duties are primarily administrative, executive or clerical, rather than manual.

(3) Federal prevailing wages must be paid on CDBG-DR projects involving site development, construction, and rehabilitation where there are 8 or more CDGR-DR assisted units.

4.0 UNDERWRITING CRITERIA AND PROGRAM COMMITMENTS

Underwriting is the performance of due diligence evaluating the critical elements of a development or rehabilitation proposal and assesses any risk factors. The evaluation entails a multi-level review of key aspects of the decision-making process to determine the eligibility and viability of the proposed project to ensure that:

a. The submitted project is consistent with the CDBG-DR Action Plan goals.
b. The funding request is feasible.
c. There is a tie back to Typhoon Mangkhut or Super Typhoon Yutu.
d. The developer has the experience and capacity to complete the proposed development.
e. The developer has the experience in running a federal housing program such as Section 8 Housing Choice Voucher Program, LIHTC Program, etc.
f. The costs associated with the development portion of the proposal are necessary, reasonable, and financially feasible.
g. The projected operational costs are necessary and reasonable, and that the proposed development is sustainable for the duration of the Affordability Period.
h. The sources and uses of funds statement and lender commitments reflecting sufficient resources to complete the proposed development (usually for LIHTC projects).
i. The total amount of government assistance is not more than is necessary to produce the project.

The underwriting review documentation will be maintained in the project files Project Scope and Budget, review memoranda, project review checklists and templates, and determination summaries.

4.1 Timing of Underwriting Reviews

(1) NMHC will review a project's feasibility over the 15- or 20-year compliance period, based on the required Affordability Period (the Affordability Period for rehabilitation projects is a minimum of 15 years; new construction projects require a minimum of 20 years Affordability). These reviews will occur at different stages.

(2) Non-LIHTC projects will be underwritten prior to commitment of CDBG-DR funds, and if applicable, again at the time when permanent loan closing occurs.

(3) For approved LIHTC projects that want to include CDBG-DR commitments, the program will require proof that the reviews have been concluded, as required by Section 42 of the Internal Revenue Code. These supporting documents include:

a. LIHTC application
b. Reservation Letter
c. Carryover Allocation Agreement
d. Ten Percent (10%) Cost Certification (when available)
e. Final Cost Certification (when available)
f. Form 8609 (when available)

(4) For initial LIHTC projects that want to include CDBG-DR commitments but have not completed the review and approval process, NMHC will follow its QAP procedures when conducting three reviews, as required by Section 42 of the Internal Revenue Code: 1) prior to making an award of credit, 2) at 10% Cost Certification, and 3) at Placed in Service (Subsection 3) c. under this section. The following is a breakdown of how this provision will apply to each of the underwriting stages in the allocation process and what this provision will mean in practice:

a. Initial Application/Prior to LIHTC Award - In order to receive an initial award of credit, the project must be financially feasible for the 15-year compliance period utilizing the underwriting standards as applied to the proforma.

b. 10% Cost Certification NMHC will review the sources and uses of funds and the total financing planned for the project to ensure that the amount of credit being allocated to the project does not exceed the amount necessary for the project to be financially feasible during the entire initial 15-year compliance period. NMHC will continue to monitor a project's income and expenses during this phase of the allocation process, but will not hold up the issuance of Carryover documentation because of this portion of the review.

c. Placed in Service Issuance of IRS Form 8609 (Low-Income Housing Credit Allocation form) NMHC will review the sources and uses of funds and the total financing planned for the project to ensure that the amount of credit being allocated

to the project does not exceed the amount necessary for the project to be financially feasible for the 15-year compliance period. NMHC will continue to monitor a project's income and expenses during this phase of the allocation process, but will not hold up the issuance of 8609s to a project because of this portion of the review.

d. Consistent with industry best practices, and for §42(m)(2) of the LIHTC Code, CDBG-DR awarded funding will be limited to providing for the financing gap necessary to make the transaction viable.

(5) **Collateral**

CDBG-DR shall provide Gap Financing grants to Developers. To secure the financing provided by CDBG-DR ("Gap Financing Grant"), the Developer shall execute and deliver to the NMHC certain documents to the CDBG-DR program. At Closing, Developers shall deliver the following documents:

a. CDBG-DR Leasehold Mortgage (Construction Security Interest) Assignment of Leases and Rents and Security Agreement and any Addenda thereto (the "Leasehold Mortgage"). The Leasehold Mortgage will be recorded against the Property in the Office of the Recorder of Deeds and shall be subordinate to a construction loan for the construction of improvements on the Property and a permanent loan obtained by the Developer to finance such improvements after completion.

b. CDBG-DR Gap Financing Loan Agreement. The CDBG-DR reserves the right to assign interest rates when required for financing and shall be enforceable for a term of Ten (10) years (the "CDBG-DR Loan").

c. CDBG-DR Multi Family Gap Financing Note. All Grants will be assigned an interest rate of 0%. The Repayment of the Grant shall be made in the event of the sale or refinancing of the Property.

4.2 Evaluation of Project Development Costs

(1) NMHC has established minimum underwriting standards (i.e., QAP and NCSHA best practices) for evaluation of project development costs. Where required, NMHC will also consider more stringent underwriting requirements imposed by other lenders, equity providers, or the credit enhancer. Requests for use of alternative standards other than those established by NMHC must be supported by written explanation and appropriate documentation. The use of the NMHC maximum cost limits or any alternate standards for determining reasonableness of the development costs of the proposed project is at the sole discretion of NMHC.

a. The minimum project cost underwriting requirements apply to all projects; therefore, all applications should meet the underwriting standards listed below when submitted.

b. NMHC determines that the cost of the project as presented is not reasonable using NMHC's cost standards or the alternative standards at the time of initial application review, the project will not be recommended for an allocation of LIHTC.

c. The following standards will be applied to specific cost items. Even if the specific line item is not being paid with LIHTC equity or NMHC CDBG-DR funds, any excessive cost, regardless of the source of financing, increases the gap and affects the public subsidy needed by a transaction. As a result, NMHC reserves the right to require any applicant to provide a justification of any development cost line item.

4.3 Acquisition

(1) In all cases and regardless of which proposed funding source will pay for the acquisition price, an appraisal will be used to assess the reasonableness of the acquisition price in the project budget. A CNMI-licensed independent professional appraiser will perform the appraisal and the applicant will pay the costs of any required appraisals. However, NMHC, in its sole discretion, may accept an appraisal that is required by another lender and prepared by an independent professional appraiser for that lender.

(2) For purposes of this section, the acquisition price does not include: Reasonable and necessary soft costs related to the acquisition, such as legal expenses associated with zoning, title expenses, relocation costs, and engineering fees; or off-site improvements, such as extensions of infrastructure necessary to prepare the site for its intended use, provided that the absence of such improvements is clearly noted and accounted for within the appraisal's estimate of "as is" value.

(3) For purposes of this section, an Arms-Length Transaction is one between parties made freely and independently of each other, and without a special relationship such as family relationship, other business relationship, or the existence of a controlling interest between the parties. In contrast, a Related Party Transaction includes one between parties where familial, business, controlling interests, or other close ties exist prior to the transaction.

(4) In general, the acquisition price must meet the following requirements:

a. In the case of an Arms-Length Transaction, the acquisition price must be less than or equal to the "as is" appraised value of the property.

b. In the case of a transaction involving a change of use, the acquisition price must not exceed the lesser of the "as is" appraised value or the "as completed" appraised value based on the project's projected end use.

c. In the case of a Related Party Transaction where the property was acquired less than two years before the application date, the acquisition price must not exceed the lesser of the "as is" appraised value or the applicant's original acquisition price plus carrying costs acceptable to NMHC.

d. In the case of a Related Party Transaction where the property was acquired two or more years before the application date, the acquisition price does not exceed the "as is" appraised value of the property.

e. Any portion of the acquisition price in excess of the "as is" value may not be financed or reimbursed by CDBG-DR or other project sources, may not be used in calculating the developer fee, and may not be reimbursed from cost savings at final closing. The excess must be paid with non-project sources such as proceeds of the developer fee.

Exceptions to the acquisition price standards may be submitted to NMHC on a case by case basis. Waivers to the acquisition price limitations will be in NMHC's sole discretion, and NMHC expects the approval of such excess acquisition prices to be extremely limited.

4.4 Construction Hard Costs

NMHC must be given the opportunity to review the development plans and to comment on the project design.

Construction hard costs are the actual cost of constructing or rehabilitating housing including multifamily housing. These costs include the following:

(1) For new construction projects: costs to meet the new construction standards set forth by NMHC consistent with currently adopted codes by the Department of Public Works:

(2) For rehabilitation: costs to meet the property standards for rehabilitation standards set forth by NMHC consistent with currently adopted codes by the Department of Public Works:

(3) For both new construction and rehabilitation project costs:

(i) To demolish existing structures:

(ii) To make utility connections including off-site connections from the property line to the adjacent street: and

(iii) To make improvements to the project site that are in keeping with improvements of surrounding, standard projects. Site improvements may include on-site roads and sewer and water lines necessary to the development of the project. The project site is the property, owned by the project owner, upon which the project is located.

(4) For both new construction and rehabilitation of multifamily rental housing projects, costs to construct or rehabilitate laundry and community facilities that are located within the same building as the housing and which are for the use of the project residents and their guests.

(5) Costs to make utility connections or to make improvements to the project site may be eligible in connection with acquisition of standard housing.

4.4.1 Construction Hard Cost Contingency

(1) Construction hard cost contingencies will be limited to the following:

a. All new construction projects shall have a construction hard cost contingency line item of **no more than ten percent (10%)** of total construction hard costs, including general

requirements, builder's profit and overhead.

b. Rehabilitation or rehabilitation and adaptive reuse projects may include a hard cost contingency line item **not to exceed ten percent (10%)** of total hard costs with the proper justification.

c. Rehabilitation or rehabilitation and adaptive reuse project applicants with a proposed contingency **in excess of ten (10%) must request for a waiver;** the waiver request shall include a detailed explanation of the reasons for the increased contingency. NMHC will evaluate waiver requests for reasonableness on a case-by-case basis to determine compliance with the threshold requirements. Waiver requests must include documentation supporting cost reasonableness of items leading to the increased contingency needs.

4.5 Maximum Rents

Mainly for LIHTC development, maximum unit rents (inclusive of tenant paid utilities (utility allowance rates as published by NMHC) may not exceed 30% of the imputed gross income limit applicable to each unit based on an assumption of 1.5 persons per bedroom for units with one or more bedrooms and 1.0 persons per bedroom for efficiency or Single Room Occupancy (SRO) units. For example, the maximum rent calculation for a two-bedroom unit targeted to households at 40% of the area median income would be calculated by dividing 40% of the area median income for a three (3) person household by twelve (12) and multiplying by 30%. For units restricted to elderly households, the imputed household size may not exceed three persons regardless of the number of bedrooms. For example, in a non-age restricted unit, the rent for a three- bedroom unit would be based on a 4.5 person household, but if designated as an elderly unit the maximum rent must be calculated based on a household of three people. Area Median Income charts, including adjustments for household size, are published annually by HUD and posted by NMHC.

In evaluating the long-term viability of the project, NMHC requires that rents and other revenues from the project be projected to increase by no more than 2% annually.

4.6 Vacancy Rate

All projects will be underwritten with a minimum vacancy rate of 5%.

4.7 Operating Expenses

(1) Annual operating expenses, including all real estate taxes but excluding replacement reserve deposits and debt service, should be no less than $3,000 per unit per year and no more than $5,500 per unit per year. Waivers may be requested for small projects of up to forty (40) units and for projects with master-metered (i.e. project paid) utilities.

(2) For projects with RD loans, the operating expenses will be based upon the current RD approved operating budget.

(3) In evaluating the long-term viability of the project, NMHC requires that operating expenses must

be projected to increase by not less than 3% annually.

(4) The proposed management agent (or management staff if there is an identity of interest) must sign a statement (to be submitted with the full application) agreeing that the operating expense projections are reasonable.

4.8 Reserves

4.8.1 Rent-up Reserves

(1) All project budgets must include provision for deposit of a reasonable amount per unit for rent-up reserve. The amount must be established based on the projected rent-up time considering the market and target population, but in no event shall be less than $300 per unit. These funds must be available to the management agent to pay rent-up expenses incurred in excess of rent-up expenses budgeted for in the PDC description. The funds are to be deposited in a separate bank account and evidence of such transaction provided to the Agency ninety (90) days prior to the expected placed in-service date. All funds remaining in the rent-up reserve at the time the project reaches ninety-three (93%) occupancy must be transferred to the project replacement reserve account.

(2) Tax-exempt bond projects may apply for a waiver from this requirement. For those projects receiving loan funds from the U.S. Department of Agriculture (USDA) Rural Development (RD), the 2% initial operating and maintenance capital established by RD will be considered the required rent-up reserve deposit.

4.8.2 Replacement Reserves

(1) All project budgets must include provision for deposit of a certain minimum amount per unit per year in reserves for replacement (RFR) deposits. All new construction projects must budget replacement reserves of a minimum of $350 per unit per year. Rehabilitation and adaptive reuse projects must budget replacement reserves of $450 per unit per year. The replacement reserve must be capitalized from the project's operations, escalating by four percent (4%) annually.

(2) In both types of renovation projects mentioned above, the Agency reserves the right to increase the required amount of annual replacement reserves if the Agency determines such an increase is warranted after a detailed review of the project's physical needs assessment. For those projects receiving RD loan funds, the required funding of the replacement reserve will be established, administered and approved by RD.

(3) NMHC reserves the right, in its sole discretion, to require a capital needs assessment (CNA) prepared by a qualified third party. Replacement reserve deposits must be adequate to support the project as determined by the CNA. Additionally, NMHC reserves the right, in its sole discretion, to require a new CNA every five to ten years and adjust RFR deposits based upon such new assessment, if necessary.

4.8.3 Operating Reserves

As part of the development budget, each project (except those receiving loan funds from RD) must establish an operating reserve equal to the greater of a) $1,500 per unit or six months of underwritten operating expenses, debt service payments, and required deposits to reserves. At a minimum, capitalized operating reserves must remain in place at this level until the project has achieved a minimum 1.15 debt service coverage ratio, economic break-even operations for one complete fiscal year as confirmed by the project's annual audit, and reached and sustained 90% occupancy for twelve (12) consecutive months. In the discretion of NMHC, the operating reserves may be reduced over the next three (3) years to not less than three months of underwritten operating expenses, debt service payments, and required deposits to reserves provided the project continues to achieve economic break-even operations and sustains 90% occupancy. Upon release, operating reserves generally may be used to pay any outstanding deferred developer fee, reduce any State loan, fund other reserves, fund project betterments, or otherwise be applied as approved by NMHC. The operating reserves must be maintained for the duration of the extended use period. The operating reserves can be funded by deferring the developer fees of the project. If this method is utilized, the deferred amounts owed to the developer can only be repaid from cash flow if all required replacement reserve deposits have been made.

4.9 Debt Service Coverage Ratio

All projects must be underwritten to a minimum debt service coverage ratio (DSCR) of 1.15 1.20 in the first year of stabilized operations. The DSCR will be calculated including all non-discretionary debt service payments. Project must reflect a 1.10 Debt Coverage Ratio (DCR) for the period of debt service or affordability period (rehabilitation requires 15 years; reconstruction requires 20 years), whichever is longer.

4.10 Investor Services Fees

Investor services fees must be paid from net cash flow and not be calculated into the minimum debt coverage ratio.

5.0 PROGRAM ADMINISTRATION

(1) NMHC will administer and oversee all activities and expenditures in connection with the CDBG-DR funds. NMHC employees, along with contractors procured to aid NMHC staff, will ensure that the activities undertaken meet all program requirements, including: the disaster threshold, eligibility, national objective, compliance, fair housing, labor standards, nondiscrimination, environmental regulations, and procurement regulations.

(2) NMHC will monitor the activities in accordance with HUD, CDBG-DR and NMHC monitoring and compliance requirements so that each activity funded will meet the disaster threshold and one of HUD's national objectives, with emphasis on eligible activities achieving the rehabilitation or reconstruction of affordable housing units primarily benefiting low- and moderate-income persons.

5.1 Eligible Implementation Entities

(1) NMHC, as the HUD CDBG-DR grantee, is responsible to administer, monitor and perform compliance oversight of the overall CDBG-DR program. Per the waiver provided in Federal Register Docket No. FR-6066-N-01, NMHC may also carry out eligible activities, and will undertake the development of affordable housing units, both projects within the NMHC portfolio and projects being developed by private or non-profit developers.

(2) NMHC and/or other future potential subrecipients, will manage the preparation and publication of notices of funding availability and of award projects pursuant to appropriate selection or procurement process. NMHC, when carrying out development activities, and NMHC as a Subrecipient, will be involved in all aspects of each specific project, including preparation of documents, discussion of potential and selected investors, meetings with contractors, consultants and stakeholders and selection of key team members. NMHC will have approval rights and program compliance oversight responsibilities for all CDBG-DR projects.

(3) Additionally, NMHC and/or future subrecipients are required to maintain appropriate and adequate documentation for all CDBG-DR expenditures and projects.

5.2 Northern Marianas Housing Corporation (NMHC) Role as Grantee

(1) NMHC, as the HUD CDBG-DR grantee representing the CNMI, will retain administrative management and compliance oversight responsibilities of all CDBG-DR activities and will establish and maintain financial accountability for CDBG-DR funds, compliance with CDBG-DR requirements and establish and maintain project files and records. NMHC will also provide technical assistance to developers when applicable, conduct eligibility and feasibility reviews, and conduct project underwriting.

(2) NMHC is responsible for ensuring compliance with CDBG-DR statutory, regulatory, and programmatic requirements including but not limited to the following:

a. Compliance with National Objectives and eligible activates
b. Duplication of Benefits (DOB) review
c. Davis-Bacon compliance and monitoring
d. National Environmental Protection Act (NEPA) compliance
e. HUD Section 3 compliance
f. Uniform Relocation Act Compliance
g. Federal Fair Housing EEO
h. Americans with Disabilities (ADA) compliance, as applicable and Section 504 compliance

5.3 Program Marketing

NMHC CDBG-DR Division will fund housing projects after reviewing for eligibility and feasibility. If additional funding becomes available, a Notice of Funding Availability would be published in local printed media, NMHC'S website and other online publication sites.

5.4 Eligibility Criteria

(1) For the existing allocation, NMHC will be considered a qualified developer. If funding becomes available as noted in the Action Plan or Amendments, other qualified developers may be for-profit or not-for-profit housing developers applying to rehabilitate, reconstruct or develop new rental housing. The application, review, award, implementation and compliance processes will be released upon notification of funding availability. Developers listed on CNMI or federal debarment lists are ineligible for assistance. Developers must demonstrate capacity to undertake the project as verified through underwriting. Projects must demonstrate viability for the entire duration of the Affordability Period.

(2) To be eligible for assistance, projects must:

a. Be located in the CNMI.

b. Demonstrate a tangible connection to addressing a recovery need arising from the disaster. Evidence such as FEMA report on damage to housing stock in the project's market area, indications that the storm exacerbated a shortage of housing in the area served by the project, local government statements that the project meets a housing or economic recovery need arising from the storm and similar documentation demonstrate tie-back to the storm(s).

c. Provide housing primarily for Low- and Moderate-Income persons.

5.5 Affordability Period

(1) Per Federal Register 6109-N-01, multi-family rental projects with 8 or more units that receive funds for rehabilitation or reconstruction will be required to adhere to an affordability period of 15 years, while new construction of multi-family rental projects with five or more units will be required to adhere to an affordability period of 20 years.

(2) Affordability Period restrictions will be enforced through recorded deed restrictions, covenants, or other similar mechanisms. Other financing sources may impose long-term affordability restrictions, enforceable by Regulatory Agreement or similar binding agreement. The CDBG-DR Affordability Period may run concurrent to other funding source affordability periods. The Program retains responsibility for monitoring compliance with occupancy requirement throughout the regulatory period. **Note:** Multi-family rental projects or scattered unit owners of less than 8 units that receive funds for reimbursement of the cost of repairs will be required to adhere to an affordability period of 10 years, while new construction of multi-family rental projects or scattered units with less than five units will be required to adhere to an affordability period of 15 years.

5.6 Relocation

A CDBG-DR assisted project that includes acquisition of real property must include the costs of relocation in the project scope and budget. See the requirements in Section 5.19 Cross-Cutting Federal Requirements Tenant Protection Under Uniform Relocation Act (URA) below.

5.7 Project Selection

NMHC will act as the initial developer and take precedence over other developers and if no other

housing projects are construction-ready for rehabilitation or new construction. NMHC will review other projects according to Program priorities and criteria for funding. Eligible and feasible projects submitted through this process are reviewed by NMHC CDBG-DR Division for available funding.

5.8 Prioritization of Projects

(1) Due to limited funding, NMHC CDBG-DR Division will prioritize NMHC projects (including LIHTC projects), including rehabilitation and new construction, which will be reviewed based on the Initial Scope and Capacity Assessment submissions.

5.9 Technical Assistance and Review of Project Scope and Budget

(1) NMHC and all development partners will be provided Technical Assistance throughout the implementation process, including through project initial rent-up. Technical Assistance sessions may include:

a. Review of the project description, recovery rationale, budget including source and use of funds and operating budget for review.
b. Discussion of NMHC staff review project readiness and alignment with program policies and priorities.
c. CDBG-DR program eligibility requirements, including "tie-back" to the storm and green building requirements.
d. Cross-cutting federal requirements for compliance with Davis-Bacon, Uniform Relocation Act (URA), Section 3, Fair Housing.

5.10 Pre-Award Verifications

Applicants are responsible for providing truthful, accurate and complete applications to the Program. However, prior to making an award, the Program is responsible for reviewing each project file to verify all information is complete, applicant eligibility is verified, and all benefit calculations are completed correctly.

5.11 Award Calculation for Project Scope and Budget Proposals

(1) CDBG-DR is the funding of last resort and cannot be used to displace other available funding. As such, CDBG-DR is considered as "gap-filler" financing and awards will be the minimum amount of financing necessary to reduce the project's debt service and to ensure long term project viability.

(2) This process assures that CDBG-DR funds are only used to fund the projects' unmet need after all other sources of financing are committed. Each project Scope and Budget Proposal will be reviewed, along with source documentation, evidencing total project financing. This strategy leverages a significant number of other sources of capital subsidy to support and promote high quality, construction-ready projects that may advance one of the specific housing priorities of the CNMI.

(3) NMHC will provide funding up to the unmet need amount for the selected projects, subject to a maximum award of $31,120,667, and $200,000 per unit cap. For individual scattered housing projects, the maximum total award is $5,000,000 with a $200,000 per unit cap. Circumstances where additional costs may be required will be reviewed on a case-by-case basis, utilizing cost-reasonableness requirements. The unmet need is the financing gap identified in the project underwriting, less any assistance classified as duplicative in the Duplication of Benefits review.

(4) Project Scope and Budget Proposals must demonstrate that the rent proceeds or other funding sources will allow for adequate resources to meet capital needs for the length of the affordability period.

5.12 Evaluation of Projects

NMHC will review the projects for:

a. Tie to the storm
b. CDBG-DR eligibility
c. Meet LMI National Objective
d. Duplication of Benefits
e. Cost Reasonableness

5.13 Duplication of Benefits (DOB)

(1) Section 312 of the Robert T. Stafford Disaster Assistance and Emergency Relief Act (42 U.S.C. §5155) prohibits any person, business concern, or other entity from receiving financial assistance with respect to any part of a loss resulting from a major disaster for which he has received financial assistance under any other program or from insurance or any other source. In accordance with the Stafford Act, Disaster Recovery funds issued through the Department of Housing and Urban Development's CDBG-DR program may not be used for any costs for which other disaster recovery assistance was previously provided for the same purpose.

(2) As mandated by law, all projects receiving CDBG-DR funding must undergo an analysis of duplication of benefits to ensure no funds have been or will be received for the same purpose as the intended CDBG-DR grant. This Program provides "gap financing" to qualified affordable housing Development Partners to finance construction of new affordable housing in storm- impacted communities or rehabilitate existing properties. All projects will be underwritten to these Program standards. Developers must disclose all sources of funding for project finance in accordance with the following list of potential sources of funding that may result in a duplication of benefits.

(3) Generally, financial assistance received from any other source that is provided for the same purpose as the CBDG-DR funds is considered a Duplication of Benefit (DOB). The CNMI's policy is in accordance with HUD's guidance on duplication of benefits.

(4) The Program must consider the total assistance available to the Developer for the project. This includes all benefits, including cash, insurance proceeds, grants from FEMA, SBA loans, as well as any other assistance received by the applicant from other local or federal programs, or private or nonprofit charities. Developers should pay special attention to the following potential sources of benefits:

a. **National Flood Insurance Program (NFIP):** Insurance proceeds received must be disclosed by the project owner and/or Subrecipient.
b. **Private Insurance:** All insurance proceeds received must be disclosed by the Developer.

Where necessary, the Program will look for "undeclared" insurance benefits as well as confirming those disclosed by the project owner and/or Subrecipient.

c. **FEMA:** FEMA proceeds received must be disclosed by the project owner and or Subrecipient.

d. **Other:** Funds received from other sources must be disclosed by the project owner and/or Subrecipient and verified by the Program. Examples include nonprofits, other governmental agencies, and social groups.

(5) CDBG-DR funds cannot supplant other funding; project budget, sources and uses documents will be reviewed to ensure an appropriate amount of CDBG-DR assistance. Project Developers are required to report all assistance reasonably anticipated. Reasonably anticipated funds include assistance that has been awarded, but has not yet been received, as well as funding the Developer anticipates will be making an application. If excessive funds are reported or identified, the CDBG-DR funds will be the funding source reduced.

5.14 Project Funding and Disbursement

(1) CDBG-DR funds may be available at either a Grant or Construction Loan closing, in which not only CDBG- DR, but all funds needed to complete the project will be confirmed as available. Closing may not take place until title clearance has been obtained. Any required flood and other applicable insurance will be confirmed at theclosing.

(2) Each development project will be registered as a separate activity in DRGR and CDBG-DR funds will be drawn down accordingly. The development partner shall provide all documents of the expenses for which reimbursement is sought, as required by NMHC's financial management policies. Acceptable documentation may include invoices, receipts, evidence of payment (if appropriate), engineer/architect cost certification, as well as other items, such as inspection reports, based on the expense.

5.15 Agreements

(1) NMHC will enter into an agreement with developer partners which will include the following federal requirements including, but not limited to those listed below:

a. Administrative, contractual, or legal remedies in instances where contractors violate or breach contract terms and provide for such sanctions and penalties as may be appropriate. (Contracts more than the simplified acquisition threshold);

b. Termination for cause and for convenience by the grantee or subrecipient including the manner by which it will be affected and the basis for settlement. (All contracts that exceed $50,000);

c. Compliance with Executive Order 11246 of September 24, 1965, entitled, "Equal Employment Opportunity," as amended by Executive Order 11375 of October 13, 1967, and as supplemented in Department of Labor regulations (41 CFR chapter 60). (All construction contracts that exceed $50,000 by grantees and their contractors or subrecipients);

d. Compliance with the Copeland "Anti-Kickback" Act (18 U.S.C. 874) as supplemented in Department of Labor regulations (29 CFR part 3). (All contracts and subgrants for construction or repair);

e. Compliance with the Davis-Bacon Act (40 U.S.C. 276a to 276a-7) as supplemented by Department of Labor regulations (29 CFR part 5). (Construction contracts exceeding $2,000 awarded by subrecipients, grantees and subrecipients when required by Federal grant program legislation);

f. Compliance with Sections 103 and 107 of the Contract Work Hours and Safety Standards Act (40 U.S.C. 327 330) as supplemented by Department of Labor regulations (29 CFR part 5). (Construction contracts awarded by grantees and subrecipients exceeding of $2,000, and in excess of $2,500 for other contracts which involve the employment of mechanics or laborers);

g. Compliance with Sections 503 and 504 of The Rehabilitation Act of 1973 (29 U.S.C 794) as supplemented by Department of Labor regulations (41 CFR Part 60-741 and 24 CFR 8);

h. Compliance with Uniform Relocation Act;

i. Notice of awarding agency requirements and regulations pertaining to reporting;

j. Access by the grantee, the subrecipient, the Federal grantor agency, the Comptroller General of the United States, or any of their duly authorized representatives to any books, documents, papers, and records of the contractor which are directly pertinent to that specific contract for the purpose of making audit, examination, excerpts, and transcriptions;

k. Retention of all required records for three years after grantees or subrecipients make final payments and all other pending matters are closed;

l. Compliance with all applicable standards, orders, or requirements issued under section 306 of the Clean Air Act (42 U.S.C. I 857(h)), section 508 of the Clean Water Act (33} U.S.C. 1368), Executive Order 11738, and Environmental Protection Agency regulations (40 CFR part 15). (Contracts, subcontracts, and subgrants of amounts in excess of $100,000);

   i. Mandatory standards and policies relating to energy efficiency (if applicable)

   ii. Subrogation agreement, subrogation is the process by which duplicative assistance received by the Development Partner after receiving CDBG-DR funding is remitted to the Program to avoid a duplication of benefit.

m. The agreements and legal documents with the developer or contractor, NMHC will include all the performance and compliance requirements for each project, including but not limited

to:

i. Project budget
ii. Development and 15 or 20 year pro forma depending on affordability requirements
iii. Project description, number of units, unit type, design, construction standards
iv. Unit breakdown
v. Rent schedule
vi. Affordability requirements
vii. Lease requirements
viii. Tenant selection criteria
ix. Compliance with Commonwealth and local tenant-landlord laws
x. Conditions for faith-based organizations
xi. Lead-Based Paint requirements
xii. Fair housing and equal opportunity provisions
xiii. Fund disbursement
xiv. Record keeping and reporting provisions
xv. Enforcement provisions
xvi. Procedures for securing rent increases
xvii. Compliance requirements, including the monitoring checklist that will be used
xviii. Builder procured

5.16 Construction Monitoring

(1) NMHC will select construction contractors and/or developers and manage construction for NMHC developed projects, including the inspection process, which is defined in the monitoring agreement and construction contracts. NMHC is responsible to ensure financial and construction compliance through source documentation review, progress inspections and periodic quality reviews. NMHC is responsible to ensure project occupancy meets all required household mix, based on financing requirements.

(2) For NMHC developed projects, NMHC will select construction contractors and/or developers and monitor project construction and occupancy.

(3) NMHC will also oversee and monitor partner developments. Specifically, NMHC will provide oversight to the construction through progress inspections for payments as well as periodic quality reviews. NMHC will monitor partner projects for compliance, which includes:

a. Overall management systems;
b. Financial management;
c. Eligible costs;
d. Cost allowability;
e. Cost allocation;
f. Construction management;
g. Bond requirements;
h. Written agreements deadlines, milestones or other requirements;
i. Property standards;
j. Relocation;
k. Labor standards;

l. Production outcomes;
m. Construction contracts;
n. Reporting;
o. Initial and ongoing occupancy;
p. Requirements for properties located in a special flood hazard area; and
q. Requirements as outlined in Subrecipient Agreement (if applicable).

5.17 Documents Required Upon Completion of Construction

Upon completion of the funded project, the developer will provide the following documents
(2) Required Documents:
(3) All required Program Eligibility Documents or any updates thereto:
(4) Certificate of Occupancy;
(5) Certificate of Completion;
a. Elevation Certificate (if elevated)
b. Proof that project was completed according to the applicable Green Building Standard selected in the application and/or commitment letter; which may consist of documentation from construction monitor or project architect;
c. Current title:
d. Satisfactory indication that all compliance obligations including Fair Housing, Davis Bacon, Section 3, Section 504 and M/WBE are up to date:
e. Copies of all Program approved change orders;
f. Permits as required and applicable.

5.18 Lease-Up Compliance and Monitoring

5.18.1 Determining Tenant Eligibility

(1) The executed grant agreement defines the number of affordable housing units that must be included in the project. The Developer and any subsequent project owners must ensure that all tenants of the affordable housing units, both at initial lease up and throughout the project's Affordability Period, meet income and other eligibility requirements.

(2) Tenant eligibility for NMHC projects will be based on income and rent determinations as defined in 4350.3 HUD Handbook.

(3) Property owners or management firms will report project compliance at initial lease up and on an annual basis for a minimum term of the Affordability Period. Reporting will be submitted to the agency that executed the agreement. NMHC will ensure project compliance for any Affordable Rental Housing projects implemented for the CDBG-DR activity. NMHC Housing and Compliance and Monitoring managers will confirm that each project has leased the number of affordable housing units required in the executed grant agreement to LMI households throughout the Affordability Period.

(4) Project owners of projects where NMHC implemented the CDBG-DR activity will be required to report project compliance at initial lease up and on an annual basis for a minimum term of the Affordability Period.

(5) Compliance monitoring of initial project rent-up monitoring will include but is not limited to the review of tenant eligibility and income documentation, rent rolls, project budgets and financial records.

5.18.2 Monitoring Plan

(1) NMHC is responsible for all oversight and compliance for all activities funded with CDBG-DR, regardless of the entity undertaking the implementation of the activity. Monitoring fee of $200 per unit per year shall be assessed.

(2) Although the CDBG-DR funding has a six-year expenditure deadline (from signing of the initial grant agreement), NMHC has compliance responsibilities throughout the term of the HUD grant through closeout, and for long-term compliance of the NMHC and other partner developer projects throughout each project's Affordability Period.

(3) NMHC must ensure compliance with applicable regulations, which include but are not limited to: record keeping, overall administration, financial management, environmental compliance, citizen participation, conflict of interest, procurement, Davis-Bacon Labor Standards, housing qualify standards, affordability period compliance, production outcomes, written agreement milestones and requirements, cost allocability, cost allowability, duplication of benefits, civil rights regulations (Minority and Women's Business Enterprise), Section 3, Fair Housing, Limited English Proficiency, and American with Disabilities Act), property acquisition and management, displacement, relocation, requirements for properties located in a special flood hazard area, and unit replacement.

(4) The CDBG-DR Program has established a Monitoring Plan to ensure that all programs and projects comply with applicable federal, Commonwealth, and local regulations and effectively fulfills the goals set forth in the Action Plan and the Action Plan Amendments.

(5) The Monitoring Plan serves to identify risks, deficiencies, and remedies relating to NMHC directly administered programs, administrative and financial management, and programs administered via NMHC partners. The Monitoring Plan seeks to accomplish the following objectives:

a. Determine if a developer/partner is carrying out its obligations, and its activities as described in the Action Plan for CDBG-DR assistance and its related grant or partner agreement.
b. Determine if a developer/partner is carrying out its activities in a timely manner, in accordance with the schedule included in the partner agreement.
c. Determine if a developer/partner is charging costs to the project that are eligible under applicable laws and CDBG-DR requirements, and reasonable in light of the services or products delivered.
d. Determine if a developer/partner is conducting its activities with adequate control over program and financial performance, and in a way that minimizes opportunities for waste, mismanagement, fraud, and abuse.
e. Assess if the developer/partner has a continuing capacity to carry out the approved project, as well as future grants for which it may apply.

f. Identify potential problem areas and to assist the developer/partner in complying with applicable laws and regulations.
g. Assist developers/partners in resolving compliance problems through discussion, negotiation, and technical assistance (TA) and training.
h. Provide adequate follow-up measures to ensure that performance and compliance deficiencies are corrected by affordable rental housing developers/partners, and not repeated.
i. Comply with the federal monitoring requirements of 24 CFR 570.50 I(b) and with 2 CFR 200, as applicable.
j. Determine if any conflicts of interest exist in the operation of the CDBG-DR program per 24 CFR 570.611.

(6) Long term compliance review will be conducted by NMHC. These reviews will include, but not be limited to documentation covering:

a. Evidence that required records are maintained to demonstrate compliance with applicable regulations.
b. Annual rent rolls and income certifications for all tenants in affordable units.
c. Annual inspection reports for UPCS requirements of all units.

5.19 Cross-Cutting Federal Requirements

Implementation Partners are subject to the Cross-Cutting Federal Requirements described herein. These include compliance with the Uniform Relocation Act, Davis-Bacon and Related Acts, Minority- and Women-Owned Business Enterprises contracting provisions, Section 3, Fair Housing, Equal Employment Opportunity, and environmental requirements of the National Environmental Protection Act.

5.19.1 Tenant Protection Under Uniform Relocation Act (URA)

(1) NMHC assure that the Uniform Relocation Act requirements have been followed and that both displaced occupants and any current occupants of the project are identified. These occupants are entitled to advisory services, in the form of notices and counseling, moving and/or storage expenses, and coverage of all displacement costs for temporary or permanent relocation pursuant to formula and applicable Federal Register notices. The program will monitor displaced and current tenants and maintain records from the inception of the project. Failure to do so can lead to unexpected and substantial costs and work delay.

(2) **Demonstrable Hardship** - A demonstrable hardship is a substantial change in an applicant's financial situation that will prohibit or severely affect their ability to provide a minimal standard of living or the basic necessities of life including food, housing, clothing and transportation without causing economic distress well beyond mere inconvenience as shown by objective evidence. A demonstrable hardship must be occurring after the named storms. The demonstrable hardship must be of a severe, involuntary and unexpected nature. It must not be one that is generally shared by other applicants affected by the named storms. Examples of demonstrable hardships may include job loss, failure of a business, divorce, severe medical illness, injury, death of a family member or spouse, unexpected and extraordinary medical bills, disability, substantial income reduction, unusual and excessive amount of debt due to a natural disaster, etc. None of the listed examples above, individually or taken together, automatically establish a demonstrable hardship nor is the listing above exhaustive as there may be other factors relevant to the issue of demonstrable hardship

in a particular case. If an applicant believes that they are in the state of demonstrable hardship and that the demonstrable hardship causes them to not comply with any of the program policies, they may present their existence of a demonstrable hardship to their case worker (housing or loan specialist) and the Program will evaluate on a case-by-case basis after review of all of the circumstances. Applicants claiming a Demonstrable Hardship shall be required to provide evidence of such claimed Demonstrable Hardship to the case worker.

(3) ***Not Suitable for Rehabilitation*** – properties where the cost of rehabilitation exceeds the after-rehab appraisal and there is not a compelling historical or community justification to save the property.

5.19.2 Fair Housing

Development Partners are subject to NMHC's Affirmative Fair Marketing requirements and will be required to provide a marketing plan and report on compliance in accordance with NMHC's policy. The Affirmative Marketing Plan must be in compliance with applicable Fair Housing laws and demonstrate how the applicant will affirmatively further fair housing.

5.19.3 Section 504

(1) Section 504 of the **Rehabilitation Act of 1973,** Pub. L. No. 93-112, 87 Stat. 394 (Sept. 26, 1973), prohibits discrimination. The Act requires that any alterations of multifamily (5+ units) rental projects, a minimum of 5 percent of the dwelling units in the project (but not less than one unit) must be accessible to individuals with mobility impairments. An additional 2 percent of the dwelling units (but at a minimum, not less than one unit) must be accessible to individuals with sensory impairments (i.e., hearing or vision impairments).

(2) In buildings with 5 or more dwelling units and at least one elevator, all dwelling units and all public/common use areas are subject to Section 504 requirements. In buildings with 5 or more dwelling units and no elevator, all ground floor units and public and common use areas are subject to Section 504 requirements.

(3) For new construction, Section 504 applies only to Projects that include 5 or more units. Projects with 5+ units must be designed and constructed to be readily "accessible" to and usable by persons with disabilities (including the common areas). "Accessible," when used with respect to the design, construction, or alteration of an individual dwelling unit, means that the unit is located on an accessible route and when designed, constructed, altered, or adapted can be approached, entered, and used by individuals with physical handicaps.

(4) A 15+ unit Project, with rehabilitation costs that are 75% or more of the replacement cost of the completed facility, is considered substantial rehabilitation. In this case, a minimum of 5 percent of the dwelling units in the Project (but not less than one unit) must be accessible to individuals with mobility impairments, and an additional 2 percent, at a minimum (but not less than one unit), must be accessible to individuals with sensory impairments.

(5) Per unit cap on the maximum amount of assistance may be exceeded when necessary to provide accessibility features as a reasonable accommodation for a person with a disability.

5.19.4 Davis-Bacon and Related Acts I Labor Standards

Prevailing wage rates and compliance requirements will apply to all developments with 8 or more units where more than $2,000 CDBG-DR funds are expended on construction. DBRA requires the payment of locally prevailing wages and fringe benefits to laborers and mechanics for on-site construction, alteration, or repair (including painting and decorating) of public buildings or public works on federally funded or assisted contracts in excess of $2,000. See Federal Requirements, which includes Federal Labor Standards Provisions. All Development Partners must account for prevailing wage in their Project Proposal. Locally prevailing wages are determined for specific employee classifications by the US Department of Labor (DOL) and made available to the public as "wage decisions".

5.19.5 Minority-and Women-Owned Businesses (WMBEs)

All Development Partners are required to comply with Article 15-A of the Executive Law, which promotes the participation of minority- and women-owned businesses (MWBEs) in contracting opportunities. All projects financed under the Program must comply with NMHC's M/WBE participation requirements applicable at the time of application submitted to the RFQ.

5.19.6 Section 3

(1) Awardee shall comply with 12 U.S.C. 170lu and its regulations ("Section 3"). In compliance with Section 3, the CDBG-DR Program will require fund recipients to establish training, employment, contracting and other economic opportunities arising from HUD funding. The requirements of Section 3 apply to recipients of HUD funding for Section 3 covered project(s) in which the amount of the assistance is in excess of $200,000. Contractors and Subcontractors are also subject to Section 3's requirements when performing *any* type of activity on Section 3 covered projects for which the amount of funding is in excess of $200,000 and the contract or subcontract exceeds $100,000.

(2) If these thresholds are met, the Section 3 requirements apply to the entire project or activity that is funded with Section 3 covered assistance, regardless of whether the Section 3 activity is fully or partially funded with Section 3 covered funds.

(3) (If applicable) if a Subrecipient receives Section 3 covered housing construction or infrastructure or economic revitalization assistance in excess of $200,000, but no individual contract exceeds $100,000, Section 3 requirements will only apply to the recipient (e.g. hiring and training goals).

(4) When Section 3 is triggered by the thresholds mentioned above, all parties must attempt, to the "greatest extent feasible," to meet the minimum numerical goals as follows:

   a. At least 30% of all hires must be Section 3 Residents; and
   b. At least 10% of the total dollar amount of all Section 3 covered contracts for housing rehabilitation, construction, and other public construction should be awarded to eligible Section 3 Business Concerns; and,
   c. At least 3% of the total dollar amount of all Section 3 covered non-construction (e.g., professional services) contracts should be awarded to eligible Section 3 Business Concerns.

5.19.7 Environmental Review

(1) CDBG-DR funding from HUD is contingent on compliance with the National Environmental Policy Act (NEPA) and related environmental and historic preservation legislation and executive orders. All projects are also subject to historical review by the Office of Historic Preservation.

(2) All projects using CDBG-DR funding must undergo some level of environmental review, depending on activity and project scope. All awards will be considered conditional and no choice limiting actions can be taken until the environmental review is complete.

5.19.8 Green Building Standards

All reconstruction and new construction of residential buildings and substantially damaged homes must adhere to the extent practicable to the Green Building Checklist or another Green Building standard approved by HUD. Repair of buildings must follow guidelines in the HUD CPD Green Building Retrofit Checklist or another Green Building standard approved by HUD.

5.19.9 Bonding Requirements

For construction and facility improvement contracts exceeding $150,000, the Contractor/Subcontractor must comply with, at minimum:

(1) A bid guarantee from each bidder equivalent to five percent of the bid price. The "bid guarantee" shall consist of a firm commitment such as a bid bond, certified check, or other negotiable instrument accompanying a bid as assurance that the bidder will, upon acceptance of his bid, execute such contractual documents as may be required within the time specified.
(2) A performance bond on the part of the Contractor/Subcontractor for 100 percent of the contract price. A "performance bond" is one executed in connection with a contract to secure fulfillment of all the Contractor's/Subcontractor's obligations under such contract.
(3) A payment bond on the part of the Contractor/Subcontractor for 100 percent of the contract price. A "payment bond" is one executed in connection with a contract to assure payment as required by law of all persons supplying labor and material in the execution of the work provided for in the contract.

5.19.10 Insurance Requirements

Contractors/Subcontractors must maintain liability insurance for protection against claims for damages because of bodily injury or death, claims for damages, to property which may arise out of or result from the Contractor's operation under a contract whether such operations be by the Contractor or by any Subcontractor or anyone directly or indirectly employed by any of them. This amount shall be in the amount as determined by NMHC's Procurement Policy. Contractor shall present the Agency with a certificate of such insurance. Additionally, Contractor is required to carry Workers' Compensation insurance.

Property owners are required for carrying enough physical and liability insurance coverage to fully protect the CDBG-DR program asset throughout the period of affordability or loan, whichever is longer, with NMHC listed as a lienholder on all policies. When the project is placed into service, hazard insurance coverage for the whole property with replacement cost coverage, including all buildings,

project contents and revenues during the affordability period or loan, whichever is longer.

5.19.11 Floodplain, Floodway and Costal High Hazard Area Policy

Executive Order 11988- Floodplain Management requires Federal activities to avoid impacts to floodplains and to avoid direct and indirect support of floodplain development to the extent practicable. All Project recipients must comply with these federal regulations. However, at this time, NMHC will not be providing financial assistance on properties located in a floodplain.

5.20 Flood Insurance Policy

(1) Development Partners that receive any assistance from the Program and the property is located within the "100-year" floodplain then the owner is required by federal regulations to maintain flood insurance in perpetuity and, in the event of a transfer of property, the owner is required, on or before the date of transfer, to notify the transferee in writing in the documents evidencing the transfer of ownership of the property, of the requirements to obtain and maintain flood insurance in perpetuity. If a transferor fails to provide notice as described above, the transferor shall be held liable.

(2) As per Federal regulations, if an owner previously received Federal Assistance for the subject property - personal, commercial, or residential - and failed to obtain and maintain flood insurance then the owner is ineligible to receive assistance from CDBG-DR. For more information, refer to Section 582 of the National Flood Insurance Reform Act of 1994 (42 U.S.C.5 154a).

5.20.1 Validation of Development Costs and Inspections

Once a project is determined to be eligible and is selected for participation in the Program the NMHC Construction Contractor will assign a building contractor from the Program pool of pre- approved building contractors who will work with existing plans or the A/E firm to determine/verify the cost to construct the rental unit(s).

5.20.2 Lead-Based Paint Risk Assessment

Based on the determination that the home was constructed prior to 1978 and in accordance with 24 CFR 35.930(a), paint on all surfaces will be presumed to be regulated. In accordance with 24 CFR 35.930(d) for residential properties receiving more than $25,000 per unit in Rehabilitation Assistance per the HUD definition, the program will abate all lead-based paint hazards (soil-lead and dust-lead) and deteriorated paint identified during the Lead (Pb) Risk Assessment. A Lead (Pb) Risk Assessment is required to identify hazards in all target housing properties that are determined feasible for rehabilitation, including the interior/exterior surfaces of the damaged unit and in common areas that service the unit. Projects receiving reconstruction are not required to be tested for lead hazards. Lead (Pb) Risk Assessments must be done by a permitted risk assessor. Homes determined to contain lead-based paint will be subject to the clearance testing requirements of the HUD Regulations.

5.20.3 Mold Assessment and Remediation

(1) Mold assessment consists of visual assessment only, performed by the Project Manager or Inspector. Mold assessment and/or testing of the existing structure are not performed on

reconstruction projects. If a visual inspection reveals the presence of mold, additional testing via collection of bulk, swab and air samples is not necessary, unless recommended by the assessor or requested by the homeowner and agreed to by the project Manager. Testing for mold should always be performed by a qualified person. The qualified person shall be trained industrial hygienist or an indoor air quality environmental professional. Testing services will only be provided to homeowners who have signed their grant award and are in the Rehabilitation Program Managed Option.

(2) Visual inspection is the most important initial step in identifying a possible mold problem and in determining remedial strategies. The extent of any water damage and mold growth should be visually assessed and the affected building materials identified. Visual inspection should also include observations of hidden areas where damages may be present, such as crawl spaces, attics, and behind wallboard to the extent feasible without destructive testing or removal of apparently undamaged building materials.

(3) Remediation: Currently there are no governmental standards pertaining to acceptable levels of indoor airborne mold spores and structures. Mold is present everywhere in the environment.

(4) For all projects, identified moisture sources should be eliminated prior to further remediation. Post remediation dehumidification may be necessary to dry the remaining structural framing materials prior to any rehabilitation. In cases where this occurs the Project Manager will incorporate the cost into the ECR. Areas where mold was or is identified as part of the ISI, the Walk Through or construction will be required to be remediated by the builders. Materials harboring mold will be cleaned or replace.

5.20.4 Asbestos Survey Requirement (if applicable)

(1) In accordance with Federal laws and regulations, a qualified asbestos inspector must perform a comprehensive building asbestos survey that is based on a thorough inspection to identify the location and condition of asbestos containing materials (ACMS) throughout any structure. When present, small amounts of drywall, mud, floor time, mastic, etc. will be collected for sampling. Every effort will be made to collect the required samples in the least destructive manner possible. Presumed asbestos containing materials (PACM) will be documented and recorded.

(2) Proper removal and disposal of ACMs will be included in the ECR. ACMs which are friable, or which will be disturbed or removed by renovation or demolition must be removed and disposed in accordance with Federal and Commonwealth regulations by firms and individuals properly licensed for the work. If asbestos should become apparent once construction begins, procedures align with Commonwealth and local abatement procedures as well as HUD and the Environmental Protection Agency (EPA) will be followed. The builder will be responsible to retain a qualified asbestos inspector to assess suspected ACMs to be disturbed and identified subsequent to execution of the contract. Costs for additional assessment and/or removal will be handled as a change order to the builder. All asbestos abatement shall be done in accordance with EPA requirements for air pollution prevention and OSHA requirements for worker protection. The builder shall provide the Construction Manager with a copy of the *Asbestos Waste Disposal Manifest* for all ACMs removed from the site, as a condition precedent to final payment.

5.20.5 Environmental Inspection Request and Clearance

Projects that involve any Choice Limiting Actions will not eligible for CDBG-DR funding. See Environmental Policy and Procedures for details on the environmental review process, including timing for actions.

6.0 RECORD KEEPING AND REPORTING

(1) NMHC, including contractors, will comply with 24 C.F.R. Part 5.2, Compliance with the Privacy Act, which requires the safeguarding of personally identifiable information (PII) by:

a. Minimizing the use of PII on program documents and records.
b. Providing access to PII only to those who require it for official business.
c. Securing PII appropriately for paper or electronic forms.
d. Training for data security and compliance with the Privacy Act will be provided to all employees and contractors as part of their onboarding process.

(2) In accordance with HUD regulations, as a grantee and recipient of CDBG-DR funds, NMHC follows the records retention as cited in 2 CFR Part 200.333-337, which includes financial records, supporting documents, statistical records and all other pertinent records are maintained for five years after closeout of the grant between HUD and NMHC. NMHC established requirements in its contractor agreements for compliance with all HUD cross cutting requirements outlined in 2 CFR 200: Appendix 11, including record keeping requirements. Records such as grant agreements and other legal documents enforcing provisions of long-term affordability shall be maintained for five (5) years after the termination of the compliance period.

(3) Additional information regarding Records retention, how the program will manage Personally Identifiable Information (PII), and file security, please refer to NMHC Recordkeeping and Reporting Policy.

APPENDICES

CNMI CDBG-DR

CDBG-DR GAP-FILLER TO LOW INCOME HOUSING TAX CREDITS PROGRAM

(LIHTC PROGRAM)

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NORTHERN MARIANAS HOUSING
CORPORATION

CDBG-DR PROGRAM GUIDELINES

CDBG-DR GAP-FILLER TO LOW-INCOME HOUSING TAX CREDITS (LIHTC)

VERSION CONTROL

VERSION NUMBER	DATE REVISED	DESCRIPTION OF REVISIONS
1.0	Dec. 31, 2020	Original Guidelines
2.0		Amendments to Sections: Addition of Sections:

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Established Periods of Time

Unless otherwise specified, all established periods of time addressed in this and all CDBG-DR Program Guidelines will be considered calendar days.

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2 Definitions

- **Accessible**: when used with respect to the design, construction, or alteration of a facility or a portion of a facility other than an individual dwelling unit, means that the facility or portion of the facility when designed, constructed or altered, can be approached, entered, and used by individuals with physical handicaps. The phrase *accessible to and usable by* is synonymous with accessible. See 24 C.F.R. § 8.3 and § 8.4.

- **CNMI Action Plan:** defines how the CDBG-DR funding allocation by the Department of Housing and Urban Development (HUD) will be utilized in order to meet the urgent humanitarian needs of the CNMI's residents through the implementation of a transformative recovery program. The Action Plan provides an analysis of the first damage calculation and reports on the programs that will meet urgent needs of housing, planning, economic recovery and infrastructure. The Action Plan was approved by HUD on October 16, 2020. The Action Plan is

Established Periods of Time

Unless otherwise specified, all established periods of time addressed in this and all CDBG-DR Program Guidelines will be considered calendar days.

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1 Program Overview

The Commonwealth of the Northern Mariana Islands (CNMI) faces an increased need for rental housing stock in the aftermath of Super Typhoon Yutu. The substantial reduction in available housing units exacerbated by the storm's destruction, combined with a number displaced residents in need of housing, represents a major hindrance to long-term recovery. Incentives are required to spur development and replenish the current inventory of new, resilient, and affordable rental housing. In line with many grantees' strategy to combat the shortfall, effective utilization of the Low-Income Housing Tax Credits (**LIHTC**) leverages such an incentive.

The CDBG-DR Gap-filler to Low-income Housing Tax Credits Program, hereinafter referred to as the '**Program**,' as approved on the Action Plan, will provide the incentive required to spur development and replenish the current inventory of new, resilient, and affordable rental housing.

The Program objective is to leverage LIHTC to extend the impact of CDBG-DR funding with the aim of increasing the inventory stock of affordable multifamily rental units. To accomplish this, the Northern Marianas Housing Corporation (NMHC) intends to optimize the use of CDBG-DR funds by providing gap funding and if needed, interim and permanent loans, to leverage available LIHTCs to create/rehabilitate affordable rental housing. All developments funded through this Program will benefit low- and moderate-income populations.

2 Definitions

- **Accessible**: when used with respect to the design, construction, or alteration of a facility or a portion of a facility other than an individual dwelling unit, means that the facility or portion of the facility when designed, constructed or altered, can be approached, entered, and used by individuals with physical handicaps. The phrase *accessible to and usable by* is synonymous with accessible. See 24 C.F.R. § 8.3 and § 8.4.

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- **Americans with Disability Act (ADA)**: the ADA is a civil rights law that prohibits discrimination against individuals with disabilities in all areas of public life, including jobs, schools, transportation, and all public and private places that are open to the general public.
- **Area Median Family Income (AMFI):** the median household income adjusted by family size for a given area. This number varies by municipality and/or Metropolitan Statistical Area (MSA), depending on the actual median income of a municipality or MSA.
- **Award:** means the date of execution of the *Binding Commitment for a Certificate of Reservation for a Low-Income Housing Tax Credit Allocation* and/or *Carryover Allocation Agreements*.
- **Broadband infrastructure**: cables, fiber optics, wiring, or other permanent (integral to the structure) infrastructure –including wireless infrastructure– as long as the installation results in broadband infrastructure in each dwelling unit meeting the Federal Communications Commission's (**FCC**) definition in effect at the time the pre-construction estimates are generated. The FCC defines broadband speeds as 25 Megabits per second (Mbps) download, 3 Mbps upload (83 FR 51867).
- **Cost reasonableness**: construction costs that are deemed reasonable and consistent with market costs at the time and place of construction in compliance with Federal Register Volume 83, No. 157 (August 14, 2018), 83 FR 40318.
- **CDBG-DR Agreement:** the contractual agreement for the use of CDBG-DR funds as gap financing to low income housing tax credits between NMHC and the Developer. Funds cannot be released without a signed agreement in place.
- **Community Development Block Grant – Disaster Recovery (CDBG-DR):** a term for the HUD funding stream that is allocated to eligible disaster recovery entities via congressional appropriations.
- **Developer:** any individual, association, corporation, joint venture or partnership undertaking a LIHTC development under this Program. When referring to the operational aspect of a project the applicable entity may actually be the Owner.
- **Environmental Review Record (ERR):** a detailed record containing the existence of negative impacts on a site, the means to mitigate negative impacts, alternatives to the project (if needed), and the rejection of the proposed activities if all other options fail and it becomes the most prudent action to take.
- **Fair Housing Act (FHA):** the Fair Housing Act requires all grantees, sub-recipients, and/or Developers funded in whole or in part with HUD financial assistance to certify that no person was excluded from participation in, denied the benefit of, or subjected to discrimination in any housing program or activity because of their

age, race, color, creed, religion, familial status, national origin, sexual orientation, military status, sex, disability or marital status.

- **Housing and Community Development Act of 1974 (HCDA),** Section 109: prohibits discrimination on the basis of race, color, national origin, disability, age, religion, and sex within Community Development Block Grant (CDBG) programs or activities.

- **Internal Revenue Code (IRC):** is the body of law that codifies all federal tax laws and are implemented by the Internal Revenue Service (IRS) through its Treasury Regulations and Revenue Rulings.

- **Low Income Housing Tax Credits (LIHTC):** included in the Tax Reform Act of 1986 approved by Congress, which introduced the Internal Revenue Code Section 42. There are two type of credits: nice percent (9%) available for new construction or rehabilitations that are not financed with tax-exempt bonds and four percent (4) available for existing housing (acquisition) or for new construction or rehabilitations financed with tax-exempt bonds.

- **Low- to Moderate-Income (LMI):** low to moderate income people are those having incomes not more than the "moderate-income' level eighty percent (80%) Area Median Family Income) set by the federal government for the HUD assisted Housing Programs. This income standard changes from year to year and varies by household size, county, and the metropolitan statistical area.

- **Management Agent:** an entity that has day-to-day frontline responsibilities for a HUD-insured and/or assisted multifamily housing property. The Developer is responsible for seeking out and selecting a management agent that meets the standards outlined in the Management Agent Handbook (**Handbook 4381.5**), Chapter 2. The HUD-Developer management agent relationship is defined and subject to the requirements and procedures set forth in Handbook 4381.5.

- **Place in Service:** the date when at least one (1) unit of the project is suitable for occupancy, and this is validated with the submittal of a Certificate of Occupancy issued by the Building Safety Code Office of the Department of Public Works.

- **Northern Marianas Housing Corporation (NMHC):** The agency that has been designated as the entity responsible for administering the CDBG-DR funds allocated for the recovery from disasters caused by Typhoon Mangkhut and Super Typhoon Yutu of 2018. NMHC is also the administering agency for the LIHTC Program.

- **Responsible Entity (RE):** under 24 C.F.R. Part 58, is a grantee that receives CDBG assistance. The responsible entity must complete the environmental review process. The RE is responsible for ensuring compliance with the National Environmental Policy Act (**NEPA**) and the Federal laws and authorities has been achieved, for issuing the public notification, for submitting the request for release

of funds and certification, when required, and for ensuring the Environmental Review Record (**ERR**) is complete. The responsible entity must designate a Certifying Officer – the "responsible Federal official" – to ensure compliance with NEPA and the Federal laws and authorities cited at 24 C.F.R. § 58.5 has been achieved. In addition, the funding recipient is responsible for designating an Environmental Officer.

- **Substantial rehabilitation:** for the purposes of determining when installation of broadband infrastructure is required as part of substantial rehabilitation of multifamily rental housing, unless otherwise defined by a Program, means work that involves:
  - (1) Significant work on the electrical system of the multifamily rental housing. "Significant work" means complete replacement of the electrical system or other work for which the pre-construction cost estimate is equal to or greater than seventy five percent (75%) of the cost of replacing the entire electrical system. In the case of multifamily rental housing with multiple buildings with more than four (4) units, "entire system" refers to the electrical system of the building undergoing rehabilitation; or
  - (2) Rehabilitation of the multifamily rental housing in which the pre-construction estimated cost of the rehabilitation is equal to or greater than seventy five percent (75%) the total estimated cost of replacing the multifamily rental housing after the rehabilitation is complete. In the case of multifamily rental housing with multiple buildings with more than four (4) units, the replacement cost must be the replacement cost of the building undergoing rehabilitation. 85 FR 4681
- **Uniform Federal Accessibility Standards (UFAS):** proscribes uniform standards for the design, construction, and alteration of buildings that ensure individuals with disabilities have ready access to and use of them in accordance with the Architectural Barriers Act, 42 U.S.C. § 4151-4157.
- **United States Department of Housing and Urban Development (HUD)**: is the principal federal agency responsible for programs concerned with housing needs, fair housing opportunities, and improving and developing U.S. communities.

3 Program Description

The Program responds to the need for safe, quality, and affordable rental housing in the CNMI. Typhoon Mangkhut and Super Typhoon Yutu devastated the already existing shortage of affordable rental housing stock. The total destroyed rental units according to FEMA was 228 with a smaller number attributed to owner destroyed units. A recorded 5,492 rental households applied for the Federal Emergency Management Agency Individual Assistance (**FEMA IA**) as a result of Typhoon Mangkhut and Super Typhoon Yutu.[1] The number of units with confirmed damage may increase as assessment of damage and inspections for code compliance post-storm continues. In the rental market

[1] FEMA data

recovery, there is a strong need to formalize the Island-wide rental market reporting and housing standard compliance. Aging buildings impacted by the storms will need to be addressed with a focus on resilience. NMHC's New Construction Program multifamily units under HUD were constructed in the late 70s to early 80s. Before the typhoons, there were 217 persons on the multifamily housing waiting list and 185 (as of October 2018) on the Section 8 waiting list. Current numbers (as of November 2020) on the waiting list for the multifamily housing and Section 8 are 516 and 223, respectively. Further, there are about 16,708 rooms in housing units and about 1,092 rooms that are overcrowded by one (1) or more persons.[2]

NMHC will utilize Community Development Block Grant-Disaster Recovery (**CDBG-DR**) to provide gap funding to augment other public and private financing for the construction of affordable rental housing units under the LIHTC program. Under a typical LIHTC program, a Developer secures a construction and/or permanent loan from a private lender or public agency, gap financing from a public or private source, and equity from private investors in exchange for LIHTCs. This CDBG-DR funding will meet any capital shortfalls (gaps) and expedite the pace of qualified, new construction and/or rehabilitation projects which are shovel-ready.

The LIHTC program, described by HUD as "the most important resource for creating affordable housing in the United States today,"[3] allows individuals and legal entities to claim federal income tax credits in exchange for delivering affordable rental housing. LIHTC offers two forms of tax credits, namely, nine percent (9%) for new construction/rehabilitation, and four percent (4%) for new construction/rehabilitation projects that are partially financed with tax-exempt obligations. In the CNMI, NMHC only offers the nine percent (9%) form of tax credits. According to the Internal Revenue Code (**IRC**), over a ten-year period, the respective applicable tax credit percentages are those that yield credits with a present value equal to seventy percent (70%) and thirty percent (30%) of the qualified basis of a project. See 26 U.S.C. §42(b)(1)(B).

These guidelines outline the policies that the Program uses to provide services and fund LIHTC projects that qualify for nine percent (9%) LIHTCs only. Policies related to funding capital gaps for projects supplemented by four percent (4%) LIHTCs are not included in these guidelines.

4 National Objective

The national objective of this Program is to benefit low- and moderate-income (**LMI**) persons (below eighty percent (80%) Area Median Family Income (**AMFI**) according to the HUD Income Limits. The objective will be realized when each Project is occupied by fifty-one percent (51%) of LMI households.

5 Program Criteria

Under the Qualified Allocation Plan 2017-2018 (**QAP 2017-2018**) funding cycle, there are two existing shovel-ready projects in the nine percent (9%) LIHTC pipeline which are

[2] 2017 CNMI Labor Force Survey

[3] See https://www.huduser.gov/portal/datasets/lihtc.html.

expected to be completed within **twenty-four (24) months** of the signed CDBG-DR Agreement. CDBG-DR funds with nine percent (9%) LIHTC will be leveraged to stretch both funding sources.

In addition to creating affordable rental housing stock, this Program will include eligible activities, such as, housing construction, acquisition, implementation of the Green Building Standards, and other activities to supplement the existing LIHTC program.

Projects funded through this Program must maintain affordable housing in accordance with the affordability period required by the Federal Register Vol. 83, No. 157 (August 14, 2018), 83 FR 40314, or the affordability period required by LIHTC, whichever is longer. Affordability periods outlined in 83 FR 40314 are as follows:

- Rehabilitation or reconstruction of multi-family rental projects with eight (8) or more units must remain affordable for a period of no fewer than **fifteen (15) years**.
- New construction of multi-family rental projects with five (5) or more units must remain affordable for a period of no fewer than **twenty (20) years**.

LIHTC compliance periods are specified in the property's *Carryover Allocation Agreement* with NMHC and are specific to each property.

All approved projects under these Guidelines are governed by Section 42 of the Internal Revenue Code, 24 C.F.R. § 570, 83 Federal Register, No.157 (August 14, 2018), Vol. 84 No. 33 (February 19, 2019), *et seq.*, and any other applicable federal statutes or regulations governing the CDBG-DR Program by Congress, HUD, and NMHC. Modification of any relevant statute or regulation may become effective immediately and apply to the Projects funded under this Program.

6 Eligible Projects

Eligible projects include rental housing developments that have been awarded/reserved in 2018, 2019, 2020, and 2021 LIHTCs from the QAP 2017-18, QAP 2019-20, and QAP 2021-22 cycles.[4] The selection criteria and other weighting can be found in the state's QAP. NMHC will allocate CDBG-DR grants and/or loans to fill any existing financial gaps.

The QAP 2017-18 and QAP 2019-20 which can be found at the NMHC website (www.nmhcgov.net) in conjunction with these program guidelines as reference for detailed responsibilities and compliance requirements.

6.1 Construction Requirements

The CDBG-DR Agreement, as previously defined, cannot be executed until compliance with the following requirements is certified. The implementation of the requirements included in this section, with the exception of the Environmental Review, will be evaluated and certified by the CDBG-DR Compliance Manager with the assistance of the Department of Public Works and CRMO as part of their technical review before the execution of the CDBG-DR Agreement, and, thereafter, during scheduled inspections.

[4] For CDBG-DR purposes, the term *"award," with regards to the LIHTC program,* means the date of execution of the *Binding Commitment for a Certificate of Reservation for a Low-Income Housing Tax Credit Allocation* and/or *Carryover Allocation Agreements.*

Projects under construction and *shovel ready* (those able to begin construction once the CDBG-DR Agreement is signed) will have priority. Readiness to proceed will be validated by the NMHC's review of the technical evaluation of plans, studies, permits and governmental endorsements, among other documents, that Developers will provide.

6.2 Implementation of Green Building Standards

As required by 83 FR 5844, and amended by 84 FR 4836, all new construction of residential buildings and all replacement of substantially damaged residential buildings must comply with a HUD-approved Green Building Standards. Therefore, LIHTC projects that meet criteria for new construction or replacement of substantially damaged buildings are required to obtain a minimum of one of the listed certifications:

- ENERGY STAR® (Certified Homes or Multifamily High-Rise),
- Enterprise Green Communities,
- Leadership in Energy and Environmental Design (**LEED**) (New Construction, Homes, Midrise, Existing Buildings Operations, and Maintenance, or Neighborhood Development),
- ICC–700 National Green Building Standard,
- Environmental Protection Agency (**EPA**) Indoor AirPlus (ENERGY STAR® a prerequisite), or
- Any other equivalent comprehensive green building program acceptable to HUD.

As part of the CDBG-DR project submission, the Developer shall identify at least one Green Building Standard and include a checklist, or other suitable documentation, which demonstrates adherence to the selected standard(s).

For rehabilitation of non-substantially damaged structures, Developers shall adhere to the guidelines specified in the HUD Community Planning and Development Green Building Retrofit Checklist[5], to the extent applicable, of the rehabilitation work undertaken, including the use of mold resistant products when replacing surfaces such as drywall. When rehabilitation work includes replacing older or obsolete products, the Developer must use ENERGY STAR® -labeled, Water Sense-labeled, or Federal Energy Management Program (FEMP)-designated products and appliances.

NMHC will verify the CDBG-DR project applications for compliance as part of the technical review required as a prerequisite before the CDBG-DR Agreement can be signed.

6.3 Broadband Infrastructure Requirements

Under 83 FR 5844, projects are required to include installation of broadband infrastructure at the time of new construction or substantial rehabilitation for multifamily rental housing that is funded or supported by HUD.

NMHC aims to narrow the digital divide in low-income communities served by HUD. Installing unit-based broadband infrastructure in multifamily rental housing that is newly constructed or substantially rehabilitated with or supported by HUD funding will provide

[5] https://files.hudexchange.info/resources/documents/CPD-Green-Building-Retrofit-Checklist.xls

a platform for individuals and families residing in such housing to participate in the digital economy and increase their access to economic opportunities.

Projects are excluded from this requirement only if one of the below exclusions can be documented and validated by NMHC:

- the location of the new construction or substantial rehabilitation makes installation of broadband infeasible;
- the cost of installing broadband infrastructure would result in a fundamental alteration in nature of its program, or activity, or in an undue financial burden; or
- the structure of housing, to be substantially rehabilitated, makes installation of broadband infrastructure infeasible.

While Projects are only required to include one form of broadband infrastructure, it is recommended to install more than one form as this will promote competition among service providers on quality and price for residents.

CDBG-DR Compliance Manager will verify the CDBG-DR project application for compliance as part of the technical review, which is required as a prerequisite before the CDBG-DR Agreement can be signed.

6.4 Accessibility Requirements

All LIHTC developments must comply with the following accessibility requirements:

- Five percent (5%) of the total ground floor and/or elevator-serviced unit inventory must be made fully mobility-accessible under the 2010 ADA Standards and, wherever applicable, the Uniform Federal Accessibility Standards (UFAS).

- Three percent (3%) of the total unit inventory must be made sensory-accessible under the 2010 ADA Standards and, wherever applicable, the Uniform Federal Accessibility Standards (UFAS).

Prior to commencing construction, the Developer shall provide the following obligations:

- Preliminary drawings of the proposed new construction and/or rehabilitation including a site plan, building elevations, and unit floor plans must be provided. The project architect shall certify that the development will comply with the accessibility requirements of the FHA and, wherever applicable the 2010 ADA standards and UFAS.
- Proof of professional liability insurance covering the project's architect for an amount not less than ten percent (10%) of the estimated construction cost, in case of, negligence.
- Proof of performance or surety bond for no less than fifty percent (50%) of the construction contract.
- A signed certification from a qualified architect and/or engineer retained for the accessibility inspection of the new construction and/or project rehabilitation must be provided as verification that covered units and project common areas comply with the structural accessibility mandates of the FHA and, wherever applicable,

the 2010 ADA standards and UFAS.

Pursuant to the regulatory requirements of 24 C.F.R. § 8.53(a) and 28 C.F.R. § 35.107(a), all Management Agents who employ fifteen (15) or more individuals shall designate a Section 504/ADA Coordinator. These coordinators are responsible for the performance of 504/ADA-related responsibilities, including providing prompt and equitable resolution of disability discrimination complaints.

The CDBG-DR Compliance Manager will verify the CDBG-DR project application for compliance as part of the technical review, which is required as a prerequisite before the CDBG-DR Agreement can be signed.

7 Environmental Requirements

7.1 Environmental Review

The purpose of the Environmental Review is to ensure that all projects subsidized with CDBG-DR funds follow all applicable federal laws and authorities identified in 24 C.F.R. part58: Environmental Review Procedures for Entities Assuming HUD Environmental Responsibilities. The Environmental Review is required to determine the environmental eligibility of a proposed project(s) or activity(s) to allow any environmental mitigation requirements to be performed prior to or during construction work.

No work may start on a proposed project before the environmental review process is completed, even if that work is being done using non-HUD funds, such as signing a construction contract, etc., specifically, environmental clearance must be obtained for each project prior to the firm commitment of federal or non-federal funds. (24 CFR §58.22). **A violation of this requirement may jeopardize federal funding to a project and disallow all costs that were incurred before the completion of the Environmental Review.**

NMHC (by designation from the Office of the Governor) is the Responsible Entity for environmental matters. NMHC will maintain a written Environmental Review Record (ERR) of the environmental review process meeting the legal requirements and documenting NMHC review and compliance with the related federal authorities listed in 24 C.F.R. part 58 which includes, as appropriate, the following:

- Describes the project and activities that NMHC has determined to be part of a project;
- Evaluates the effects of the project or the activities on the human environment; Documents compliance with applicable statutes and authorities, in particular, those cited in 24 CFR § 58.5 and § 58.6; and
- Records the written determinations and other review findings required by this part (e.g., exempt and categorically excluded projects determinations, and findings of no significant impact.

7.2 Lead-Based Poisoning Prevention Act

In order to successfully fulfill the requirements in the Environmental Review, Developers must be compliant with the Lead-Based Poisoning Prevention Act (42 U.S.C. § 4821-4846) and all regulations and procedures stipulated by the Bureau of Environmental

Health/CHCC and any amendments thereof.

7.2.1 Lead-Based Paint Poisoning Prevention in Certain Residential Structures

All housing units assisted using CDBG-DR funds must comply with the regulations regarding lead-based paint found at 24 C.F.R. part 35 on Lead-Based Paint Poisoning Prevention in Certain Residential Structures.

The requirements established by this regulation are as follows:

- Notification
  - Lead Hazard Information Pamphlet - All program Applicants must receive a Lead Hazard Information Pamphlet at the time of application as well as sign an acknowledgement form, a copy of which will be placed into the Applicant's file.
  - Notice of Lead Hazard Evaluation – Developers and tenants of program assisted properties must receive results of any lead hazard evaluation work within fifteen (15) days of the evaluation. A copy of this notice will be kept within the Applicant's file.
  - Notice of Lead Hazard Reduction Activity – Developers and tenants of program assisted properties must be notified of the results of any lead hazard reduction activity within **fifteen (15) days** of clearance. A copy of this notice will be kept within the Applicant's file.
- Lead Hazard Assessment/Evaluation – Including visual assessments, paint testing, and risk assessments. Each method has specific requirements defined in subpart R of the regulation and must be done by qualified professionals,
- Lead Hazard Reduction – Including paint stabilization, interim controls, standard treatments, or abatement. Each method has specific requirements defined in subpart R on Methods and Standards for Lead-Paint Hazard Evaluation and Hazard Reduction Activities and must be done by qualified professionals. (24 C.F.R. part 35 §§ 35.1300 - 35.1355).

Homebuilders will retain demolition contractors to properly mitigate, demolish and properly dispose of construction debris for houses built before 1978-when EPA banned lead-based paint- that are to be demolished to clear a lot for new house construction.

A lead-based paint assessment will be conducted by a licensed lead-based paint assessor on those houses that were built before 1978 but are eligible for rehabilitation.

7.3 Residential Lead-Based Paint Hazard Reduction Act

Congress passed the Residential Lead-Based Paint Hazard Reduction Act of 1992, also known as Title X, to protect families from exposure to lead from paint, dust, and soil. Section 1018 of this law directed HUD and EPA to require the disclosure of known information on lead-based paint and lead-based paint hazards before the sale or lease of most housing built before 1978. (42 U.S.C. Ch. 63A)

7.3.1 Sale or Lease

Before ratification of a contract for housing sale or lease, sellers and landlords must:

- Give an EPA-approved information pamphlet on identifying and controlling lead-

based paint hazards ("Protect Your Family from Lead in Your Home" pamphlet)

- Disclose any known information concerning lead-based paint or lead-based paint hazards. The seller or landlord must also disclose information such as the location of the lead-based paint and/or lead-based paint hazards, and the condition of the painted surfaces.
- Provide any records and reports on lead-based paint and/or lead-based paint hazards which are available to the seller or landlord (for multi-unit buildings, this requirement includes records and reports concerning common areas and other units, when such information was obtained as a result of a building-wide evaluation).
- Include an attachment to the contract or lease (or language inserted in the lease itself) which includes a Lead Warning Statement and confirms that the seller or landlord has complied with all notification requirements. This attachment is to be provided in the same language used in the rest of the contract. Sellers or landlords, and agents, as well as homebuyers or tenants, must sign and date the attachment.
- Sellers must provide homebuyers a 10-day period to conduct a paint inspection or risk assessment for lead-based paint or lead-based paint hazards. Parties may mutually agree, in writing, to lengthen or shorten the time period for inspection. Homebuyers may waive this inspection opportunity.

7.4 Flood Insurance Program Requirements

Projects located in a Special Flood Hazard Area (**SFHA**) (also known as the 100-year floodplain) that receive assistance under CDBG-DR must obtain and maintain flood insurance in the amount and duration prescribed by FEMA's National Flood Insurance Program. Section 102(1) of the Flood Disaster Protection Act of 1973, 42 U.S.C. § 4012(a) mandates the purchase of flood insurance protection for any HUD-assisted property within a Special Flood Hazard Area.

FEMA recommends, although not required, to purchase flood insurance for those properties outside the SFHA that are prone to flooding in order to better protect the Developer from the economic risks of future floods and reduce dependence on Federal disaster assistance in the future.

8 Compliance Monitoring

The aforementioned QAPs include a Compliance Monitoring Plan, pursuant to the requirements stated in 26 U.S.C. § 42, the NMHC will follow in notifying the Internal Revenue Service (**IRS**) of noncompliance with the LIHTC program.

In accordance with the QAP's Compliance Monitoring Plan, pursuant to 26 U.S.C. § 42, Developers or Management Agents are required to provide annual certifications of qualified low-income tenants, including tenant income and rents charged, the number of qualifying low-income units, as well as any other information pertinent to determine compliance. See Section V. COMPLIANCE MONITORING PLAN of the QAP.

Developers are advised that NMHC is required to perform compliance monitoring. To facilitate monitoring, NMHC and its designees will have access to all project information,

including but not limited to, physical access to the project, financial records, and tenant information for the purpose of monitoring compliance with 26 U.S.C. § 42 and with CDBG-DR requirements.

In the case of a noncompliance incident, NMHC will advise the Developer, as well as, notify the IRS or any other federal agency, as deemed necessary. Further note that regardless of the status of the noncompliance incident (resolved or not) all incidents related to the LIHTC laws and regulations will be reported to the IRS.

8.1 Occupancy Requirements

To be considered an eligible housing activity under CDBG-DR funding, rental housing must be occupied by LMI households. The rents must be considered "affordable" to meet this criterion. LIHTC rents are set at 30 percent (30%) of the income of the AMI tied to the unit. This is calculated with an assumed family size of 1.5 persons per bedroom.

Household income at move-in must not exceed the applicable income limit designated for the household's family size in accordance with the affordability requirements defined by HUD. These are published annually at www.huduser.gov/portal/datasets/il.html.[6] Prior to moving in or taking possession of a unit, the Developer or Management Agent is required to certify that the household meets the income requirements. Certification of residents after move- in may impact the Developer's ability to claim tax credits for the unit.

If a family's income increases after they move in, the family is not disqualified from staying in the unit-even if the increase is about the unit's income requirements. In buildings that have a mix of tax credits units and other types of units (such as units that are market rate), the Developer must follow the "next available unit rule". This means that if a tenant in a LIHTC unit's income increases to more than one hundred forty percent (140%) of the AMI, the next available unit must be rented to someone within the appropriate income level for admission. However, the tenant with the increased income is still eligible to remain in his/her unit.

All Developers under contract to NMHC must comply with federal, state and local laws that prohibit discrimination on the basis of disability, including but not limited to the Federal Civil Rights Act (Title VI), the Federal Fair Housing Act (Title VIII), Section 504 of the Rehabilitation Act of 1973 (504) and the Americans with Disabilities Act (ADA). In addition, Developers cannot discriminate against voucher families and must accept Section 8 voucher tenants.

All new and existing LIHTC projects with fully accessible units for occupancy by individuals with mobility and/or sensory impairments shall provide a preference for those accessible units as follows:

- Preference will be given to the occupant of another unit within the same project having disabilities requiring accessibility features of the vacant unit and who is occupying a unit lacking such features.
    - If no such occupant exists, then preference will be given to an eligible

[6] https://www.huduser.gov/portal/datasets/il/il2020/2020summary.odn

qualified applicant on the waiting list having disabilities requiring the accessibility features of the vacant unit.

- In the case that the unit is offered to an applicant without disabling conditions needing of the unit's accessibility features, then the Developer and/or manager shall require the applicant to agree to move to a non-accessible unit whenever it becomes available and within the delivery of a written notification.

Developers and Management Agents shall adopt suitable means to ensure the information regarding the availability of accessible units reaches eligible individuals with disabilities and shall undertake reasonable nondiscriminatory steps to maximize the utilization of such units by eligible individuals.

9 Financing Requirements

9.1 Subsidy Layering Review and Underwriting

The Subsidy Layering Review (**SLR**) will certify that there is no overlap of government subsides when combining housing assistance programs with other forms of federal funds administered by Federal, CNMI, or local agencies.

To perform this review, NMHC will evaluate each project for determining a reasonable level of profit or return on a Developer's or Developer's investment. Based on this determination, NMHC will determine whether and how much the Developer must invest, and/or which other funding sources and types can be applied to the project. The review will ensure that costs are eligible under each project, and all income and expenses are reasonable and within the prescribed standards.

Pro-forma statements will be prepared by NMHC based on the analysis described above, which will include recommended sources and uses of funds, as well as projected operating income for the term of affordability. These will include the amount of LIHTC that a project would be eligible to receive, as well as the amount of permanent financing based on the established parameters, governmental subsidies, capital contributions, CDBG-DR funds, and funds from NMHC or other state or private programs.

NMHC will ensure that:

- Project costs are reasonable;
- All sources of project financing are committed;
- To the extent practicable, CDBG-DR funds are not substituted for non-Federal financial support;
- The project is financially feasible;
- To the extent practicable, the return on the Developer's equity investment will not be unreasonably high; and
- To the extent practicable, CDBG-DR funds are disbursed on a pro-rata basis with other finances proved to the project.

NMHC will underwrite the rents according to LIHTC limits except for projects that intend to use project-based rental assistance (e.g., Section 8, Project Based Vouchers, PHA, or similar legislation), which will be underwritten as per applicable regulations, provided written evidence is submitted (e.g., award letter indicating gross rents approved for the project or executed rental subsidy agreement). Also, when combining LIHTC properties

with a project-based rental assistance program, the Developers shall ensure that they meet both sets of program rules regarding income limits application.

9.2 CDBG-DR Funding Considerations

Further, CDBG-DR funds may not be used in conjunction with NMHC's HOME Program. CDBG-DR awards must meet LIHTC's rent and income limits, use, and compliance monitoring limitations, as well as any other existing or future regulatory requirements.

CDBG-DR allocations will be based on equity gaps determined for each submitted application, once the project is evaluated as per the QAP requirements and applicable underwriting guidelines, along with any specific CDBG-DR requirements, with updated sources and uses budget and any additional financial information NMHC may require. CDBG-DR funds will be awarded first to projects that received a LIHTC award during the 2017-2018 allocation cycle(s).

Funds will be disbursed monthly on a draw basis. No disbursements are allowed unless the CDBG-DR Agreement is signed and dated by both parties (NMHC and Developer). Refer to the Section on *Responsibilities of the Developer,* for a detailed description of the Developer's duties before the execution of the CDBG-DR Agreement, during construction and after completion of construction.

9.3 Allowable Expenditures

Only costs identified in the CDBG-DR Agreement will be considered eligible for payment by this Program. All construction costs shall be considered to be cost reasonable in accordance with 83 FR 40318. Extended overhead costs required to complete the CDBG-DR proposal submission are not allowable costs.

The development budget will identify the payment source of each line item. Developers must ensure that only CDBG-DR eligible costs are included in invoices submitted to the program. CDBG-DR funds may be used for capital investment in eligible LIHTC projects. Capital investment means costs that are included in the eligible basis of a project under the IRC. See 26 U.S.C. § 42 on Low-income housing credit.

Accounting of disbursements and projects' expenditures will be ongoing to ascertain that funds are expended according to the terms of the CDBG-DR Agreements. This process will help identify those projects that do not comply with deadlines. Quarterly, NMHC will track fund commitments and expenditures, and beneficiary information when available.

Developers shall commit to the development funding plan (schedule of performance and development budget)[7] outlined in their respective CDBG-DR Agreements and must be acceptable to NMHC, confirming that:

- Development of the qualified rental property will be constructed and placed in service by the date stipulated in the LIHTC Carryover Allocation Agreement.

[7] The development funding plan refers to the development budget and schedule of performance for each project. It is incorporated as part of the CDBG-DR Agreement.

- Developers shall file a monthly report providing confirmation of progress toward meeting the established expenditure deadlines. The assigned NMHC/CDBG-DR Finance Manager will review the plan and enforce compliance.
- A Project that is not completed in accordance with the terms and conditions of the CDBG-DR Agreement shall be considered terminated prior to completion, and all CDBG-DR funds will be recaptured.

The Developer will be subject to liquidated damages as related to their timeframes of performance under the Program. Timeframes of performance will be established in the CDBG-DR Agreement. Developers shall pay to NMHC, as liquidated damages, the amounts set forth on the CDBG-DR Agreement for each calendar day that the completion of works is late until deemed in compliance.

The CDBG-DR Agreement will set forth all CDBG-DR program and crosscutting federal grant requirements. These will be enforceable through the recordation of a restriction binding on all Developers and successors. This is achieved with a public deed recorded at the Commonwealth Recorder's Office.

NMHC reserves the right to exercise its prudent discretion when the circumstances so warrant it. NMHC will recapture funds not expended within the terms stipulated in the CDBG-DR written agreements. Recaptured funds will be returned to the program for future use.

9.4 Change Order Requests

Depending on each project's percentage of completion and an assessment of whether any project delays will affect meeting CDBG-DR deadlines, Developers may be responsible for any equity gap they may face. Changes in plans or specification after the CDBG-DR Agreement has been executed including any increase or decrease to the quantity of work to be performed or materials, equipment, or supplies to be furnished shall not be allowed without the express written permission of NMHC.

Requests for change orders shall only be considered if the Developer demonstrates the change is necessary, reasonable, and cannot be funded through the Project's contingency budget or through funding sources other than CDBG-DR. Request for change order should not result in an increase of more than five percent (5%) of the approved budget in the executed CDBG-DR Agreement.

NMHC will evaluate all requests for a change order to determine whether costs are necessary and reasonable for the timely completion of the Project or to protect the initial investment of CDBG-DR funds. Approval of change orders is subject to the discretion of NMHC, and availability of CDBG-DR funds. Change order requests for an increase in the value of the CDBG-DR Agreement in excess of five percent (5%) will only be considered if the Developers can demonstrate that the change order is required due to a substantial or unexpected change in Project circumstances beyond the control of the Developer. Requests for change orders in excess of five percent (5%) will be considered on a case-by-case basis.

Any work performed outside of the approved scope of work without prior authorization by means of a Change Order is not reimbursable under the CDBG-DR Agreement.

Developers shall be responsible for all costs incurred due to activities performed beyond the approved scope of work without prior authorization by a duly authorized change order.

9.5 Program income

Any and all collection of payments for CDBG-DR funds disbursed as interim loans shall be considered Program Income and maintained by NMHC under the direction of NMHC. These are to include loan payments – inclusive of principal and interest – from the Developer, as well as any loan or grant repayments as a result of program non-compliance.

To the maximum extent feasible, program income shall be used or distributed before additional withdrawals from the U.S. Treasury are made, in accordance with 83 FR 5844. NMHC will establish an independent, no-interest bearing account for program income received from the Program.

Program income does not include any operating income generated by the project after any loans funded through CDBG-DR funds are repaid, and the Project is occupied.

10 Responsibilities of the Developer

10.1 Before Execution of the CDBG-DR Agreement

This section sets forth the responsibilities and obligations that the Developer must meet in order to enter into a binding CDBG-DR Agreement with NMHC.

All existing LIHTC projects under this Program will be required to submit a new proposal as part of the CDBG-DR Agreement. This proposal shall include, but is not limited to, a revised development funding plan accounting for the costs and timeline of implementing the CDBG-DR requirements, an updated design and plan specifications, updated threshold review documentation (i.e. Designer's Preliminary Opinion Letter, Valid Construction Permit, etc.) and other documentation as requested by NMHC.
At the discretion of NMHC, CDBG-DR funding will be made available to pay for the eligible costs related to the update of the design to meet the CDBG-DR design requirements. The cost must be evaluated as cost reasonable as part of the independent cost analysis of the project.

If any of the above certifications are incorrect for any cause attributable to the Developer, NMHC shall have just cause for terminating the CDBG-DR Agreement immediately.

The following documentation must be received and accepted by NMHC prior to the execution of the CDBG-DR Agreement:

- A written report by the CDBG-DR Compliance Manager:
    - the Plans have been received and have been approved by all pertinent Governmental Authorities;
    - the Improvements as shown by the Plans will comply with all applicable zoning and construction laws, ordinances, and regulations;
    - the Construction Contract satisfactorily provides for the construction of the Improvements;

  - all roads and utilities necessary for the full utilization of the Improvements for their intended purposes have been completed or are contemplated within the Improvements or the presently installed and proposed roads and utilities are sufficient for the full utilization of the Improvements for their intended purpose; and
  - the construction of the Improvements theretofore performed, if any, was performed in accordance with the Plans and will be finished along with all necessary roads and utilities on or before the Construction Completion Date.
- Current Financial Statements of the Authorized Representative of the Developer, and/or Owner, and any other financial documents and/or data deemed reasonably required by NMHC;
- Evidence of payment and performance bonds and labor and materials payment bonds, each for penal sums equal to the amount of the Construction Contract, and (if applicable) a Wage Payment Bond for twenty percent (20%) of such amount, or as otherwise provided by law, each naming NMHC as obliges, with a company having a rating of A or better and a financial size of V or better with Best Rating Service and acceptable to NMHC, the Workman's Compensation Fund and other insurance policies (together with evidence of the payment of premiums) required hereunder and/or under any other Loan Document, and all documents related to construction, including without limitation, the Construction Contract, and agreements with and from the Contractor and Developer's Architect.
- Copy of the Construction Contract and a copy of the Developer's agreement with the Developer's Architect certified by the Developer;[8]
- The Project Cost Statement;
- A copy of the public instrument (deed, lease agreement, sales contract, option agreement, among others) relating to the Developer's acquisition of the Developer's Interest in the Premises and all documents related therewith;
- The Developer must provide evidence that it has met all conditions defined in its LIHTC-Operating Agreement as of the date of the Initial Advance with respect to ensuring that the Capital Contributions have been compiled with to the extent possible;
- Environmental Review see section "Environmental Review" of the Program Guidelines. This includes the Approved Request for Release of Funds (**RROF**) and Finding of No Significant Impact (**FONSI**), if applicable.
- Copies of any inspection and/or test records and reports made by or for the Developer's Architects;
- A construction schedule for the Improvements;
- A progress schedule showing the interval of time over which each item of Direct Cost and Indirect Cost is projected to be incurred and paid, as well as, a breakdown of all Direct Costs to be incurred for the construction of the Improvements; and
- Evidence of compliance with CDBG-DR funding requirements, including but not limited to, adherence to, at least, one Green Building Standard and the inclusion

[8] The terms and conditions of such agreements must be acceptable to NMHC.

of Broadband Infrastructure requirements.

The following items must be received and reviewed by NMHC's Legal Counsel prior to the execution of the CDBG-DR Agreement:

- (If in a form of a loan) the Loan Documents and any other document reasonably required by NMHC;
- Evidence of paid Title Insurance policy;[9]
- Evidence that all taxes and other levies imposed upon the Premises or on the Developer's Interest in the Premises and/or improvements are fully paid and current;
- Copies of all applicable authorizations as determined by NMHC's Counsel (on behalf of NMHC):
    - Plot plan and subdivision approvals;
    - Zoning variances;
    - Sewer, building, flood, and all permits required for construction, use, occupancy, and operation of Premises;
- Agreements from Developer's Architects and the Contractors, including but not limited to, design agreement(s), construction contract agreement(s);
- A survey of the Premises certified by a civil engineer or surveyor acceptable to NMHC and the Title Insurer showing:
    - The location of the perimeter of the Premises by courses and distances;
    - All easements, rights-of-way, and utility lines referred to in the title policy required by the agreement or which actually service or cross the Premises;
    - The lines of the streets abutting the Premises and the width thereof, and any established building lines;
    - Encroachments and the extent thereof upon the Premises;
    - The Improvements to the extent constructed, and the relationship of the Improvements by distances to the perimeter of the Premises, established building lines and street lines; and
    - If the Premises are described as being on a filed map, a legend relating the survey to said map;
- Copy of the operating agreement of the Developer, as amended, and a copy of the organization documents of the Managing Member of the Developer, and the appropriate legal authorizations of Developer issued by agencies of the Commonwealth of Puerto Rico and/or the state of incorporation (to the extent required); and
- An opinion of Developer's counsel covering, among other matters, the organization and existence of the Developer, the power of the Developer to enter into the Loan Documents and to perform all transactions contemplated by the agreements referred to therein, and the due execution, validity and enforceability of the Loan Documents, Note(s), Security Agreement and all other documents and instruments pertaining to the Loan.

It is the responsibility of the Developer to ensure that the applicable Building Codes are

[9] The paid title insurance policy must be equal to the Mortgage and issued by the Title Insurer. The Title Insurer shall insure the Mortgage to be valid first lien on the Mortgaged Property free and clear of all defects, liens, claims and encumbrances and shall contain reference to a survey.

applied, and permits obtained.

10.2 Prerequisites for Initial Disbursement

Upon signature of the CDBG-DR Agreement, the Developer shall provide proof of payment and performance bonds, labor bonds, and materials payment bonds before the initial disbursement.

10.3 During Construction

The Developer must begin construction no later than **forty-five (45) days** from signing the CDBG-DR Agreement with NMHC. In the case of delays caused by events beyond the Developer's control, construction can begin within **sixty (60) days**. Further delays beyond the aforementioned time requirements will be handled on a case-by-case basis.

10.4 Monitor Construction Progress

Throughout the duration of the construction, the Developer shall comply with all restrictions, covenants, and easements affecting the Premises, Developer's Interest in the Premises, or the Improvements and cause the satisfaction of all material conditions of the agreement.

In order to monitor construction progress, NMHC and its representatives, shall be granted access during normal business hours, to enter the construction site to perform the following activities, as deemed necessary:

- Inspect improvements and all materials to be used in the construction;
- Examine all available detailed Plans;
- Compliance with all applicable cross-cutting regulations and program guidelines; and
- Any other activities NMHC deems necessary to the success of the Project.

Until the Date of Conversion to permanent financing, the Developer shall submit monthly reports to NMHC indicating the state of completion of the Improvements compared to estimates, and such other information as NMHC may reasonably request. The reports shall be delivered in an acceptable form and substance to NMHC.

10.5 Contractor Management

The Developer should include the following provisions as part of the Construction Contract with the Contractor:

- the Contractor will deliver to NMHC copies of all major subcontracts, Change Orders, and any other contract, purchase order, or subcontract covering labor, materials, equipment, or furnishings to or for the Improvements;
- the names of all persons with whom the Contractor contracts for the construction of the Improvements or the furnishings of labor or materials.

Further, the Developer shall acknowledge that ten percent (10%) from each construction payment will be withheld and that said retainage will be paid subject to the terms of the CDBG-DR Agreement, the Bonds, and the Construction Contract. All such subcontractors to be utilized by the Contractor in the development and construction of the Improvements shall be reasonably acceptable to NMHC.

10.6 Regulatory Compliance

Upon demand of NMHC or its representatives, the Developer shall be required to correct any defects (including structural) in the Improvements or any departures from the Plans not approved by NMHC.

If the Developer fails to comply with federal statutes, regulations or the terms and conditions of the CDBG-DR Agreement, NMHC may take one or more of the following actions:

- Take other remedies such as temporarily withholding cash payments pending correction of the deficiency by the Developer;
- Disallow all or part of the cost of the activity or action not in compliance;
- Initiate suspension or debarment proceedings as authorized under 2 C.F.R. § 180 (OMB Guidelines to Agencies on Government-wide Debarment and Suspension (Non-Procurement); or
- Withhold further Federal awards for the project or program;
- Entitled to take any remedies deemed necessary and that may be legally available.

The Contractor shall cooperate and deliver data or documents in connection with the Improvements to NMHC as requested. NMHC reserves the right to request copies of all contracts, bills of sale, statements, receipted vouchers, or agreements in the following cases:

- Developer claims title to any materials, fixtures or articles incorporated in the Improvements; or
- Subject to the lien of the Mortgage; or
- Incurred costs which are entitled to CDBG-DR funds.

10.7 Financial Management

The Developer is responsible for paying all Direct Costs, Indirect Costs, and expenses for completion of the Improvements and satisfying all of the conditions outlined in the CDBG-DR Agreement, including without limitation:

- All document and stamp taxes, recording and filing expenses and fees, in connection with the transactions contemplated hereby,
- All taxes, insurance premiums, liens, security interests or other claims or charges against the Premises, Developer's Interest in the Premises, or Improvements; and
- All costs of completion of the work to be performed by Developer in space to be occupied in the Improvements (including public space outside the property boundaries) to permit the lawful occupancy thereof for the purposes contemplated by the operating agreement.

The Developer shall maintain a standard and modern system of accounting of its dealings and business affairs in accordance with generally accepted accounting principles, and permit NMHC or any of its agents or representatives to have access to and to examine all of its books and records at any time or times hereafter during business hours and copy from any and all of said books and records; cause its books to be audited

annually by a reputable accounting firm licensed in the CNMI.

The Developer shall pay and discharge all taxes, assessments and governmental charges and levies imposed upon it or upon its income or profits, or upon any property belonging to it, on or prior to the date in which penalties attached thereto, provided that Developer shall not be required to pay any such tax, assessment, charge, levy or claim, the payment of which is being contested in good faith, by the proper proceeding and such non-payment will not create a lien on the Premises, on Developer's Interest in the Premises, or the Improvements.

The Developer shall be required to provide NMHC within **one hundred twenty (120) days** after the end of its fiscal year with an audited Financial Statements of the Developer without any qualification or exception reasonably deemed material by NMHC. In addition, the Developer may be requested to provide an unaudited Financial Statement signed by its Managing Member (no more than once monthly).

Pursuant to the above section, the Developer shall maintain the Premises, Developer's Interest in the Premises, and the Improvements free and clear of any and all liens, charges, claims, defects and encumbrances except the Mortgage, NMHC's restrictive covenants, and such others as shall have been previously approved in writing by NMHC.

Upon request of NMHC, the Developer may need to execute, deliver, obtain, and furnish, at their own expense, such documents as may be necessary:

- to perfect and maintain the Mortgage and the pledge and security interest hereunder and the other Loan Documents; and to
- fully consummate the transactions contemplated under the CDGB-DR Agreement and maintain the principal amount of the Mortgage and the additional credits thereunder in amounts -which in the sole, but reasonable, discretion of NMHC- will fully secure the payment and performance of all indebtedness, liabilities, and obligations under the Agreement and other Loan Document.

10.8 Legal Considerations

The Developer shall promptly notify NMHC of any claim, suit, proceeding, or matter brought against, or to the knowledge of Developer, which if adversely determined or otherwise would have a material adverse effect upon the Premises, Developer's Interest in the Premises, the Improvements, or financial condition or business affairs of Developer.

The Developer shall indemnify, defend and hold NMHC officials harmless from all losses, liabilities, costs, expenses (including reasonable attorneys' fees) that NMHC may suffer as a result of any claims or suits brought by any broker, finder, agent or similar entity claiming through or as a result of dealings with Developer relative to the acquisition of Developer's Interest in the Premises or in connection with the execution hereof or the consummation of the transactions contemplated hereby and Developer's obligations herein shall survive the expiration or termination of the Agreement and the payment of the Loan.

10.9 Substantial Completion

The Developer shall pay the amounts retained or held back from the Contractor in accordance with the terms of the Construction Agreement and the Bonds. In order to release the funds, the following is required:

- Receipt of the Certificate of Occupancy for the Improvements and the release from the bonding company that issued the Bonds.
- Written recommendation by the CDBG-DR Compliance Manager or hired A&E firm confirming that:
  - construction of the Improvements has been completed;
  - all necessary utilities and roads have been finished and made available for use;
  - receipt of satisfactory evidence of the approval and issuance of permits by all Governmental Authorities of the Improvements in their entirety for permanent occupancy; and of the contemplated uses thereof, to the extent any such approval is a condition of the lawful use and occupancy thereof;
- If requested by NMHC, a current final "as built" or "completion" survey of the Premises, certified to NMHC and the Title Insurer, showing the completed Improvements;
- Architect's certificate, confirming that the Improvements have been completed substantially in accordance with the Plans and acknowledging payment in full for the Architect's services;
- Developer's certificate, accepting as completed the Improvements;
- Final releases of payment from all persons who supplied material services, labor or materials for the Improvements and certificates from the Contractor and the sub-contractors acknowledging such payments, including an affidavit; and
- Such other evidence or documents as NMHC may deem reasonably necessary.

10.10 Rent Up Phase

Each project is required to achieve its Placed-in-Service by the 31st of December of the second year after signing the LIHTC Carryover Allocation Agreement; if not the Developer may lose the LIHTCs.

After Placed in Service is reached, the Developer has one year to certify full occupancy of the project, if not the LIHTC will be prorated by the number of occupied units and the portion of vacant units may result in lost LIHTCs.

Once approval has been given that the project is ready for occupancy, the Rent Up/Lease Up phase of the project is initiated. In this phase, the Management Agent is responsible for facilitating the leasing process and ensuring that households in in LIHTC units meet the income eligibility requirements. In order to ensure eligibility, the Management Agent shall verify all income, household characteristics, and any circumstances that may affect income eligibility and compliance with LIHTC requirements prior to signing a lease agreement.

In order to facilitate this process, other activities included may include advertising, maintaining a model unit, providing on-site office space for the Management Agent and staff, and any other activities to rent the property. Projects are considered complete only

after all units are 100% construction complete and certificates of occupancy have been issued.

The Compliance Monitoring Plan outlines the process, requirements, responsibilities, income validation, forms, etc.

11 Accountability and Transparency Requirements

All Information reported will be available, as part of NMHC's Quarterly Performance Reports (**QPRs**), at our CDBG-DR website www.cnmi-cdbgdr.com/reporting/. Reported data will be, but is not limited, to the following:

- Total amount of CDBG-DR funds received;
- Amount of CDBG-DR funds expended or obligated to projects or activities, and unobligated balance;
- List of projects or activities that expended or obligated CDBG-DR funds:
    - Name of the project;
    - Description of the project;
    - Evaluation of completion status of the project;
    - Information on beneficiaries served, when available.

12 Cross Cutting Requirements

Some federal and local requirements apply to all programs funded by CDBG-DR, such as financial management; environmental review; labor standards; acquisition; relocation; fair housing; among others. These requirements are outlined in the Cross-Cutting Guidelines, which apply to all programs described in NMHC's CDBG-DR Initial Action Plan and its amendments.

12.1 Uniform Relocation Act

As a HUD-assisted program, and in accordance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (**URA**), 42 U.S.C. § 4601 *et seq.*, the government wide implementing regulations found at 49 C.F.R. part 24; and Section 104(d) of the Housing and Community Development Act of 1974 (**HCDA**), except where waivers or alternative requirements have been provided by HUD, 24 C.F.R. § 42 (c). The primary purpose of these laws and regulations is to provide uniform, fair, and equitable treatment of persons whose real property is acquired or who are displaced in connection with federally funded projects.

All programs in the NMHC CBDG-DR portfolio, including this Program, is subject to URA regulations.

12.2 Section 3 Requirements

The purpose of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u, (Section 3) is to ensure that employment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible, and consistent with existing Federal, State and local laws and regulations, be directed to low- and very low- income persons, particularly those who are recipients of government assistance for housing, and to business concerns which provide economic opportunities to low- and very low-income persons.

Section 3 regulations at 24 C.F.R. part 135, and the Federal Register Vol. 83, No. 28 (February 9, 2018) require that recipients, sub-recipients, contractors, subcontractors, and/or Developers funded in whole or in part by CDBG-DR funding, to the greatest extent feasible, extend hiring opportunities and contracts to Section 3 eligible residents and businesses. The implementation of this provision is intended to ensure employment and other economic opportunities generated by CDBG-DR funding. For each project, there is a goal for thirty percent (30%) of new hires to be individuals who qualify as a Section 3 resident.

Section 3 residents are:

- Public housing residents;
- A low-or very low-income person who lives in the metropolitan are or non-metropolitan county where covered HUD funding is expended;[10] or
- The individual's annual wages or salary are at, or under, the HUD-established income limit for a one-person family for the jurisdiction.

Businesses qualify as a Section 3 Business Concern by meeting one of the following criteria:

- Fifty-one percent (51%) or more owned by Section 3 residents; or
- Employs Section 3 residents for at least thirty percent (30%) of its full-time, permanent staff; or were Section 3 residents within **three (3) years** of first hire date; or
- Provides evidence, as required, of a commitment to subcontract more than twenty-five percent (25%) of the dollar award of all subcontracts to businesses that meet the qualifications of the above mention criteria.

For recipients which receive more than $200,000.00 in CDBG-DR assistance, and contractors that are awarded covered contracts that exceed $100,000.00, it is required to have an approved Section 3 plan in place before the project is awarded and approved. For professional services contracts, there is a three percent (3%) goal while for construction contracts, there is a ten percent (10%) goal. The plan for compliance with Section 3 must be submitted for approval prior to the start of construction orprofessional services on any contract activity. See 24 C.F.R. § Part 135.

All documentation for Section 3 efforts should be provided to NMHC and should include metrics to indicate efforts for new hiring or subcontracting.

For reference on Section 3 requirements and provisions, please refer to www.hug.gov/Section3.

12.3 Title VI of the Civil Rights Act of 1964

Title VI was enacted as part of the landmark Civil Rights Act of 1964, 42 U.S.C. § 2000d et seq. It prohibits discrimination on the basis of race, color, or national origin in programs and activities receiving federal financial assistance. See the definition of federal financial

[10] https://www.huduser.gov/portal/datasets/il.html#null

assistance in HUD's Section 504 regulations at 24 C.F.R. § 8.3 and note that federal financial assistance does not include assistance made available through direct Federal procurement contracts or payments made under these contracts or any other contract of insurance or guaranty.

12.4 Architectural Barriers Act of 1968

The Architectural Barriers Act of 1968 (**ABA**) 42 U.S.C. § 4151 *et seq.*, applies to certain buildings financed with Federal funds to ensure that they are designed, constructed, or altered so as to be accessible to persons with disabilities. The Act applies to buildings, other than a privately owned residential structure, which are (1) constructed or altered by or on behalf of the United States; (2) leased in whole or in part by the United States after August 12, 1968, if constructed or altered in accordance with plans and specifications of the United States; or (3) financed in whole or in part by a grant or loan made by United States after August 12, 1968, if the structure is subject to standards for design, construction, or alteration issued under authority of the law authorizing such grant or loan.

For example, the ABA applies to housing provided by public housing agencies and through HUD's Community Development Block Grant Program. For more information on the ABA, see HUD's ABA regulations at 24 C.F.R. Parts 40 and 41.

12.5 Age Discrimination Act of 1975

The Age Discrimination in Employment Act of 1967, as amended, 29 U.S.C. §§ 621-634, prohibits discrimination on the basis of age in federally assisted and funded programs or activities, except in limited circumstances.

12.6 Executive Orders

Executive order 11063, issued November 20, 1962

Executive Order 11063, as amended, 27 FR 11527, prohibits discrimination in the sale, leasing, rental, or other disposition of properties and facilities owned or operated by the federal government or provided with federal funds.

Executive Order 12892, issued January 17, 1994

Executive Order 12892, as amended, 59 FR 2939, requires that federal agencies affirmatively further fair housing in their programs and activities and that the Secretary of HUD be responsible for coordinating the effort.

Executive Order 12898, issued February 11, 1994

Executive Order 12898, 59 FR 7629, requires that each federal agency conduct its programs, policies, and activities that substantially affect human health or the environment in a manner that does not exclude persons based on race, color, or national origin.

Executive order 13166- issued August 11, 2000

Executive Order 13166, 3 C.F.R. §13166, eliminates, to the extent possible, limited English proficiency (LEP) as a barrier to full and meaningful participation by beneficiaries in all federally-assisted and federally-conducted programs and activities. Costs for LEP-related activities are considered front-line management activities and may be charged to the

project operating account, provided that the costs are reasonable for the population that will be served. Entities should refer to HUD's "Final Guidance to Federal Financial Assistance Recipients Regarding Title VI Prohibition Against National Origin Discrimination Affecting Limited-English Proficient Persons" published in the Federal Register on January 22, 2007 (72 FR 2732).

12.7 Equal access regardless of sexual orientation or gender identity

As the Nation's housing agency, HUD policy is to ensure that its programs do not involve arbitrary discrimination against any individual or family otherwise eligible for HUD-assisted or insured housing and that its policies and programs serve as models for equal housing opportunity. Toward this goal, HUD revised its program regulations on February 3, 2012 (Federal Register Vol. 77, No. 5662) to ensure that its core programs are open to all eligible individuals and families without regard to actual or perceived sexual orientation, gender identity or marital status in housing assisted with HUD funds or subject to FHA insurance, and to prohibit inquiries on actual or perceived sexual orientation or gender identity for the purpose of determining eligibility for the housing or otherwise making such housing available.

12.8 Anti-lobbying Restrictions

The Program is subject to 31 U.S.C. § 1352 (Limitation on Use of Appropriated Funds to Influence Certain Federal Contracting and Financial Transactions and 24 C.F.R. Part 87 (New Restriction on Lobbying).

12.9 Drug-Free Workplace Act of 1988

The Program is subject to the Drug-Free Workplace Act of 1988, as amended, 41 U.S.C. §81, and 24 C.F.R. Part 21. Under this requirement, all contactors shall provide a drug-free workplace.

12.10 Citizen Participation

Throughout the duration of the grant, all citizen comments on NMHC's published Action Plan, any substantial amendments to the Action Plan, performance reports and/or other issues related to the general administration of CDBG-DR funds, including all programs funded by this grant, are welcomed. The Citizen Participation Plan is posted as a stand-alone document at www.cnmi-cdbgdr.com. For more information on how to contact NMHC, please refer to www.cnmi-cdbgdr.com.

12.11 Related Laws and Regulations

This Program Guideline makes reference as to how the provisions of certain laws apply to the LIHTC Program. However, other related laws may exist which are not included in these Guidelines. This does not negate or preclude the Program from applying the provisions of those laws, nor an applicant from receiving services, when applicable. Moreover, NMHC enact, or may have enacted, regulations that address how the laws mentioned in these Guidelines are managed.

If there are any discrepancies between these Guidelines and the laws and/or regulations mentioned in them, then the latter will prevail over the Guidelines. If at any time the laws and/or the applicable regulations mentioned in these Guidelines are amended, the new provisions will apply to the Program without the need to amend these Guidelines.

13 Reasonable Accommodation Policy

A reasonable accommodation is a change, modification, alteration or adaptation in policy, procedure, practice, program, or facility that provides a qualified individual with a disability the opportunity to participate in, or benefit from, a program (housing or non-housing) or activity.

NMHC and Management Agents must evaluate requests for reasonable accommodations to determine if and how requests can be accommodated. NMHC and its agents can deny the request if the request constitutes a fundamental alteration in the nature of the program or constitutes an undue financial and administrative burden. The determination not to grant a reasonable accommodation shall not be made without the concurrence of NMHC's Fair Housing Officer/504 Administrator. The Fair Housing Officer/504 Administrator is the person the NMHC designates as responsible for ensuring that NMHC complies with federal, state, and local laws that protect the rights of people with disabilities.

This will also be available for reference on-site at all regional and main offices where information for federally and/or state funded housing programs is made available to the general public.

NMHC, including its Developers, will create and maintain a reasonable accommodations and modifications log which shall track the following information: (1) date and time of the accommodation/modification inquiry or request, (2) nature of the inquiry or request, (3) action taken, (4) whether the request was rejected or a change was made to the originally requested accommodation(s), and (5) documentation reflecting the final disposition of each request.

14 Developer Project Closeout

Projects will be closed out through standard procedures. Although HUD record retention requirements generally apply to a period beginning **three (3) years** after closeout, NMHC's compliance monitoring plan requires retention of records for at least **six (6) years** after the due date for filing the federal income tax return for that closeout year. Additionally, records for the first year of the credit provided must be kept for at least **six (6) years** beyond the due date in order to file the federal income tax return for the last year of the compliance period of the building.

As required by 83 FR 5844, records will also be safeguarded to demonstrate that the rents charged on the set-aside units are restricted and income-eligible households occupy the units for at least:

1. **Fifteen (15) years** for rehabilitation or reconstruction of multi-family rental projects with eight (8) or more units, or a Section 42 of the IRC, use period; or
2. **Twenty (20) years** for new construction of multi-family rental projects with five (5) or more units, or a Section 42 of the IRC extended use period. See 26 U.S.C. § 42 on Low-income housing credit.

Authorized representatives of NMHC will monitor projects assisted with CDBG-DR funding.

15 Additional Documents

Throughout the Program NMHC may request from Developers additional documents in order to evaluate project applications or generally in order to comply with applicable State and Federal laws and regulations, as the case may be.

16 Program Oversight

Nothing contained herein is intended to limit the role of NMHC, HUD and corresponding authorities from exercising oversight and monitoring activities of the Program.

17 Severability Clause

If any provision of this Program Guideline, or the application thereof to any person, partnership, or corporation, or circumstance, is held invalid by a competent court, the remainder of this Program Guideline and the application of such provisions to any other person, partnership, corporation, or circumstance, shall not be affected thereby.

END OF GUIDELINES.

NORTHERN MARIANAS HOUSING CORPORATION

INFRASTRUCTURE PROGRAM POLICIES

VERSION: 1.0

[ENTER DATE OF APPROVAL HERE]

Prepared by:

Northern Marianas Housing Corporation – CDBG-DR Program Division

The policies stated in this manual are current as of [ENTER DATE OF APPROVAL HERE]. This Manual represents the current version of the Northern Marianas Housing Corporation's (NMHC) policies which provide general guidance for the operation of the Infrastructure Programs. All manuals will be reviewed periodically and updated. Therefore, users are strongly encouraged to visit our website: www.cnmi-cdbgdr.com to access the latest version.

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1.0 CONTENT

1.1 Version Policy

Version history is tracked in Table 1, with notes regarding version changes. The dates of each publication are also tracked in this table. The first version of this document is 1.0.

Substantive changes within this document that reflect a policy change will result in the issuance of a new version 2.0, an increase in the primary version number. Future policy changes will result in additional revision and the issuance of a new primary version number.

Non-substantive changes such as minor wording and editing, or clarification of existing policy, that do not affect the interpretation or applicability of the policy will be included in minor version updates denoted by a sequential number increase behind the primary version number. Such changes would result in a version number such as 2.1, 2.2, etc.

1.2 Agencies and Acronyms

BCA	Benefit Cost Analysis
DOB	Duplication of Benefits
CUC	Commonwealth Utilities Corporation
DLNR	CNMI Department of Lands and Natural Resources
DPL	CNMI Department of Public Lands
DPW	CNMI Department of Public Works
FEMA	Federal Emergency Management Agency
GIS	Geographic Information System
HCDA	Housing and Community Development Act
HMGP	Hazard Mitigation Grant Program
HPO	Historic Preservation Office
HUD	U.S. Department of Housing and Urban Development
NAI	No Adverse Impacts
NMHC	Northern Marianas Housing Corporation

NTP	Notice to Proceed
PW	Project Worksheet
QPR	Quarterly Status Report
USACE	United States Army Corps of Engineers
USDOL	U.S. Department of Labor
HSEM	CNMI Homeland Security and Emergency Management

1.3 Definitions

Action Plan: A plan to guide the spending of a HUD CDBG-DR grant award to address housing economic, and infrastructure needs after a disaster.

Allocation: 1) Amount of a grant award that has been determined for a particular grantee. 2) Amount of funding attributed to a program.

Community Development Block Grant-Disaster Recovery: Flexible grant assistance from HUD to help the CNMI recover from presidentially declared disasters, especially in low-income areas, subject to availability of supplemental appropriations.

Cross-cutting regulations: Regulations outside CDBG-DR regulations that apply to CDBG-DR programs. These include regulations pertaining to financial management, procurement, environmental, labor, acquisition, relocation, fair housing, and non-discrimination.

Davis Bacon and Related Acts (DBRA): Federal law requiring payment of prevailing wages as determined by the U.S. Department of Labor on certain federally funded projects or most HUD-assisted construction projects. It applies to contractors and subcontractors performing work on federally funded or assisted contracts in excess of $2,000 for the construction, alteration, or repair of public buildings or public works.

Duplication of Benefits (DOB): A duplication of benefit is the receipt of funding from multiple sources for the same purpose. The Robert T. Stafford Disaster Assistance and Emergency Relief Act (Stafford Act) prohibits any person, business concern or other entity from receiving financial assistance from CDBG Disaster Recovery funding with respect to any part of the loss resulting from a major disaster as to which he/she has already received financial assistance under any other program or from insurance or any other sources. It is an amount determined by the program that may result in the reduction of an award value.

Eligible Activity: Activities eligible to be assisted under the CDBG program. All CDBG-DR grantees must: (1) use CDBG funds only for activities that fall under an authorized category of basic eligibility; (2) properly classify the activity; and (3) provide adequate documentation as required by the category it selects for each such activity.

Emergency work: FEMA's Public Assistance program designation for disaster response tasks including debris removal (Category A) and emergency protective measures (Category B) that occur immediately after a disaster.

Emergency Review Record (ERR): The document resulting from required environmental review which includes a description of activities, evaluation of environmental impact, documentation of compliance with applicable environmental regulations, and an environmental determination.

FEMA Individual Assistance Program (FEMA IA): Provides financial help or direct services to those who have necessary expenses and serious needs if they are unable to meet these needs through other means. The forms of help available are housing assistance (temporary housing, repair, replacement) and other needs assistance (personal property, other items).

FEMA Public Assistance Program (FEMA PA): Provides grants to state, tribal, territorial, and local governments, and certain types of private non-profit organizations so that communities can quickly respond to and recover from major disasters or emergencies. Through the program, FEMA provides supplemental federal disaster grant assistance for debris removal, life-saving emergency protective measures, and the repair, replacement, or restoration of disaster-damaged publicly-owned facilities, and the facilities of certain private non-profit organizations.

Grantee: HUD grantees receive funding from HUD to support HUD's mission to create strong, sustainable, inclusive communities and quality affordable homes for all. HUD grantees include state and local governments, non-profit and for-profit organizations, public housing authorities, and tribal entities.

Implementing Partner: CNMI agencies that are provided CDBG-DR funds by a grantee for their use in carrying out agreed-upon, eligible activities through an Intergovernmental Agreement with NMHC.

Low- and Moderate-Income (LMI): A household considered to be of low- and moderate-income if the household income (including income derived from assets) is at or below 80 percent of an area's median income. All income is based on the Area Median Income limits set annually by HUD.

National Objective: The authorizing statute of the CDBG program requires that each activity funded, except for program administration and planning activities, must meet one of three national objectives. The three national objectives are: 1) Benefit to low- and moderate (LMI) persons; 2) Aid in the prevention or elimination of slums and blight; and 3) Meet a need having a particular urgency (referred to as urgent need). An activity that does not meet a national objective is subject to recapture.

Permanent work: FEMA's Public Assistance program designation for "recovery work" which restores or rebuilds a damaged asset and is comprised of five categories: roads and bridges (Category C); water control facilities (Category D); building and equipment (Category E); utilities (Category F); and parks, recreation facilities, and other facilities (Category G).

Project Worksheet (PW): FEMA form used to document the scope of work and cost estimate for a FEMA Public Assistance project. This form supplies FEMA with the information necessary to approve the scope of work and itemized cost estimate prior to funding.

Request for Release of Funds (RROF): An environmental review term for a process used by Responsible Entities (CNMI) when requesting the release of funds and the authority to use such funds for HUD programs identified by statutes that provide for the assumption of the environmental review responsibility by units of general local government and states. The approval of the RROF is required before environmental clearance may be provided to a recipient of CDBG-DR funds.

Section 3: A provision of the Housing and Urban Development (HUD) Act of 1968 that requires the recipients of HUD financial assistance, to the greatest extent feasible, provide training, employment, and contracting opportunities for low- or very-low-income residents in connection with projects and activities in their neighborhoods.

Section 504: A provision of the Rehabilitation Act of 1973 which provides that no qualified individual with a disability should, only by reason of his or her disability, be excluded from the participation in, be denied benefits of, or be subjected to discrimination under any program or activity receiving financial assistance.

2.0 INTRODUCTION

2.1 Summary

As a result of the 2018 typhoons Mangkhut and Super Typhoon Yutu, the Commonwealth of the Northern Mariana Islands (CNMI) received an allocation of Community Development Block Grant Disaster Recovery (CDBG-DR) funds which are being administered by the Northern Marianas Housing Corporation (NMHC). The U.S. Department of Housing and Urban Development's (HUD) allocations for the CNMI's CDBG-DR program total $243,946,000 to assist local entities with unmet recovery needs for housing, infrastructure, and economic development. This document represents the policies of implementation of the Infrastructure Programs, which include the Local Match for Federal Disaster Recovery Program, the Infrastructure Repair and Resilience Programs.

2.2 Background

In the wake of the storms, President Trump announced a Major Disaster Declaration for Typhoon Mangkhut (**DR-4396**) and another for Super Typhoon Yutu (**DR-4404**) to make federal disaster assistance available to the CNMI. Subsequently, the U.S. Congress approved Supplemental Appropriations for Disaster Relief Requirements (Public Laws 115-254 and 116-20, respectively, which made available $243,946,000 for the purpose of addressing disaster recovery unmet needs following the onslaught of Typhoon Mangkhut and Super Typhoon Yutu. The CNMI will be strategic in optimizing the mix of the allocation towards infrastructure programs to ensure effective

and efficient use of funds. The CNMI, through NMHC, requested for a *Tourism Waiver* by which HUD subsequently approved with certain conditions. *See* **Federal Register Notice No. 85 60821**

3.0 Infrastructure Programs Overview

3.1 Summary

The Infrastructure Programs, designed to conform with NMHC's CDBG-DR Action Plan addresses multiple unmet needs for proper functioning of its infrastructure systems. Reliance on these systems which include but not limited to public utilities, educational institutes, and transportation infrastructure, was clearly evident when many failed and closed following the aftermath of Typhoon Mangkhut and Super Typhoon Yutu.

The CNMI has identified multiple infrastructure priorities that must be addressed, many of which directly support housing needs. Residents not only suffered from direct damage to their homes from the 2018 disasters, but also endured the loss of critical services such as power due to damaged public infrastructure. Without water and power, residents were forced to evacuate their homes and seek shelter and emergency assistance.

3.2 Objectives

The objectives of this Infrastructure Programs' policy and procedural manual in addressing the unmet needs of the CNMI through:

(1) Comprehensive planning to identify resilience opportunities;
(2) Adoption and enforcement of codes to bring critical infrastructure up to industry standards;
(3) Holistic mitigation designs to meet future challenges and hazards; and
(4) Covering a portion of the CNMI's local match obligations.

All CDBG-DR programs must meet one of three HUD National Objectives: benefit low- to moderate-income persons (LMI), elimination of slum and blight, or address an urgent need. For the Infrastructure Programs, it is expected that most projects will seek to meet the Low- to Moderate-Income Area (LMA) Benefit as the National Objective. This objective is met when at least 51% of residents in the service area are classified as LMA. Projects seeking funding under these programs will need to assess the service area and beneficiaries of the project's impact as a part of the overall benefit requirement.

4.0 METHOD OF DISTRIBUTION

4.1 Prioritization Criteria Definitions

A standard set of criteria was developed through the Action Plan to ensure funding is allocated to projects that will have the biggest benefit to recovery first. Infrastructure Programs are designed

around the same set of criteria, which are used in the concept development and project design phases. These criteria are defined as follows:

(1) **LMI:** Project beneficiaries are documented to be at least 51% low- and moderate-income persons;
(2) **LMA:** Project service area has been determined to be at least 51% low/mod and is predominately residential;
(3) **Readiness:** Projects demonstrate they are ready to begin rehabilitation or construction. A project is considered "ready" if environmental review and engineering have already been completed, where required OR the project can demonstrate an accelerated timeline. For instance, external factors like gubernatorial executive orders or the approach of a new typhoon season may warrant a heightened priority.
(4) **Criticality:** Determined based on the extent to which the normal conduct of social, economic, or government processes is impeded without the project. Special consideration will be given to projects that have a strong tie to housing unmet needs or will contribute to long-term recovery and restoration of housing.
(5) **Resilience:** Project includes measures that prevent vulnerability in the future or provide innovative solutions to existing vulnerabilities.
(6) **Technical Feasibility:** The degree of specialized equipment or advanced technical capacity required.
(7) **Sustainability:** Degree to which modern sustainability standards or best practices are taken into consideration for the project.
(8) **Economic Benefit:** The project is evidenced to resolve an impediment to or create new opportunities for economic activities.

Documentation supporting the fulfillment of relevant criteria will be collected in coordination between Implementing Partners and NMHC during the Initial Scop and Budget Phase and the Detailed Scope and Budget Phase. Program staff will then determine the priority level of each project taking into account the criteria as well as the other project needs at the time and evaluation and selection will follow the methodology as prescribed in NMHC's Action Plan and in accordance to HUD requirements on the use of CDBG-DR funds.

Infrastructure activities will be based on a scoring criterion with concentrations on the islands of Saipan and Tinian as most impacted areas. It was also desired that infrastructure activities selected would benefit the Islands as a whole due to the fact that any block group and/or any combination of block groups qualifies as a low- and moderate-income benefit area and that over 90 percent of the population on any island are minority residents. These factors also ensure economic stability so residents can remain in homes and residences and retain their jobs because the infrastructure is improved. The actual size of the Islands also means that all persons will benefit from most of the infrastructure improvements.

The following scoring criteria will be utilized to select priority infrastructure projects and activities.

Scoring Criteria			Max Points
1	*All priority needs must support housing* **Priority Need:** Meets one of the priority needs identified in the CDBG DR Action Plan		25
	Priority 1	Support the restoration/improvement of utilities, water, and sewer facilities (25 points)	
	Priority 2	Support the restoration/improvement of roads and drainage systems (20 points)	
	Priority 3	Support the restoration/improvement of critical facilities such as the schools, hospital, and others that improve services to the general public (15 points)	
	Priority 4	Support the leverage of funding with other disaster assistance (such as FEMA and USACE) to ensure resiliency in infrastructure (10 points)	
	Priority 5	Support the restoration of other public facilities such as community centers, gymnasiums, etc. (5 points)	
2	**Storm Resilience:** In addition to addressing housing unmet needs, program or project proposals need to show how they would improve resilience to future storm-related damage.		15
3	**Overall LMI benefit (Percent LMI benefit of the activity):** Higher LMI benefit of the activity will receive a higher score. For example, a project with 100 percent LMI benefit would be scored higher than a project with 65 percent LMI benefit.		25
4	**Management Capacity:** Subrecipient, program manager, and/or developer presents a depth of program or project, case, and compliance management capacity to deliver services on-time and on-budget.		15
5	**Cost Reasonable Budget:** Budgets reflect cost reasonableness and affirmative efforts to leverage CDBG-DR funds with additional funding to address unmet needs. The budget narrative reflects research, quotes and/or contracted pricing.		20
	Total Maximum Points		**100**

4.2 Local Match for Federal Disaster Recovery Method

4.2.1 Program Administration

Administering Entities: NMHC and CNMI Public Assistance Office

Eligible Applicants: Governmental and quasi-governmental entities

Estimated Start and End Dates: November 24, 2020 to November 24, 2026.

Eligibility Criteria: The projects must be currently funded under a federal funding source that requires a local match and demonstrate a tie to the storm or have clear evidence of resiliency functions to prevent future damage. Infrastructure projects must exhaust other eligible funding sources, such as FEMA, prior to receipt of CDBG-DR. Applicants need not meet all prioritization criteria to be eligible.

Program Allocation: $107,361,835

Maximum Award: There is no maximum award for an individual project. Awards will be based on project cost estimates and benefit analysis.

National Objectives: Low- and Moderate-Income Area and Urgent Need

4.2.2 Program Description

Typically, federal disaster recovery programs require State or local governments to pay a share of the cost of a project, commonly referred to as "local match." In the aftermath of a disaster, the local match requirements can be burdensome on grant recipients with limited resources that have been overwhelmed and depleted by emergency and relief work and further exacerbated by lost government revenues.

To address this financial burden, Congress allows CDBG-DR funds to be used to provide the local match. The CNMI, through NMHC, has developed the Local Match for Federal Disaster Relief Program (Match Program) to provide the cost share for CDBG-DR eligible projects. Priority will be given to infrastructure projects providing critical services directly related to housing needs. CDBG-DR funds for local match will be used as the funding of last resort and only after an eligibility determination has been made and a duplication of benefits analysis is completed.

The CNMI is receiving FEMA PA funds through two disasters: FEMA-4396-DR for Typhoon Mangkhut and FEMA-4404-DR for Super Typhoon Yutu. As of 12/01/2020, FEMA has written one-hundred and twenty-four (124) Project Worksheets (PWs) for a total match of $16.5 million.

CDBG-DR funds are limited in the Match Program for FEMA PA-eligible PWs and other federal funding sources requiring a local match, such as EDA funding. For these projects, the CDBG-DR funds many not be used to expand a project beyond the scope already approved by the federal agency. In addition, to be eligible for CDBG-DR assistance, the activity must be an eligible activity and meet a national objective, per CDBG-DR rules and regulations. Similarly, the project must fully comply with all applicable rules and regulations, to include Davis Bacon and Related Acts,

Section 3, Section 504, procurement, environmental review and all other CDBG-DR, cross-cutting, local applicable statutes, rules and regulation.

All infrastructure under the FEMA PA program is being designed to consider mitigation components to protect against future damages. Proactive measures to promote risk-informed infrastructure development include diversification of power generation, relocation of critical facilities, and flood mitigated roads. All projects undertaken through the CDBG-DR program will be coordinated with the results of a planning process.

To align future CDBG-DR projects with existing CNMI capital improvement projects, Implementing Partners may be required to consult with the CNMI Department of Public Lands (DPL), CNMI Lands and Natural Resources (DLNR), CNMI Historic Preservation Office (HPO), and CNMI Department of Public Works (DPW). Given the historic and cultural significance of a multitude of buildings and areas, infrastructure projects should also address the historic preservation priorities of HPO. Much of the proposed power and water-related work through this Infrastructure Program are already aligned with the goals of capital projects envisioned by the Commonwealth Utilities Corporation (CUC) and NMHC's HUD-approved Action Plan.

Roles and Responsibilities

NMHC

NMHC administers the grant funds for the Match Program through its CDBG-DR Division. Program staff are responsible for ensuring projects comply with all applicable federal and local regulations, including but not limited to, Pub. L. 115-254 and Pub. L. 116-20, NEPA, HCDA, and local procurement regulations where applicable, and aligned with the CDBG-DR Action Plan. Program staff provide technical assistance to Implementing Partners to meet these requirements as needed. NMHC may proactively identify priority PWs for match based on reporting on PW obligation and draw status provided the PAO.

(1) Determine sufficient capacity and payment procedures are in place for Implementing Partners;
(2) Determine project eligibility and mechanisms to comply with crosscutting requirements;
(3) Disburse funds in accordance with NMHC financial policies;
(4) Complete desk, onsite, and formal monitoring of the project; and
(5) Prepare and maintain documentation of activities and compliance with requirements for monitoring and audits.

Implementing Partner

The Implementing Partner under the Match Program is the entity that serves as the project applicant under any federal program requiring local cost share for Mangkhut and Yutu. Implementing Partners coordinate between NMHC and PAO to ensure critical documentation of activities, such as invoices, timesheets, and records of construction are available for monitoring. Implementing Partners can request funds from the Match Program by submitting the Project Application form (*See* **Appendix B**).

- Meet the requirements of NMHC grant conditions
- Manage all aspects of design and construction
- Coordinate activities with the other federal and CNMI government agencies
- Report back to NMHC on a monthly basis
- Prepare and maintain documentation of activities and compliance with requirements for monitoring and auditing

PAO

PAO is the administering entity for federal cost share of FEMA projects. It is responsible for processing and approving drawdown requests under the FEMA programs requiring local cost shares. NMHC and PAO may be required to coordinate closely on the timing of draw requests, document sharing, and payment schedules to ensure eligible invoices are paid in a timely manner. PAO is responsible for reporting on the status of PW obligations and drawdowns to NMHC to assist in identifying priority PWs.

4.2.3 Method of Match Implementation

Once a project has been identified as a priority for the Match Program, NMHC intends to use a "coordinated match" approach to consolidate requirements and reduce administrative burden. Using the 10% local match requirement for FEMA PA as an example, the following scenarios demonstrate the advantages of a coordinated match strategy over a traditional approach.

4.2.3.1 Traditional Match

A traditional approach to matching the local cost share is to provide 10% of individual PW line items. This carries heavy administrative burdens as for each FEMA PW requiring a match, every single activity will have to adhere to CDBG-DR and crosscutting requirements, requiring a tedious line-item review. These requirements go beyond the requirements of FEMA, so applying them across the entirety of the project is a heavy administrative requirement and may result in ineligible projects.

4.2.3.2 Coordinated Match

Coordinated match approaches the required cost shares as a holistic package, then isolates 10% of the total activities to focus only on those that are HUD-eligible costs. A project may use CDBG-DR for design, FEMA PA for construction, for example. This reduces administrative burden and avoids duplication of benefits.

4.3 Infrastructure Repair and Resilience Program

4.3.1. Program Administration

Administering Entity: NMHC

Estimated Start and End Dates: November 24, 2020 to November 24, 2026

Eligible Applicants: Governmental and quasi-governmental entities

Eligibility Criteria: Must be a project that meets the proposed goals stated above. Infrastructure projects must exhaust other eligible funding sources such as FEMA prior to receipt of CDBG-DR. Applicants need not meet all prioritization criteria to be eligible.

Program Allocation: $107,361,835

Maximum Award: There is no maximum award for an individual project. Awards will be based on project cost estimates and cost benefit analysis.

National Objective: Low- and Moderate-Income Area benefit, Low- and Moderate-Income Limited Clientele, or Urgent Need.

4.3.2 Program Description

The goals of the Infrastructure Repair and Resilience Program (Repair and Resilience Program) are to:

- Repair and replace damaged infrastructure
- Harden infrastructure against extreme weather events; and
- Construct new infrastructure to improve the level and breadth of service to communities

The CNMI, through NMHC, shall ensure that there is no duplication of benefits and will follow the guidance for proper documentation and administration of the program. There will be a review process for project selection as contained in the Administrative Plan and based on the priorities identified and Intergovernmental Agreements as deemed necessary.

Program funds will be used to meet the three goals described below. Priority will be given to projects directly supporting housing needs and critical services. Roads and public and community facilities will be prioritized as they are sectors with the greatest unmet need.

- *Repair and Replacement:* The Repair and Resilience Program will pay for eligible costs to complete repairs and replacements for public infrastructure that have not yet been completed (e.g., repair of non-federal aid roads)
- *Hardening:* The Repair and Resilience Program will cover activities to harden infrastructure against severe weather conditions. This will include both structural and non-structural measures to harden facilities against high winds, heavy rainfall, flood exposure, storm water run-off, and their effects (e.g., erosion).
- *New Construction:* The Repair and Resilience Program will cover the cost of new construction to extend public services to populations that are not currently connected and/or to deliver services more effectively. This reduces the cost of each individual project, minimizes disturbances to traffic flow, and decreases the risk of damage to previously placed but unmarked utilities.

Roles and Responsibilities

NMHC

NMHC administers the grant funds for the Repair and Resilience Program through the CDBG-DR Division. Division staff are responsible for ensuring projects comply with all applicable federal and local regulations including but not limited to, Pub. L. 115-254 and Pub. L. 116-20, NEPA, HCDA, and local procurement regulations where applicable, and aligned with the CDBG-DR Action Plan. NMHC's responsibilities include:

- Determine sufficient capacity and payment procedures for Implementing Partners
- Determine project eligibility and mechanisms to comply with crosscutting requirements
- Disburse funds in accordance to NMHC's financial policies
- Complete desk, onsite, and formal monitoring of projects
- Prepare and maintain documentation of activities and compliance with requirements for monitoring and audits

Implementing Partners

The Implementing Partner under the Repair and Resilience Program refers to the entity managing and executing the project activities. Implementing Partners can request funds from the Repair and Resilience Program by submitting a Project Application (Appendix B). The Implementing Partner's responsibilities include:

- Meet the requirements of NMHC Capacity Assessment and grant conditions
- Manage all aspects of design and construction
- Responsibly manage project funds
- Coordinate activities with other federal and local agencies
- Implement crosscutting requirements
- Report back to NMHC on a monthly basis
- Prepare and maintain documentation of activities and compliance with requirements for monitoring and audits.

5.0 CDBG-DR PROGRAM REQUIREMENTS

The CNMI will ensure that each project that receives funding under the Infrastructure Programs corresponds to a CDBG-DR eligible activity, meets a national objective, and demonstrates a direct connection to the disaster. Funds will be provided as payment to governmental agencies, eligible organizations, or other entities for eligible activities within approved scopes with relevant documentation from Implementing Partners.

5.1 Overall Program Administration

NMHC will oversee all activities and expenditures in connection with the CDBG-DR funds. Existing NMHC employees, additional personnel and contractors will be hired to aid in the administration of, and to carry out, the recovery programs. These partners will ensure that the Program meets all requirements, including but not limited to: the disaster threshold, eligibility, national objective, compliance, fair housing, labor standards, nondiscrimination, environmental regulations, Section 3, and procurement regulations.

NMHC has created a Compliance and Monitoring Manual in accordance with CDBG-DR requirements so that each activity funded will meet the disaster threshold and one of HUD's three national objectives, which emphasis on eligible activities achieving the primary national objective of benefiting low- and moderate-income persons.

All projects must comply with any applicable federal laws and regulations and effectively meet their stated goals. In accordance with HUD requirements, NMHC will submit a Quarterly Progress Report (QSR) through DRGR no later than thirty days following the end of each calendar quarter. QPR's will posted on a quarterly basis until all funds have been expended and all expenditures have been reported. QPRs will be informed by monthly reports submitted by Implementing Partners to NMHC.

5.2 Tie to the Disaster

All activities funded with CDBG-DR in the Infrastructure Program must in some way respond to a direct to indirect impact of one of the following federally-declared disasters:

- Typhoon Mangkhut (DR-4396)
- Super Typhoon Yutu (DR-4404)

Match Program

FEMA disaster recovery programs, along with the EPA disaster recovery programs, require clear documentation showing a direct storm-related impact as a prerequisite for entry into these programs and funding. Only after an impact threshold has been met will the lead federal agency consider making disaster funds available to the applicant. It is assumed that if the applicant received funding and support through one of the federal recovery programs, set out above, the applicant was impacted by one or more of the declared disasters. For example, the FEMA PA program, a tie to the storm is documented by FEMA's approval of the PW.

Repair and Resilience and Electrical Power System Program

For non-FEMA projects, the tie to the disaster will be determined by one of the following:

- For physical losses – Damage, rebuilding estimates, or insurance estimates
- For economic or other non-physical losses – Post disaster analyses or assessments (documenting relationship between loss and disaster)[1]

[1] https://www.hudexchange.info/resources/documents/CDBG-DR-Eligible-Activities-Slides.pdf

- Funds may be used to address an unmet need that arose from a previous disaster, which was exacerbated by a disaster cited in the Appropriation.
- If an impact or need originating from a disaster identified in the Appropriation is subsequently exacerbated by a future disaster, funds may also be used to address the resulting exacerbated unmet need.

5.3 Eligible Activities

Table 5 below summarizes the total infrastructure CDBG-DR allocations in accordance with basic eligible activities per HCDA Section 105:

Table 5. Summary of Infrastructure Program Eligible Activities

Program	Sectors	HCDA Eligible Activities (Section 105(a))	Total Allocation
Local Match for Federal Disaster Relief Programs	• Educational Facilities • Energy • Government Facilities • Hospitals & Healthcare Facilities • Telecommunications • Transportation (including roads, ports, & airports) • Waste: Solid Waste/ Landfill • Debris Water & Wastewater	• Payment of the Non-federal Share • Acquisition of Real Property • Public Facilities and Improvements • Clearance, Rehabilitation, Reconstruction, and Construction of Buildings • Public Services • Relocation • Assistance to Institutions of Higher Education (must be facility)	
Infrastructure Repair and Resilience	Same as above	• Acquisition of Real Property • Public Facilities and Improvements • Clearance, Rehabilitation, Reconstruction, and Construction of Buildings • Public Services • Relocation • Assistance to Institutions of Higher Education (must be facility)	
Electrical Power Systems Enhancement and Improvements	Energy	• Acquisition of Real Property • Public Facilities and Improvements • Clearance, Rehabilitation, Reconstruction, and Construction of Buildings • Relocation • Payment of the Non-federal Share	
Total			

For each activity, the CNMI will determine the appropriate service area based on factors including: the nature of the activity; the location of the activity; accessibility issues; the availability of comparable activities; and boundaries for facilities and public services. The CNMI will ensure that projects will be prioritized to provide services to LMI persons and support unmet housing needs.

5.3.1 Ineligible Activities

The CDBG-DR program regulations identify certain activities as categorically ineligible. They also identify certain other activities that are ineligible unless they are carried out under the authority of §570.204.

The general rule in the CDBG-DR program is that any activity that is not authorized under the provisions of §570.201-570.206 (or, where applicable, the statute) is ineligible to be assisted with CDBG-DR funds. However, the eligible activities are so broad that it is easy to forget that some activities that are ineligible and to provide guidance in determining the eligibility of other activities frequently associated with housing and community development.

Categorically Ineligible

The following activities may not be assisted with CDBG-DR funds under any circumstance:

- General government expenses. Except as otherwise specifically authorized in Subpart C of Part 570 or under OMB Circular A-87, expenses required to carry out the regular responsibilities of the unit of general local government are not eligible for assistance under their part. Reference: §570.207(a)(2)
- Political activities. CDBG funds may not be used to finance the use of facilities or equipment for political purposes or to engage in other partisan political activities, such as candidate forums, voter transportation, or voter registration. However, a facility originally assisted with CDBG funds may be used on an incidental basis to hold political meetings, candidate forums, or voter registration campaigns, provided that all parties and organizations have access to the facility on an equal basis, and are assessed equal rent or use charges, if any. Reference §570.207(a)(3)

Generally Ineligible

The following activities may not be assisted with CDBG-DR funds unless authorized as Special Economic Development Activities under §570.203 or §570.204.

- Furnishings and personal property. The purchase of equipment, fixtures, motor vehicles, furnishings, or other personal property not an integral structural fixture is generally ineligible. CDBG-DR funds may be used, however, to purchase or to pay depreciation or use allowances (in accordance with PMB Circulars A-21, A-87, or A-122, as applicable) for such items when necessary for use by a recipient or its subrecipients in the administration of activities assisted with CDBG-DR funds, or when eligible as firefighting equipment, or when such items constitute all or part of a public service pursuant to §570.201(e)2. Also, these items are eligible when carried out by a for-profit business as

part of CDBG-DR assistance under the authority of §570.203(b). Reference: §570.207(b)(1)

- Operating and maintenance expenses. The general rule is that any expense associated with repairing, operating, or maintaining public facilities, improvements, and services are ineligible.
    - However, specific exceptions to this general rule are operating and maintenance expenses associated with public service activities [see §570.201(e)], interim assistance [see §570.201(f)], and office space for program staff employed in carrying out the CDBG program (see §570.206).
    - For example, the use of CDBG-DR funds to party the allowable costs of operating and maintaining a facility used in providing a public service (e.g., salaries, rent) would be eligible under §570.201 (e), even if no other costs of providing the service there are assisted with such funds. Examples of operating and maintenance expenses that are generally ineligible include:
- Maintenance and repair of publicly-owned streets, parks, playgrounds, water and sewer facilities, neighborhood facilities, senior center, centers for persons with disabilities, parking, and other public facilities and improvements. Examples of maintenance and repair activities for which CDBG-DR funds may not be used include the filling of pot holes in streets, repairing of cracks in sidewalks, the mowing of grass in city or county parks, and the replacements of street light bulbs.
- Payment of salaries for staff, utility costs, and similar expenses necessary for the operation of public works and facilities. Reference: §570.207(b)(2).

5.4 National Objectives

Per HUD CFR 570 Section 101(c), the primary objective of the Program is the development of viable communities by the provision of decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income. The statute further states that this is to be achieved in the CDBG program by ensuring that each funded activity meets one of three named national objectives. Those three objectives are identified as: benefiting low- and moderate-income persons; preventing or eliminating slums or blight; and meeting urgent needs. Federal Register FR-6109-N-01 states that each grantee must ensure that at least 70% of all CDBG-DR funds must be used for activities qualifying under the national objectives of Benefit to Low- and Moderate-Income Persons. The following national objectives are applicable to all Infrastructure Programs and all projects will be required to meet at least one of the national objectives below.

National Objective: Low- and Moderate-Income Area, Low- and Moderate-Income Limited Clientele, or Urgent Need, Slum and Blight.

5.4.1 Low- and Moderate-Income Area (LMA)

To be eligible as LMA, the project service area must be at least 51%LMI households and be predominantly residential. In instances where the infrastructure investment activity does not serve the entire island but a particular location, an LMA analysis will be conducted to determine the low- and moderate-income benefit.

5.4.2 Low- and Moderate-Income Limited Clientele (LMC)

In contrast to the area benefit category, it is not the LMI concentration of the service area of the activity that determines whether the activity will qualify or not, but rather the actual number of LMI persons that benefit from the activity. Activities in this category provide benefits to a specific group of persons rather than everyone in an area. It may benefit particular persons without regard to their residence, or it may be an activity that provides a benefit to only particular persons within a specific area.

5.4.3 Urgent Need

While at least 70% of the entire CDBG-DR grant will be used for activities that benefit LMI persons, for certain activities the Northern Mariana Islands will use the Urgent Need national objective. Activities carried out under the urgent need objective will not count towards the 70% LMI benefit.

5.4.4 Required Documentation

LMI Area Benefit	Boundaries of service area of activity; Census data including total persons and percentage LMI; Evidence area is primarily residential; and Survey documentation (if applicable).
LMI Limited Clientele	Documentation that the beneficiaries are or are presumed o be LMI (by category).
Urgent Need	Per 83-FR-5856, CDBG certification requirements for documentation of urgent need, located at 24 CFR 570.483(d), are waived and replace with: 1. Document how each program and/or activity funded under the urgent need national objective responds to a disaster-related impact. 2. For each activity that will meet an urgent need national objective, the grantee must reference in its action plan needs assessment the type, scale, and location of the disaster-related impacts that each program and/or activity is addressing over the course of the applicable deadline for the expenditure of obligated grant funds.

5.5 Duplication of Benefits

The Infrastructure Programs will include a duplication of benefits as part of the scope and budget review and award calculation process. The requirements of the Robert T. Stafford Act (Stafford Act), as amended, prohibit any person, business concern, or other entity from receiving federal funds for any part of such loss for which they have already received financial assistance under any other program, private insurance, charitable assistance, or any other source. This duplicative funding is called Duplication of Benefit (DOB). Any government entity that provides disaster

recovery assistance must both prevent and correct any DOB by the establishment and implementation of policies to identify and adjust for such duplicative assistance payments.

DOB may apply in the following circumstances: when assistance for the same purpose has been received; when assistance for the same purpose will be received; or when assistance for the same purpose is reasonably available from another source, such as insurance or legal settlements due to the property owner.

All Implementing Partners will be reasonable for accurately reporting the availability or receipt of duplicative grants, loans, insurance payments, legal claims, gifts or other payments pertaining to the property being mitigated. Reporting should occur at any point that such information becomes available, including:

- During scoping process development, pre-award, and approval;
- During the gran period of performance;
- During closeout; and
- After grant closeout, if duplicative funds are received at a later date.

Implementing Partners are responsible for reporting DOB information or NMHC. NMHC is ultimately responsible for ensuring that project participants comply with federal laws and regulations. Any agency receiving duplicate benefits is legally responsible for the repayment of those benefits.

5.5.1 Preventing Duplication

All Implementing Partners and subrecipients must complete the DOB calculations as part of the Initial Scope of Work, as well as the Project Application Form, with assistance from Program staff. Both forms request information about all other sources of funding the agencies must be aware of that may impact the DOB. Agencies must provide documentation of these sources but NMHC will also verify these funding sources with other federal partners. This process will be supported by TA from Program staff. Also included in these forms is the standard calculation method used by Program staff to determine if a duplication is present. Project DOB information must be maintained by the agency and reported to NMHC throughout the life of the project. The agency reviews reported DOB and makes appropriate deductions. Additionally, CDBG-DR funds may not be used to supplant local resources use for infrastructure projects.

NMHC maintains records in accordance with Federal grants requirements and assures that the agency has accurately completed DOB reviews and made deductions as appropriate. FEMA must also take steps to assure that it's disaster-related assistance funds do not duplicate other assistance by providing information to NMHC and agency, as needed, to clarify DOB requirements.
FEMA's role may include coordination with other Federal agencies, insurance companies, or any other public or private entity to request and provide access to records to assure there is no DOB.

5.5.2 Recapture

An applicant may be required to repay all, or a portion of the funds received. The reasons for recapture include but are not limited to the following:

- An Implementing Partner or subrecipient is determined to have provided false or misleading information to the Program;
- An Implementing Partner or subrecipient withdraws from the Program prior to completion of the project;
- An Implementing Partner or subrecipient does not complete construction;
- An Implementing Partner or subrecipient fails to meet a national objective of the Program;
- An Implementing Partner or subrecipient is found to have used program funds for an ineligible activity; and/or
- An Implementing Partner or subrecipient does not report the receipt of additional insurance, SBA, FEMA, non-profit assistance and/or any other duplication of benefits received after award.

The Program will develop a detailed recapture policy for the overall CDBG-DR program. The policy, once developed, will be referenced in an update to this manual.

5.6 Elevation Requirements

The following elevation standards apply to new construction, repair of substantial damage, or substantial improvement of structures located in an area delineated as a flood hazard area or equivalent in FEMA's data source identified in 24 CFR 55.2(b)(1).

Mixed-use structures with no dwelling units and no residents below two feet above base flood elevation, must be elevated or flood proofed, in accordance with FEMA floodproofing standards at CFR 60.3(c)(3)(ii) or successor standard, up to at least two feet above base flood elevation. Implementing entities should review the UFAS accessibility checklist available at https://www.hudexchange.info/resources/796/ufas-accessibility-checklist/ along with the HUD Deeming Notice, 79 FR 29671 (May 23, 2014) to ensure that these structures comply with accessibility requirements.

All Critical Actions, as defined as 24 CFR 55.2(b)(3) within the 500-year (or 0.2 percent annual chance) floodplain must be elevated or flood proofed (in accordance with the FEMA standards) to the higher of the 500-year flood plain elevation or three feet above the 100-year floodplain elevation. If the 500-year floodplain is unavailable, and the Critical Action is in the 100-year floodplain, then the structure must be elevated, or flood-proofed at least three feet above the 100-year floodplain elevation. Critical Actions are defined as an "activity for which even a slight chance of flooding would be too great, because such flooding might result in loss of life, injury to persons or damage property." Critical actions include hospitals, nursing homes, police stations, fire stations and principal utility lines.

5.7 Infrastructure Program/Specific Requirements

HUD established infrastructure planning and design requirements for Grantees of this and the Prior Notice. Grantees are required to address long-tern recovery and hazard mitigation planning in their Action Plan or substantial amendment by describing how projects will:

(1) Promote sound sustainable long-tern recovery planning informed by post-disaster hazard risks;
(2) Adhere to elevation requirements of Prior Notice;
(3) Coordinate with local and regional planning efforts, including how Grantee will promote community-level and/or regional post-disaster recovery and mitigation planning;
(4) For infrastructure allocations, Grantee must describe how mitigation measures will be integrated into rebuilding activities, how infrastructure activities will be informed by cost-benefits analysis, how Grantee will ensure infrastructure does not have adverse impact on vulnerable populations, how Grantee will align investments with other planning capital improvements and infrastructure efforts and work to foster and leverage funding from other sources, and how Grantee will employ adaptable and reliable technologies to guard against premature obsolescence of infrastructure. Subrecipients and Implementing Partners will also be held to the requirements.

5.7.1 Integration of Mitigation for Resilience

The CNMI is acutely concerned with the potential impacts of future storms and therefore will prioritize mitigation across all programs to build comprehensive resilience. Resilience is the state of a community in which the foundational systems are strong and capable of withstanding, or quickly bouncing back from, a disruption. Whether this is a natural or man-made hazard or an unanticipated economic downturn, the social cohesion, diverse economic opportunities, strong infrastructure, and emergency response capacities all contribute to such resilience.

All infrastructure under the FEMA PA is being designed to consider mitigation components and this will continue to be done under CDBG-DR. proactive measures to promote risk-informed infrastructure development may include diversification of power generation, micro-grid development, relocation of critical facilities, and flood-mitigated roads.
Recipients of funds may be required to provide a narrative in Project Application of how mitigation principles and practices will be incorporated before the signing of contract agreements to ensure mitigation is a key factor from the onset of project design. The specific mitigation measures and technologies included in the project or program will again be evaluated during a Detailed Scope and Budget phase. This may be done in collaboration with HMPG work to ensure coordination the CNMI's other approaches to mitigation. Potential infrastructure or resilience projects may also be evaluated based on guidance outline in FEMA's Hazard Mitigation Assistance Guidance including:

- Technical Feasibility
- Cost and cost-reasonableness
- Effects on the environment and cultural resources
- Community support
- Promotion of community resilience
- To what extent the project design reduces vulnerability

- To what extent the project includes measures to avoid or minimize adverse impacts to floodplains, wetlands, or other environmental and cultural resources
- Accessibility accommodations for individuals with disabilities and/or access and functional needs

5.7.2 Green Infrastructure

In addition to hardening infrastructure and following elevation requirements, the CNMI will seek to incorporate the "no adverse impacts" approach (NAI) set forth by the Association of State Floodplain Managers. This strategy relies on calculated mix of mitigation approaches to ensure infrastructure development does not increase flooding risks. A key consideration in NAI is green conveyance of water through communities. All proposed projects under the Infrastructure Programs will be required to provide a narrative summary of the green infrastructure components applicable to the project during the Initial Scope and Budget Phase and are encouraged to use the ASFPM's NAI How-to-Guide for Infrastructure to assist in effective project design.[2]

Green infrastructure and sustainable design may be incorporated in multiple stages of NMHC's process for the selection and design of projects. implementing Partners must describe again in the Detailed Scope and Budget Phase, how after more in-depth design, the project will incorporate green infrastructure components.

5.7.3 Costs and Benefits

Infrastructure projects typically carry a high cost of labor and materials, relative to the continental U.S., due to the isolated geography and limited workforce in the CNMI. Each project will be informed by a consideration of cost and benefits, considering these unique circumstances, but whenever possible, should utilize local/regional talent and materials to deduce costs.

The CNMI's approach to assessing costs and benefits may be based on two existing frameworks. The first, HMPG's Guidance on cost effectiveness, relies on a Benefit Cost Analysis, where projects for which benefits exceed costs are generally considered cost effective. The project cost estimate includes a line-item breakdown of all anticipated costs, including, as applicable:

- Costs for anticipated environmental resource impact treatment or historic property treatment measures
- Costs for engineering designs/specifications, including hydrologic and hydraulic studies/analyses required as an integral part of designing the project
- Construction/demolition/relocation costs, such as survey, permitting, site preparation, and material/debris disposal costs
- All other costs required to implement the mitigation project, including any applicable project-type specific costs

Benefits in this methodology are often calculated using standard loss of function estimates provided by relevant federal agencies, which may also be utilized by the CNMI.

[2] https//www.floods.org/ace-images/ASFPMInfrastructureFinalJuly28.pdf

Given the CNMI's approach to mitigation and resilience as giving full consideration systemic, inter-related processes that promote resilience, the method produced through the National Disaster Resilience Competition (NDRC) may help to supplement some of the factors.

Under this method, to the greatest extent possible, a narrative description may be produced to identify evidence-based practices as the basis for the project proposal. This method includes the following steps:

- A full proposed cost, including Federal, Territorial, and private funding, as well as expected operations and maintenance costs and functionally related to geographically related work;
- A description of the current situation and the problem to be solved (including anticipated changes over the analysis period);
- A description of the proposed project or program including functionally or geographically related elements and estimated useful life;
- A description of the risks to the community if the proposal and any land use, zoning or building code changes are not implemented, including costs that might be avoided if a disaster similar to the qualifying disaster struck again, including costs avoided if as a result of the project remaining effective in a future disaster;
- A list of the benefits and costs of the proposal and the rationale for including each effect using the table provided according to the following categories:
- Lifecycle Costs;
- Resiliency Value;
- Environmental Value;
- Social Value; and,
- Economic Revitalization.
- A description of risks to ongoing benefits from the proposed project or program; and
- An assessment of challenges faced with implementing the proposal.[3]

NMHC will determine applicability of these cost and benefit analyses at the time of the Detailed Scope and Budget development.

5.7.4 Opportunities and Impacts

A key target papulation for this program will be low-income residents and businesses that qualify under Section 3. The Section 3 program requires that recipients of certain HUD financial assistance, to the greatest extent possible, provide training, employment, contracting and other economic opportunities to low- and very low-income persons, especially recipients of government assistance for housing, and to businesses that provide economic opportunities to low- and very low-income persons. Each agency receiving funds under the Infrastructure Programs will receive technical assistance from NMHC and direct hiring and training assistance from CNMI DOL to ensure their projects are compliant with Section 3 to the greatest extent feasible.

[3] https://www.hudexchange.info/resources/documents/NDRC-Phase-2-NOFA-Appendix-H-Benefits-Cost-Analysis-Instrucctions.docx

It is a guiding principle of this allocation to combat the effects of disproportionate impacts for vulnerable populations. Each project will be assessed during design and implementation to determine who benefits from the resulting infrastructure repairs and improvements. For all three Infrastructure Programs, geographic and demographic analysis will be used to determine how oft-neglected communities will be impacted by a project. In the CNMI, low- and moderate-income residents will be the priority beneficiaries for all infrastructure work.

These guiding principles should be incorporated into the projects under the Infrastructure Programs and include:

- Design of processes and materials to facilitate access and full participation by at-risk groups.
- Facilitating access to financial resources, technical assistance, and logistics support to ensure adequate preparation and full participation.
- Ensuring that at-risk groups can articulate and represent their interests.
- Ensuring that assessment protocols for policies, programs, strategies, and projects include measures for assessing the impact on at-risk groups.

5.7.5 Covered Projects

Requirements under 83 FR 40314 state that projects surpassing a total investment of $200 million threshold or that are complex enough in the opinion of the Federal Permitting Improvement Steering Council will require enhanced oversight including additional environment reviews. While the CNMI has not identified any infrastructure projects that currently reach this threshold, should any projects meet this criteria, the CNMI may choose to complete these additional requirements under Fixing America's Surface Transportation, Title 41 (FAST-41), which established federally accepted procedure to improve early consultation and coordination among government agencies; increase transparency through the publication of project-specific timetables with completion dates for all federal authorizations and environmental reviews; and increase accountability through consultation and reporting on projects.[4] per the Federal Register Notice, CDBG-DR grantees may choose to participate in reporting on their environmental review and permitting of covered projects under FAST-41.

NMHC may be administering projects which meet this threshold through any of the two Infrastructure Programs. NMHC will be actively reporting environmental reviews and permitting for projects of all sizes to HUD and relevant Territorial agencies but does not currently plan to participate in FAST-41.

[4] https://www.energy.gov/oe/mission/transmission-permitting-and-technical-assistance-division/fast-41

APPENDIX

1. **Appendix A: Crosscutting Requirements and Process Overview**
2. **Appendix B: Project Application Form**
3. **Appendix C: HUD Rider**

APPENDIX A: CROSS CUTTING REQUIREMENTS AND PROCESS REVIEW

1.0 Crosscutting Requirements

1.1 Fair Housing

The Fair Housing Act requires all grantees, Implementing Partners and/or developers funded in whole or in part with HUD financial assistance to certify that no person was excluded from participation in,
denied the benefit of, or subjected to discrimination in any housing program or activity because of
their age, race, color, creed, religion, familial status, national origin, sexual orientation, military status, sex, disability or marital status. The Program complies with and enforces the Civil Rights requirements of Title I of the Housing and Community Development Act (HCDA) and the Fair Housing Law. Projects must also assess how planning decisions may affect members of protected classes, racially and ethnically concentrated areas, as well as concentrated areas of poverty; will promote the availability of affordable housing in low-poverty, non-minority areas where appropriate; and will respond to natural hazard-related impacts. Program staff will use demographic, geographic, and social vulnerability analyses to determine any positive or negative impacts to protected classes. Should a project present negative impacts, project scope or design will be re-assessed to mitigate such impacts.

1.2 Environmental Review

Early environmental coordination must be completed to ensure effective implementation of all CDBG-DR Programs. CDBG-DR funding is contingent upon compliance with both Territorial and
federal environmental regulations. This includes compliance with NEPA and related environmental and historic preservation legislation and executive orders. In general, NMHC serves as the lead agency for purposes of NEPA.

HUD's Environmental Review process allows grantees to serve as the "Responsible Entity" to assume environmental review responsibilities under NEPA. As the grantee, NMHC serves as the Responsible Entity as it relates to environmental review responsibilities under NEPA.

Within NMHC Environmental Review Staff will be responsible for performing environmental reviews and compiling the Environmental Review Records (ERR). Reviews are conducted either directly or using qualified environmental service contractors. NMHC's Corporate Director, as the Certifying Officer, is ultimately responsible with certifying that CNMI's environmental reviews are in compliance with NEPA and HUD environmental regulations.

Federal Register Notice FR-6109-N-01 authorizes recipients of CDBG-DR funds under the Appropriations Act to adopt any environmental review, approval, or permit performed by a Federal
agency for the same project to satisfy responsibilities with respect to environmental review, approval, or permit. NMHC will notify HUD in writing of its decision to adopt another agency's

environmental review. NMHC will also retain a copy of the review in its environmental records. Further information concerning the environmental review process is set forth in the Environmental
Policies and Procedures.

1.3 Labor Standards

The Davis-Bacon and Related Acts (DBRA) applies to all federally-funded or assisted construction
contracts in excess of $2,000. This may apply to projects that are fully or partially funded with CDBG-DR, including FEMA or FHWA match programs. In matched projects, only the scope of the CDBG-DR portion of the project are subject to crosscutting requirements DBRA requires all workers employed by contractors or subcontractors on CDBG-DR programs, be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with DBRA, as amended. DBRA also requires that workers on federally-assisted projects are paid not less than weekly.

Wage information for labor under CDBG-DR programs will be tracked in detail by both NMHC and relevant Implementing Partners and subrecipients throughout the life of the Program. Compliance for this requirement may be tracked in the following ways:

1. Additional NMHC Program staff hired to track wages and verify contractor and agency compliance

2. External contractor hired by NMHC to track DBRA compliance

3. Enhanced TA provided to Implementing Partners to track DBRA compliance

Procedures for this process are currently under development and will be incorporated in a future update to this document.

For prime contracts in excess of $100,000, contractors and subcontractors must also, under the provisions of the Contract Work Hours and Safety Standards Act, as amended, pay laborers and mechanics, including guards and watchmen, at least one and one-half times their regular pay for all hours worked over 40 in a work week. Additionally, NMHC must follow the reporting requirements per HUD and U.S. Department of Labor (DOL) regulations. This requirement also extends to NMHC Implementing Partner, and contractors.

The Fair Labor Standards Act of 1938 (FLSA), as amended, establishes the basic minimum wage levels for all work and requires the payment of overtime at the rate of at least one and one-half times the basic hourly rate of pay for hours worked in excess of 40 per week. These labor standards
are applicable to the entire construction contract whether or not CDBG-DR funds finance only a portion of the project.

1.4 Limited English Proficiency

Federal Executive Order 131661 requires NMHC and all satellite offices, programs, Implementing Partners, contractors, subcontractors, and/or developers funded whole or in part with CDBG-DR financial assistance to ensure fair and meaningful access to programs and services for families and individuals with Limited English Proficiency (LEP) and/or deaf/hard of hearing.

Compliance with this requirement is detailed in NMHC's Action Plan (LAP) and will be coordinated and tracked by the Monitoring and Compliance division at NMHC. Depending on the program, NMHC, Implementing Partners, and subcontractors will share the following expectations to comply with this Executive Order:

1. Document Translation: All documents defined as "vital documents" will be translated into the CNMI's three dominant languages: Chamorro and Carolinian, Implementing Partners, and sub-recipients. Vital documents will be made available in other languages upon request. A "vital document" is defined as a document that includes information regarding eligibility requirements, applications and instructions, program eligibility determinations, and appeals procedures. NMHC may provide assistance to ensure this requirement is met.

2. Where required, seek feedback from the community the project serves (advocacy groups serve vital role).

Language maps provided in the Action Plan will be used to determine the project's location and subsequent language context and if proactive LEP outreach will be required.

1.5 Minority and/or Women-Owned Business Enterprises

The Federal Executive Order 12432 guidelines require selected federal agencies to promote and increase the utilization of Minority-Owned and Women-Owned Business Enterprises (M/WBEs). Following procurement guidelines under 2 CFR 200.321, NMHC must make efforts to ensure that all Implementing Partners, contractors, subcontractors, and/or developers funded in whole or in part with HUD CDBG-DR financial assistance encourage participation in contracts and other economic opportunities by small and minority firms, women-owned business enterprises (WBEs), and labor surplus area firms whenever possible. NMHC will accept a MWBE certification from another state, local or regional, DPW, SBA HUB Zone, SBA 8-A certification (economically disadvantaged and 51% locally-owned), and other eligible certification processes. Documentation and goals regarding M/WBE percentages and reporting will be determined in the contracting agreements.

1.6 Section 3 Economic Opportunities

Section 3 is triggered when the award of CDBG-DR funds for new construction and rehabilitation projects creates the need for new employment, contracting, or training opportunities.

APPENDIX A: CROSS CUTTING REQUIREMENTS AND PROCESS REVIEW

Section 3 of the Housing and Urban Development Act of 1968 is to "ensure that employment and other economic opportunities generated by certain U.S. Department of Housing and Urban Development (HUD) financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed to low and very low-income individuals, especially recipients of government assistance for housing and to businesses which provide economic opportunities to low and very low-income individuals."

The Section 3 program requires that recipients of HUD CDBG-DR funds, to the greatest extent feasible, provide (a) employment and training, and (b) contracting opportunities for low- or very low-income residents in connection with construction projects in their neighborhoods. It also specifically encourages economic opportunities for households who are recipients of government assistance for housing. NMHC and all administering entities will follow and require relevant contractors to follow Section 3 requirements in contracting.

Section 3 applies to the Commonwealth of the Northern Mariana Islands (CNMI), as recipient of HUD funding, as well as to Implementing Partners receiving HUD funding exceeding $200,000. Whenever any portion of HUD funding is invested into projects involving housing construction, demolition or rehabilitation, commercial/private improvements for economic development, or other public construction (e.g., roads, sewers, community centers, and public facilities), the requirements of Section 3 apply.

In conjunction with construction activity, Section 3 applies to projects that are fully or partially funded with CDBG-DR assistance, including projects that are financed in conjunction with CNMI, local, or private matching or leveraged funds, provided that the Section 3 monetary threshold requirements are met. In particular:

- In conjunction with construction activities, Section 3 applies to contractors or subcontractors that receive contracts more than $100,000 for Section 3-covered projects/activities. Once it is determined that Section 3 applies to a project, the requirements apply to all contracts for construction work arising in connection with that project exceeding $100,000, including those not funded with CDBG-DR assistance. Contractors or subcontractors are required to comply with the Section 3 regulations in the same manner as the CNMI; and

- "Section 3-covered contract" includes professional service contracts, provided that the work to be performed is generated by the expenditure of funds in furtherance of Section 3 covered work (e.g., housing construction, housing rehabilitation, and other public construction), arising relating to construction projects. Professional service contracts that may constitute Section 3-covered contracts include construction contract oversight, engineering, architectural, environmental and property evaluation, construction progress and draw inspections, and prevailing wage labor compliance.

The regulations pertain to new hires required to complete Section 3-covered projects and activities.

If the expenditure of funding for an otherwise covered project and activity does not result in new employment, contracting, or training opportunities, Section 3 reporting will still be required. When NMHC awards CDBG-DR funds to other governmental departments, nonprofit organizations, subrecipients or other funded entities, NMHC will require they document how reasonable attempts were made to reach numerical goals set forth at 24 CFR Part 135.30. NMHC will inform its Implementing Partners and other funded entities of the requirements of

Section 3, including the language required to be inserted into all construction-related contracts, assist them and their contractors with achieving compliance, and monitor their performance with respect to the Section 3 objectives and requirements.

Implementing Partners will receive training on this requirement and methods of compliance, technical assistance from Program staff, and continual monitoring from NMHC. Currently, a Section 3 Plan is under development, the details of which will be included in an update to this manual.

1.7 System for Award Management (SAMs)

SAM is the federal System for Award Management and is a requirement for doing business with the U.S. government. All vendors are required to register in SAM in order to be awarded contracts under the CDBG-DR program. Vendors are required to complete a one-time registration to provide basic information relevant to procurement and financial transactions. Vendors must update or renew their registration annually to maintain an active status.

1.8 Uniform Relocation and Real Property Acquisition Act (49 CFR 24)

The Uniform Relocation Assistance and Real Property Acquisition Act (URA), is a federal law that establishes minimum standards for federally funded programs and projects that require the acquisition of real property (real estate) or displace persons from their homes, businesses, or farms. The URA's protections and assistance apply to the acquisition, rehabilitation, or demolition of real property for federal or federally funded projects. The phrase "program or project" is defined in 49 CFR Part 24 as, "any activity or series of activities undertaken by a federal agency or with federal financial assistance received or anticipated in any phase of an undertaking in accordance with the federal funding agency guidelines."

The objectives of the URA are:

- To provide uniform, fair and equitable treatment of persons whose real property is acquired or who are displaced in connection with federally funded projects;

- To ensure relocation assistance is provided to displaced persons to lessen the emotional and financial impact of displacement;

- To ensure that no individual or family is displaced unless decent, safe, and sanitary (DSS) housing is available within the displaced person's financial means;

- To help improve the housing conditions of displaced persons living in substandard housing; and,

• To encourage and expedite acquisition by agreement and without coercion.

49 CFR 24.101(c)(1) provides that the subpart B requirements also apply to the acquisition of permanent and/or temporary easements necessary for the project. However, 49 CFR 24.101(c)(2) provides an exception for the acquisition of temporary easements which exclusively benefit the property owner.

2.0 Contracting Agreements

2.1 Implementing Partner and Subrecipient Criteria

As a CDBG-DR program Implementing Partner or subrecipient, entities should demonstrate the following qualities:

Prior experience with executing CDBG, CDBG-DR, or other federal funded projects including, but not limited to, knowledge or prior experience with the following:

- 2 CFR 200 requirements;
- Documentation that the project meets a CDBG National Objective; and
- Documentation that the project's expenditures are for CDBG Eligible Activities.

Have internal staff capacity to effectively manage CDBG-DR grants, including but not limited to:

- Capacity to perform financial management and oversight;
- Capacity to perform grant management functions as demonstrated through prior experience with managing grants with in-house staff or with a grants management consultant;
- Internal auditing capability;
- Administrative staffing; and
- Knowledge of both federal and local procurement and contracting requirements.

Knowledge and experience in financial management of Federal grant funds, specifically of CDBGDR funds; and the ability of financial systems to meet all federal and Territorial requirements including, but not limited to:

- Accounting methods, and budget controls;
- Proof that expenditures are necessary, reasonable, and directly related to the grant;
- Monitoring and controls of timely expenditure of Federal funds;
- Compliance with 2 CFR 200;

- Completion and results of prior audits under 2 CFR 200 Subpart if applicable;
- Completion and results of any other audits as it relates to financial capacity;
- In good standing with the CNMI (for entities other than public entities); and,
- Davis-Bacon and all labor standards, Section 3, M/WBE, Civil Rights, Section 504, Uniform Relocation Act, Fair Housing Act, ADA, Age Discrimination Act, and records management.

Based on the Capacity Assessment and Initial Scope and Budget Phase, NMHC will develop a Subrecipient Agreement between the agencies for the implementation of the CDBG-DR Programs.

2.2 Capacity Assessment and Initial Scope and Budget
Implementing Partners and subrecipients are required to produce a Capacity Assessment and Project Application Form (Appendix B) for the Program to develop the Intergovernmental Agreement. The Capacity Assessment and Project Application Form are based on a standard form provided by NMHC to all Implementing Partners.

The Capacity Assessment and Project Application submission is a package of information submitted to NMHC.

The purpose of the CDBG-DR Capacity Assessment is to proactively identify the capacity and management practices of the potential Implementing Partners of CDBG-DR funds being administered by NMHC. These types of assessments can be a useful tool in identifying ways to improve economy, efficiency, and effectiveness of disaster recovery operations, understand the level of compliance with relevant rules and regulations, and provide guidance and insight for ongoing monitoring of Implementing Partners.

The methodology to be used is based on the 2 CFR 200 requirements and also HUD's guidance on assessing capacity of Implementing Partners. The process includes assessing the Implementing Partner's history of grant management, program and activity experience, staffing capacity and experience, financial processes, and knowledge of relevant rules and regulations.

2.2.1 Capacity Assessment Process Overview

1. Independent research and information gathering – A review of publicly-available documentation shall be undertaken to provide context for interviews with stakeholders.

Documents to review shall include:

a. Current Action Plans and associated regulations
b. News/media articles related to the agency
c. Agency websites and online materials
d. Previous grant applications or public reports on previous grant funded spending
e. Prior federal/local OIG reports and other audit/inspection reports relevant to agency programs/projects or operations

f. or other annual audit reports

2. Analysis: Information will be reviewed, and observations will be compiled to identify areas/items for consideration in conducting site visits, additional stakeholder discussions and in preparing the overall summary.

3. Document request – A document request list will be sent to each agency regarding documentation which is needed from them in order to facilitate the process.

a. Accounting policies and procedures including record retention policy, system of internal controls, and source documentation retention policy.

b. Procurement policies and procedures

c. Grants management policy and procedures for disaster recovery funds (including fraud, waste, and abuse reporting).

d. Copy of last Single Audit final report (or applicable annual audit if not publicly available

4. Analysis: Policies will be reviewed for level of detail present and capacity to manage significant amounts of Federal disaster grant funding. Audit reports will be reviewed for information related to internal controls.

5. Site visit – a site visit meeting shall take place with key individuals involved in managing federal disaster grant funded projects, in particular the managing of CDBG-DR funded projects
a. Agency participants: Leadership, finance/accounting, procurement, grant managers, etc.

2.3 Project Application Form

The purpose of the Project Application Form is to document:

- How the project is tied to one of the two disasters.
- How all activities of the project are eligible under the Program
- How the project meets one of HUD's three National Objectives

The Project Application Form consists of:

1. Project eligibility review under 24 CFR 570.482

2. A project description (include general timeline and how the project could include mitigation)

3. Tie to the disaster

4. Assigned National Objective according to 24 CFR 570.483

5. Project cost estimate

6. Statement of justification and recommendation

7. Other relevant information

8. Initial Duplication of Benefits review

NMHC engages primarily with the entities who have relevant jurisdictional oversight for each project and selects a suitable Implementing Partner for each project by direct, discretionary selection.

2.4 Contract Agreement Details

NMHC works with Implementing Partners and subrecipients to execute the Subrecipient Agreement which serves as the mechanism for the transfer of funds to the agency and submission of required documents to establish proof of compliance with all federal and local laws as applicable. For projects receiving CDBG-DR funding for multiple project phases, individual amendments may be utilized for each phase. Each amendment will include the scope, budget, and performance metrics of the applicable phase.

2.4.1 Subrecipient Agreements

A subrecipient is considered a public or private nonprofit agency, authority or organization, or community-based development organization receiving CDBG-DR funds from NMHC (or another subrecipient) to undertake CDBG-DR eligible activities (24 CFR 570.500(c)). For the CDBG-DR Programs, NMHC enters into "subrecipient agreements" with these partners. These agreements allow NMHC to ensure that every subrecipient is prepared and understands requirements needed to satisfy applicable CDBG-DR award requirements, as well as local laws. These agreements may include provisions to help determine the subrecipient's procedures are sufficient to reduce risk of noncompliance and to ensure that NMHC can meet its own responsibility to HUD for performance and financial reporting.

2.4.2 Memorandums of Understanding (MOUs)

Most projects requiring funding from the CDBG-DR Programs will likely be implemented by Partner CNMI agencies, referred to hereafter as Implementing Partners. NMHC selects a suitable Implementing Partner for each project by direct, discretionary selection. Because many of the projects requiring a local cost share are designed to further the recovery of the local governments and repair critical infrastructure impacted by Typhoons Mangkhut and Yutu, NMHC engages primarily with the entities who have relevant jurisdictional oversight for these projects.

The agreements should include:

• Scope of Work that includes performance measures and completion of pertinent documents

• CDBG-DR Compliance Provisions: Equal Employment Opportunity, Section 504, Section 3, Access to Records, Duplication of Benefits, etc.

• Statement of Assurances that covers all federal regulations and CDBG-DR requirements

• Budget line-items with general categories such as Salaries & Benefits, Supplies, Travel, Professional Services, & Contracts: maintain detailed budget separately from the contract

• Term of Agreement

NMHC CDBG-DR Division staff and will work with Implementing Partners throughout implementation of disaster recovery programs' phases to ensure that:

An approved program is implemented in a manner that is consistent with application and public procurement process;

Approved activities are carried out and completed in a timely manner;

Activities and certifications are conducted in accordance with the requirements and the primary objectives of the Subrecipient Agreement, program requirements, and other applicable CNMI and federal rules, regulations, policies, and related statures; and,

Administrative systems, policies, and procedures provide adequate protection for the prevention and mitigation of fraud, waste, and abuse.

2.4.3 Fraud, Waste, and Abuse

HUD requires that specific policies are developed to prevent fraud, waste, and abuse. Therefore, the Program has established procedures for verifying the accuracy of information provided by program applicants, vendors, and Implementing Partners. The Program's Anti-Fraud, Waste and Abuse (AFWA) check is designed to identify discrepancies and risk-relevant issues in information provided by third parties that may be indicative of fraud, waste, and abuse. The Program will ensure that accurate information obtained from third party vendors and AFWA checks are conducted systematically, utilizing standardized research methodologies, and flag identification processes for consistency and equitable treatment across relevant sources. Flag codes, notations, and relevant supporting documents are checked for errors.

2.4.5 Timely Expenditure of Funds
As per the Supplemental Appropriations for Disaster Relief Requirements, 2018 (P.L.s 115-254 and 116-20), funds must be disbursed by November 24, 2026 - six (6) years from the signing of the initial Grant Agreement between HUD and NMHC.

3.0 Implementation

3.1 Inter-agency Liaisons

Inter-agency coordination will be a critical component of all projects implemented through the CDBG-DR Programs. As such, it is strongly encouraged that all Implementing Partners increase their staff capacity with a dedicated Interagency Liaison in order to effectively remain compliant with HUD CDBG-DR regulations, follow local planning and procurement requirements, as well as to coordinate timelines of complimentary projects with other government agencies. NMHC staff will provide TA to ensure this agency staff is trained to perform the role.

3.2 Technical Assistance (TA)

To assist Implementing Partners in complying with all CDBG-DR regulations and any NMHC policies, as well as to build capacity, CDBG-DR Program staff and project coordinators will provide Implementing Partners with necessary TA throughout the life cycle of the project. NMHC's TA is comprised of formal trainings (prepared materials, in-person presentations and webinars) and informal trainings (verbal or written advice, provided as needed, through in-person meetings, emails or telephone calls). The nature and rigor of TA is continuously tailored to meet the Implementing Partner's unique needs.

3.3 Detailed Scope and Budget Phase

Once a project's Initial Project Application is approved, the Implementing Partner or subrecipient completes and submits to NMHC the detailed project scope and budget. CDBG-DR Program staff and project coordinators (if applicable) provide the applicants with support in completing the detailed scope and budget. The full package of information developed at this phase provides:

- Information pertaining to CDBG-DR eligibility
- A detailed description of the project
- Tie to the disaster
- A detailed project cost estimate
- Detailed Duplication of Benefits documentation
- Project maps detailing location of project activities
- Project maps detailing project service area
- Project time schedule with relevant phasing and milestones
- Activity beneficiary form
- Green Infrastructure Components

☐ Section 3 projection

Duplication of Benefits documentation refers to documents needed for the DOB Calculation. An example is provided below based on HUD's guidance, though additional line items may be added by the NMHC as necessary for individual projects.

3.3.1 Project Application Acceptance

Once a project is advanced by NMHC staff, the Implementing Partner will be notified of the decision via an acceptance letter that is sent electronically. A copy of this letter is placed in the project file. The results of all Duplication of Benefits checks will be available in the project file.

3.5 Project Development Phase

In the project development phase, NMHC provides substantial TA to Implementing Partners so they remain in compliance with all requirements through the life of Appendix A: Cross Cutting Requirements and Process Overview 11 the project including the project development phase. The following steps, if relevant to a project, are taken in the project development phase:

1. Procurement of Architectural and Engineering (A/E) professionals to design project if not previously procured.

2. Environmental review completed (unless already adopted by another federal agency).

3. Development of project design by A/E professionals.

4. Preparation of the environmental review record by NMHC.

5. Acquisition of real property, rights of way, permits, by Implementing Partners.

6. DPW agency approvals of plans and permits.

7. Creating and initiating Section 3, MWBE outreach strategies and plans for the project.

8. Obtainment of federal wage decisions and local wage decisions by Implementing Partners.

9. Environmental review record approved and formal "Release of Funds" for construction letter sent.

10. MOU amended for changes in scope or budget (if required).

11. Authorization to proceed to advertise for bids issued.

12. Preparation of the bidding documents for construction by Implementing Partners.

13. Authorization of the subrecipients/Implementing Partner to proceed to bidding/contract award by NMHC.

All projects may not proceed to procurement and construction until environmental review is complete.

3.6 Construction Services Bidding/Pre-construction Phase

NMHC provides substantial TA to Implementing Partners so they remain in compliance with all requirements through the life of the project. This is particularly true for the pre-construction bidding phases of the project. CDBG-DR Program staff and the project coordinators will review and work closely with the subrecipients and Implementing Partners in this phase. The contract should be awarded to the lowest-priced responsible bidder that has complied with the specifications. In some cases, the lowest bid received will exceed the amount of funds allocated for the project. When this happens, subrecipients and Implementing Partners must work with CDBG-DR Program staff to determine the best option to proceed. Agencies may advertise the Invitation For Bid (IFB) after receiving a letter, or e-mail notification from NMHC authorizing them to do so. This communication, letter or email follows:

- NMHC review of plans and specifications
- Environmental clearance of all project activities
- Verification that all necessary lands, rights-of-way, and easements have been acquired
- Verification that all other program requirements have been met.

Upon completion of bidding, subrecipients and Implementing Partners enter the pre-construction phase, which focuses on the subrecipients and Implementing Partners' understanding of CDBG-DR compliance. During this phase, specific pre-construction and construction phase TA is provided to keep agency projects HUD CDBG-DR eligible.

All Implementing Partners must comply with the detailed information on bidding and procurement, available in the Procurement Policies and Procedures.
During this phase:

1. NMHC will set up agencies/subrecipients and contractors in the system of record for financial reporting and compliance (Section 3, Davis-Bacon, M/WBE, and other NMHC requirements). Each project will contain a project file and be set up at the begging of each project to store evidence of compliance with each crosscutting requirement.

2. Agencies/Implementing Partners will report to NMHC staff on compliance with CDBG-DR and program requirements and NMHC staff will input the data into the system of record.
3. Change orders will be reviewed and approved/denied.

The exact procedures for this process are under development as the information management systems for these records have not been procured by NMHC. Upon procurement, a more detailed process flow of information for this phase will be included in an update to this manual.

3.7 Construction Phase

During the construction phase, subrecipients and Implementing Partners will be responsible for:

o Review of weekly Davis Bacon payrolls (or CNMI payrolls as applicable)
o Conducting interviews of workers for all contractors and sub-contractors
o Monthly status reports provided to NMHC
o Review and approval of contractor pay applications
o Review and approval or rejection of change orders
o Submission of claim vouchers to NMHC
o Contractor payments
o Implementing Partner continues to utilize the system of record to report on Section 3, Davis-Bacon, M/WBE, and other NMHC requirements

If a change to the project is necessary during construction, contractors must submit the preliminary construction change order to Implementing Partner for review. NMHC will review and revise the requested change order to ensure that all cost and changes are CDBGDR eligible and procured according to requirements of 2 CFR 200 for all Program activities; for those who administer procurement through the DPP, an additional review from that office will be required. The review requirements may include but are not limited to:

1. Sufficient grant or local funds are available to meet any increased costs;
2. Documentation that all items listed on the change order were reviewed for price reasonableness;

3. Documentation that all items listed on the change order are included in the scope of the environmental review record; and,

4. Documentation that all items listed on the change order are within the scope of the approved application.

If a change of scope or cost occurs after application approval, but before construction begins, NMHC will issue an application amendment.

4.0 Procurement

In addition to verifying the accuracy of information provided by program applicants, the Program verifies the accuracy of information provided by its vendors. As part of the NMHC's procurement process, contractors are required to complete a vendor background questionnaire and to report derogatory information relating to the contractor and/or its key personnel. Prior to Contract execution, the Program's procedures include, but are not limited to: reviewing debarment lists, searching known databases for information (such as tax liens and incorporation

documents), conducting internet research, and obtaining information available from CNMI and federal agencies (such as substantiated investigative findings and audit reports). The Program has established regular channels of communication with other CNMI and local government agencies who are contracting with various entities for services relating to storm recovery efforts in order to be on guard for issues relating to contractor fraud, waste, and abuse.

Implementing Partners who have a contract agreement with NMHC and any subsequent parties must follow federal and NMHC's procurement rules when purchasing services, supplies, materials, or equipment. The procurement requirements found in 2 CFR 200 establish CDBG-DR standards and guidelines for the procurement of supplies, equipment, construction, engineering, architectural, consulting, and other professional services.

Implementing Partners must also follow applicable conflict of interest provisions in Federal and local regulations. If a real or perceived potential conflict of interest is identified, Implementing Partners must contact NMHC for further guidance. Additional information on procurement requirements can be found in NMHC's Procurement Regulations

4.1 Conflicts of Interest

The CDBG-DR Division requires all program staff to disclose any relationship with an Implementing Partner or contractor. CDBG-DR Program staff, sub-grantees, program administrators, and contractors who disclose such relationships are placed in roles where there is no opportunity for them to display favoritism or collude in order to financially or otherwise benefit themselves, the agency, or the contractor. For example, a customer representative may not perform work on the application of a family member. For purposes of this regulation, "family" is defined to include spouse, parents, mother-in-law, father-in-law, grandparents, siblings, brother-in- law, sister-in-law, and children of an official covered under the CDBG-DR conflict of interest regulations at 24 CFR 570.489(h).

NMHC may consider granting an exception to the conflict of interest provisions per 24 CFR 570.489(h)(4) if NMHC has determined that the subrecipient has adequately and publicly addressed all of the concerns generated by the conflict of interest and that an exception would serve to further the purposes of Title I of the Housing and Community Development Act of 1974, as amended and the subrecipient has complied with the requirements listed in 24 CFR 570.489(h)(4)(i) and (ii).

NMHC would consider whether the:

1. exception provides a significant cost benefit or essential degree of expertise;
2. opportunity was provided for under open competitive bidding or negotiation;
3. person affected is an LMI person;
4. affected person has withdrawn from his or her functions or responsibilities;
5. interest or benefit was present before the affected person was in a position to benefit from the conflict of interest; or,

6. undue hardship results from failure grant the exception.

4.2 Professional Services

In order to develop a detailed project description and a conceptual cost estimate for a project scope and budget, NMHC or the Implementing Partner may engage the services of professional architects or engineers. If the agency engages the architect or engineer directly, the agency must comply with CDBG-DR procurement guidelines. The scope of the procurement may also include future services for design, surveying, and construction inspection/representation services. The CDBG-DR Programs may allow Implementing Partners to conduct professional services using force account labor with prior approval and with an understanding that additional oversight from NMHC to ensure cost reasonableness in lieu of competitive bidding.

The procurement of professional services process is as follows:

1. The Implementing Partner prepares and publicizes RFP/RFQ, soliciting responses from an adequate number of sources, through NMHC and conforming with NMHC's procurement regulations.

2. The Implementing Partner/NMHC conducts a technical evaluation of responses and selects the most advantageous offer.

3. The Implementing Partner/NMHC verifies response eligibility, using system for award management.

4. The Implementing Partner/NMHC conducts contract negotiations.

5. NMHC awards a contract to the selected contractor.

6. The Implementing Partner executes contract.

4.3 Construction Services

NMHC provides substantial TA to Implementing Partners so that projects remain in compliance with all requirements through the life of the project. This is particularly true for the pre-construction bidding and construction phases of the project. NMHC notifies the Implementing Partner that it will advertise for bids following the completion of:

- NMHC review of plans and specifications
- Environmental clearance of proposed construction activities
- Permit approval from local permitting agencies and/or federal agency as required
- Verification that all lands, rights-of-way and easements have been acquired
- Verification that all other program requirements have been met.

After notification to advertise for bids has been issued, the Implementing Partner may proceed with public advertising for bids in accordance with Federal and local procurement

standards.

5.0 Administrative Records

5.1 Recordkeeping

Implementing Partners and subrecipients must establish a system for recordkeeping that assists NMHC with the review of files for compliance. In other words, records should be kept in a manner that clearly tells the whole story of a Community Development Block Grant Disaster Recovery (CDBG-DR) project from beginning to end. The Implementing Partner is responsible for maintaining all records pertinent to a grant, including supporting documentation, for three (3) years from the date NMHC closes the CDBG-DR program with HUD. Because this required record retention period is not an exact date or time period, NMHC will notify Implementing Partners when the program has been closed with HUD and include the end date of the record retention period. A list of potential records, by activity, can be found in the Recordkeeping and Reporting Policy.

5.2 Reporting

Implementing Partners are required to submit a Monthly Performance Report (MPR) to NMHC. Monthly reports will be used to assess program progress, timeliness, and to justify needs. It is important because it provides NMHC with information that is required to be provided to the HUD on a quarterly basis. Therefore, reports must be submitted on time and accurately. Submission of the required Monthly Performance Report begins with the first report deadline after the Implementing Partner receives project approval and continues until the Implementing Partner has submitted the Final Monthly Performance Report and the closeout forms. The report template can be found in the Administrative Manual.

6.0 Official Monitoring Phase

NMHC will conduct interim official monitoring as needed through the life of the project. The official monitoring process includes the following:

More information on this phase is available in the Monitoring and Compliance Manual.

APPENDIX B: APPLICATION FORM

Northern Marianas Housing Corporation
Community Development Block Grant – Disaster Recovery (CDBG-DR) Program

CDBG-DR Project Application Form
(Scope, Eligibility, and Budget)

Company/Agency Name: _____

Project Name: _____

Northern Marianas Housing Corporation
Main Office
P.O. Box 500514
Saipan MP, 96950
Phone (670)234-6866

Northern Marianas Housing Corporation
CDBG-DR
(670)233-9447

GENERAL DESCRIPTION FORM INSTRUCTIONS

Mark the appropriate box at the top of the form to indicate whether this is the original application or amended application. An amended application must be submitted each time there is a change to the project. Please enter the amendment number that corresponds to each change. (ex: *First change to the original approved application would be Amended Application #1)*

1. In the **Applicant Name** box indicate the entity's name (ex: *Northern Marianas Housing Corporation*), the person in the applicant's office to be contacted regarding this application, address, phone numbers of the entity requesting funds and contact person, and e-mail address of contact person.

2. **Program.** Select program your proposed project falls under.

3. In the **Project Name** box indicate the name of the project (ex: *Building of Low/Mod Rental Units*).

4. In the **Architectural/Engineering Firm** box indicate the name, address, phone number, and e-mail address of the architectural/engineering firm for this project if one was hired by the applicant.

5. In the **Environmental Firm** box indicate the name, address, phone number, and e-mail address of the environmental firm for this project if one was hired by the applicant.

6. **Tie to the Disaster.** Provide a detailed explanation on how your project is tied to Super typhoon Yutu and/or Typhoon Mangkhut. ***Note:*** *Please provide before and after pictures if appliable, reports or data received to support your proposed activity.*

7. **Project Description.** Provide a concise description of the project for which you are requesting funds. The description should tell the entire story of the proposed project that will enable NMHC to make a sound decision on the eligibility of the project. Please respond to as many questions as possible that pertain to the proposed project in this section. If the question does not apply to the project, please enter "N/A".

8. In the **National Objective** box indicate which national objective will be addressed by the project.

9. **Eligible Activities.** Select the appropriate eligible activity that your proposed project will fall under. Most CDBG-DR appropriations require funds to be used for necessary expenses for activities related to disaster relief, long-term recovery, restoration of infrastructure and housing, and economic revitalization in the most impacted and distressed areas.

   The activity must be CDBG-DR eligible or allowed via a waiver, address a disaster-related impact in a Presidentially declared county, and meet a national objective. Disaster-related activities are those that demonstrate (1) a logical connection to the disaster, and (2) how the activity will contribute to long-term recovery. ***Note:*** *Grantee must determine what documentation is sufficient and reasonable to show how activities respond to disaster-related impact.*

10. **Duplicate of Benefits.** Provide information that may be seen as an additional funding source (ex. Insurance, monetary donations, FEMA, SBA) for the intended project.

Note: *The applicant's Organizational Head must initial the appropriate pages, sign and date the completed application and the project budget to signify approval. Type the* ***Organizational Head's*** *name and title in the appropriate boxes. A signature signifies the approval by the Organizational Head.*

Please attach additional sheet(s) if extra space is needed.

General Description Form

Place a check mark in the appropriate box: ☐ Original Application ☐ Amended Application #_____

1. Applicant Name, Contact Person's Name, Address, Phone Number, and Email Address:

2. Program:

☐ Housing ☐ Infrastructure ☐ Economic Revitalization ☐ Planning ☐ Public Services/Public Facilities

3. Project Name:

4. Name, Address, Phone Number, and Email Address of Architectural/Engineering Firm: ***(if applicable)***

5. Name, Address, Phone Number, and Email Address of Environmental Firm: ***(if applicable)***

Date of ERR:
(if applicable)

6. Describe in detail, your project's physical loss or social impact or economic impact or loss in function of a system, that will serve as a "Tie to the Disaster":

7. **Project Description** ***(Answer the questions below)***
a. Based on the CNMI action plan and the program selected in section 2 of this form, describe the proposed project to be funded with CDBG-DR funds. This section should include the project timeline.
b. Briefly explain the needs to be addressed with the proposed project
c. Show that the project considers and/or proposes a mitigation plan to minimize damage in the event of future floods or typhoons.
d. How extensive is the proposed construction? Is there site work, digging/earthwork, etc.?
e. Identify the proposed improvements, location of the proposed improvements, and/or project (making sure to answer who owns the property, what is near and around i.e. landmarks, and where it is located). Current size/capacity of and area served by the project, etc.

f.	**Describe whether the project will require the acquisition of property, easements, or right-of-way and the approximate number of parcels to be acquired.**
g.	**Describe how the project relates to existing infrastructure. For example, if you plan to install new sewage collection lines, then can the treatment plant handle the increase?**
h.	**Is there green infrastructure or other sustainability design components? To complete this section, green infrastructure is defined as the integration of natural systems and processes, or engineered systems that mimic natural systems and processes, into investments in resilient infrastructure. "Green Infrastructure" takes advantage of the services and natural defenses provided by land and water systems such as wetlands, natural areas, and vegetation, while contributing to the health and quality of life of those in recovering communities.**
i.	**For government and private developers, describe how people will benefit from the project and indicate whether the benefits will be direct and/or indirect. Direct benefits are defined as those that will take place on private property, such as an increased stock of housing units or utility hookups. Provide an estimated number of housing units or utility hookups, for example.**

j.	**Identify who will retain ownership of the system/project deliverables after the completion of the project. Describe the method by which the applicant can ensure that adequate revenues will be available to operate and maintain the proposed project. The description must identify the source and the estimated amount of funds that will be generated for this purpose.**
k.	**Describe the physical boundaries of the target area(s) in relation to the beneficiaries of the project.**
l.	**Will the proposed project directly cause any demolition or conversion of any existing residential or commercial units resulting in the permanent, temporary, or economic displacement of existing tenants? If yes, indicate whether the households are low income and the estimated number of households that may be affected. Note:** ***Attach a plan describing the steps taken to minimize displacement, including what assistance/benefits will be provided to displaced households and what plans have been developed to replace the units and ensure that they stay at or below Fair Market Rent for XXXX years***
m.	**If the property was built before 1978, is it exempt from lead-based paint abatement? If yes, list the reason. If no, has the property been evaluated? Please indicate if the property needs remediation. Note:** ***Attach record indicating year of construction and proof of exemption.***

n. For rehabilitation projects, has there been an evaluation of asbestos hazards? Does the property need Asbestos remediation?
Note: *Provide a copy of the reports.*

o. Was the building occupied at the time of typhoon(s)? ☐ Yes ☐No

If yes, how many units were occupied? ___ Unoccupied units? ____ Total units? ____

Describe Buildings: ☐ Residential ☐ Commercial ☐ Industrial ☐ Other: _____

Describe Occupants: ☐ Owner ☐ Rental ☐ Lease

Who owns the property or building? _____ **Note:** *Submit a copy of the deed or lease.*

p. If this is a housing project, does it have more than five (5) units? If yes, at least 5% (or 1, whichever is greater) must be accessible to persons with mobility impairments and 2% (or 1, whichever is greater) must be accessible to persons with sensory impairments if the project is new construction or requires substantial rehabilitation. The remaining units must meet the accessibility requirements of the Federal Fair Housing Act, which requires that all units in elevator buildings and ground units in other buildings be ADA accessible.

q. Have steps been established to further Fair Housing? Please explain.

8. National Objectives to be addressed (check one).

To be eligible for the CDBG-DR funding, a project must meet at least one of the national objectives outlined in Title 24, Section 570.208 of the Code of Federal Regulations. Select from below the national objective(s) to be met by this project.

☐ Activities Benefiting Low/Moderate Income Persons

☐ *Area benefit activities* are one that benefits all residents of low to moderate-income in a particular area, which 51% of the residents are low to moderate-income persons. (**Note:** This selection is applicable only if the project will be located in a neighborhood or census tract where more than 51% of the persons or households qualify as low to moderate-income. *Please refer to the census maps attached at the end of the application*

☐ *Limited Clientele*. Limited to a specific group of persons and at least 51% of them qualify as low to moderate-income.

☐ *Housing activities*. An eligible activity carried out for a purpose of providing or improving permanent residential structures which, upon completion, will be occupied by low- and moderate-income households.

☐ *Job creation or retention activities*. An activity designed to create or retain permanent jobs where at least 51% of the jobs, computed on a full-time equivalent basis, involve the employment of low- and moderate-income persons.

☐ Prevention/Elimination of Slums or Blight including historic restoration to remove conditions that threaten health and safety. ***Please note that the designation of areas of "slum and blight" must have been established by local law.***

☐ Urgent Need. Activity designed to alleviate existing conditions which pose a serious and immediate threat to the health or welfare of the community which is of recent origin or which recently became urgent, that the applicant is unable to finance the activity on its own, and that other sources of funding are not available.

☐ None (Planning, Capacity Building, Administrative)

9. Eligible Activities

To be eligible for funding, a proposal must include one or more of the activities described in Title 24 570.200 to 570.206 of the Code of Federal Regulations. Select from the listing below the activity this proposed project entails.

☐ Acquisition of real property 201(a)
☐ Disposition 201(b)
☐ Public Facilities and Improvements 201(c)
☐ Clearance and remediations 201(d)
☐ Public Services 201(e)
☐ Interim Assistance 201(f)
☐ Relocation 201(i)
☐ Loss of Rental Income 201(j)
☐ Privately-Owned Utilities 201(l)
☐ Construction of Housing 201(m)
☐ Homeownership Assistance 201(n)
☐ Special Economic Development Activities 201(o); 203
☐ Microenterprise Assistance 201(o)
☐ Miscellaneous Other Activities 201 (g), (h), (p), (q)
☐ Rehabilitation and Preservation 202(a), (b), (c), (d), (e), (f)
☐ Planning activities 205(a)
☐ General management, oversight and coordination 206(a)
☐ Public information 206(b)
☐ Fair Housing Activities 206(c)
☐ Indirect Costs 206(e)
☐ Submission of applications for federal programs 206(f)
☐ Administrative expenses to facilitate housing 206(g)
☐ Section 17 of the U.S. Housing Act of 1937 206(h)

10. Duplication of Benefits.

Did the applicant file an insurance claim (or receive other funding) for the damages referenced in this application? If yes, what were the proceeds used for? If the funds were not used what will the funds be used for? Provide the dollar amounts in the High-Level Budget section of this application

☐ Yes ☐ No

HIGH LEVEL BUDGET INSTRUCTIONS

Indicate the total dollar amount of Project Funds expected from each funding source. Round all amounts to the nearest dollar. The **TOTAL FUNDS** amount should equal the total project cost. Identify the funding source and the status of each of those funds (*committed, applied for, etc.*).

Once the budget table is completed, provide the responses to the below question.

Note: *A cost analysis must be completed for this entire project to complete the budget. A detailed budget/cost summary will be required once your project is deemed eligible.*

CDBG-DR funding is the funding of last resort; therefore, if the proposed project activities were formerly part of your organization's annual budget please identify and indicate the amount below. Also, identify all other funding sources you have pursued and will become available to you during the life of the project. If your project will generate Program Income during the life of project, please indicate as well below. ***(Attach an additional sheet if more space is required.)***

Project Funds	Amount	Funding Source	Status of Funds
CDBG-DR			
Local Funds			
Private Funds			
Insurance Proceeds			
Federal Funds (ie. FEMA)			
Other Funds			
Program Income			
TOTAL FUNDS			

1. Please explain how your organization will generate program income?

PROJECT BUDGET INSTRUCTIONS

Section I – Project Information

- Please enter the perspective applicant name.
- Please enter the Intergovernment/Developer Agreement Number (Leave blank until the number has been assigned and communicated upon executed intergovernment/developer agreement.)
- Please enter the Project Number (Leave blank until the number has been assigned and communicated upon an executed Project Addendum)
- Provide the project name that will budgeted in Section II.

Section II – Budget Information

Fill out the section that applies and add additional lines as needed. The categories are defined below. (**Note:** *Subsequent payment requests will be required to be submitted by budgeted line items. Any increases or decreases in budgeted line item will have to be requested and approved by the Grantee).*

1. **Program Administration**: Costs associated with the administration, financial requirements, reports, documentation and compliance records, monitoring and oversight. **Note**: *This cost must be allowed by the Grantee in the Intergovernment/Developer's agreement.*

2. **Project Cost (Direct)**: This refers to both the hard and soft costs of the project, including design, environmental and construction services. This also includes any planned equipment purchased, which must be identified on a separate line item as a budget item.

3. **Project Cost (Activity Delivery Costs)**: All project related implementation activities per a written agreement between the grantee and/or agency/developer. It may include personnel cost for employees directly related to the day to day specific oversight and implementation of CDBG-DR eligible activities. Personnel cost must be based on records that accurately reflect the work performed. 2 CFR 200.430(i) and should include timesheets and activity logs signed and dated by staff and their supervisor. The time sheet should have a description of the work performed. If time is split between multiple programs, the time sheet should accurately reflect the time split and no time should be left un-allocated.

4. **Indirect Cost**: Indirect costs are costs used by multiple activities, and which cannot therefore be assigned to specific cost objects. As noted in 2CFR Section 200.331(a)XIII, the subaward should include, "Indirect cost rate for Federal award (including if the de minimis rate is charged per §200.414 Indirect (F&A) costs)". Additionally, Section 200.331 (a)(4), requires "an approved federally recognized indirect cost rate negotiated between the fund recipient and the Federal Government or, if no such rate exists, either a rate negotiated between the pass-through entity and the fund recipient (in compliance with this part), or a de minimis indirect cost rate as defined in §200.414 Indirect (F&A) costs, paragraph (f).

   Acceptance of the 10 percent de minimis rate is predicated upon the following conditions: (1) the non-Federal entity has never received a Negotiated Indirect Cost Rate Agreement (NICRA) from a Federal agency and is therefore eligible for the 10percent de minimis rate; (2) that no costs other than those incurred by the non-Federal entity will be recovered by using the 10 percent de minimis rate and such costs are legal obligations of the non-Federal entity; (3) that the same costs that have been treated as indirect costs have not neem claimed as direct costs; and (4) that similar types of costs have been accorded consistent.

Section III – AUTHORIZATION

1. The applicant's **Organizational Head** must sign and date the form to signify the approval. Type the **Organizational Head's** name and title in the appropriate box.

2. **NMHC ONLY**. NMHC will review for approval.

PROJECT BUDGET FORM

Effective Date:

FORM: CDBGDR-PBUDGT-XX-XX-XX

SECTION I – PROJECT INFORMATION

Agency/Developer Name:		**Project Name:**	
Agreement Number:		**Project Number:**	

(Complete the below detailed budget. Attach a second sheet if additional space/detail is needed. Include the cost analysis when submitting the application.)

SECTION II – BUDGET INFORMATION

CATEGORY	CDBG-DR BUDGET	OTHER SOURCES OF FUNDS			TOTAL COSTS
Program Administration *(At the discretion of the grantee)*					
Budget Item A					
Budget Item B					
Subtotal Program Administration					
Project Costs (Direct)					
Budget Item A					
Budget Item B					
Budget Item C					
Budget Item D					
Budget Item E					
Subtotal Program Administration					
Project Costs (Activity Delivery Cost)					
Budget Item A					
Budget Item B					
Budget Item C					
Subtotal Project Cost (Activity Delivery Cost)					
TOTAL PROJECT COST					
Indirect Cost					
Planning					
Budget Item A					
Budget Item B					
Budget Item C					
TOTAL PLANNING COST					
GRAND TOTAL IN COST					

SECTION III – AUTHORIZATION

The applicant agrees to substantially abide by the above budget in the utilization of funds provided under the Intergovernment/Developer Agreement.

Organizational Head: _____

Print Name and Official Title

_____ _____

Signature Date

NMHC-CDBG-DR Use Only

Reviewed by CDBG-DR Compliance Manager: _____

Print Name and Official Title

_____ _____

Signature Date

Reviewed by CDBG-DR Project Manager: _____

Print Name and Official Title

_____ _____

Signature Date

Reviewed by CDBG-DR Finance Manager: _____

Print Name and Official Title

_____ _____

Signature Date

Approved / Rejected by NMHC Corporate Director: _____

Print Name and Official Title

_____ _____

Signature Date

PROJECT DISBURSEMENT SCHEDULE INSTRUCTIONS

Section I – Project Information

- Please enter the perspective agency/developer name.
- Provide the project name of the specific project.
- Please enter the Intergovernment/Developer Agreement Number (*Leave blank until the number has been assigned and communicated upon an executed intergovernment/developer agreement.*)
- Please enter the Project Number (*Leave blank until the number has been assigned and communicated upon an executed Project Addendum.*)

Section II – Disbursement Schedule

1. **Project Amount**: The Project Amount refers to the total CDBG-DR funded part of the project budget

2. **Cumulative Amount**: The Cumulative Amount is a quarter over quarter projection of the projected costs.

3. **Milestones**: If a milestone is Not Applicable (NA) to your project, please mark as such. If you have an additional milestone critical to your project, please add.

4. **Duration**: The Grant Expenditure Period for the CBDG-DR program is six (6) years. It began on November 25, 2020, with the signing of the Grant Agreement with HUD and ends November 24, 2026. If your project will take more than two years to complete, please add additional sheets.

5. **Quarters**: Please mark the Quarter when the activity starts with an "X".

Note: *Complete the appropriate disbursement schedule for the proposed project.*

PROJECT DISBURSEMENT SCHEDULE (CONSTRUCTION)

SECTION I – PROJECT INFORMATION

Agency/Developer Name:		Project Name:	
Intergovernment/Developer Number:		Project Number:	

SECTION II – DISBURSEMENT SCHEDULE

Milestone	Amount	*Insert Year*											
		Quarter			Quarter			Quarter			Quarter		
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	$0.00			$0.00			$0.00			$0.00			$0.00
Environmental Clearance													
Execution of Agreement or Memorandum of Understanding and the Issuance of the Notice to Proceed													
Solicitation and Selection of Architect													
Design or Development of Scope of Work in progress													
Solicitation and Selection of Contractor													
Construction work in progress													
Final Inspection and Close Out													
Cumulative Drawdown				$0.00			$0.00			$0.00			$0.00

Milestone	Amount	*Insert Year*											
		Quarter			Quarter			Quarter			Quarter		
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	$0.00			$0.00			$0.00			$0.00			$0.00
Environmental Clearance													
Execution of Agreement or Memorandum of Understanding and the Issuance of the Notice to Proceed													
Solicitation and Selection of Architect													
Design or Development of Scope of Work in progress													
Solicitation and Selection of Contractor													
Construction work in progress													
Final Inspection and Close Out													
Cumulative Drawdown				$0.00			$0.00			$0.00			$0.00

PROJECT DISBURSEMENT SCHEDULE (PUBLIC SERVICES)

SECTION I – PROJECT INFORMATION

Agency/Developer Name:		Project Name:	
Interagency/Developer Agreement Number:		Project Number:	

SECTION II – DISBURSEMENT SCHEDULE

Milestone	Amount	*Insert Year*											
		Quarter			Quarter			Quarter			Quarter		
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	$0.00			$0.00			$0.00			$0.00			$0.00
Environmental Clearance													
Execution of Agreement or Memorandum of Understanding and the Issuance of the Notice to Proceed													
Solicitation and Selection of Architect													
Design or Development of Scope of Work in progress													
Solicitation and Selection of Contractor													
Construction work in progress													
Final Inspection and Close Out													
Cumulative Drawdown				$0.00			$0.00			$0.00			$0.00

Milestone	Amount	*Insert Year*											
		Quarter			Quarter			Quarter			Quarter		
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	$0.00			$0.00			$0.00			$0.00			$0.00
Environmental Clearance													
Execution of Agreement or Memorandum of Understanding and the Issuance of the Notice to Proceed													
Solicitation and Selection of Architect													
Design or Development of Scope of Work in progress													
Solicitation and Selection of Contractor													
Construction work in progress													
Final Inspection and Close Out													
Cumulative Drawdown				$0.00			$0.00			$0.00			$0.00

ACTIVITY BENEFICIARY FORM INSTRUCTIONS

Objective: The Activity Beneficiary Form reports information for actual beneficiaries of intended CDBG-DR activities.

1. Mark the appropriate checkbox that applies (Grantee or Agency/Developer) and enter the name of the Grantee or Agency/Developer.

2. Enter the Interagency/Developer/Project ID assigned by NMHC CDBG-DR.

3. Enter Activity Name assigned by NMHC CDBG-DR

Part I – BENEFICIARY INCOME INFORMATION

A. Based upon the location of the project, enter the number and percentage of individuals benefitting by income level.

B. Enter the data source(s) (e.g.) HUD American Community Survey, household survey) and any additional information describing how the beneficiaries were determined.

Part II – AREA INFORMATION (*If the activity is a direct benefit activity, leave this Part II area blank*)

A. Enter whether the project is target area or communitywide and the census block groups of the project area. Please list each census tract(s) and/or block group(s) that define the area; separating each census tract with a ";". Please continue on another page, if necessary. This information should be determined using the 2010 Census data attached at the end of this document.

B. Enter the exact location of the geographical center of the project by identifying the latitude and longitude numbers. This information may have been initially reported on the supplemental information page in the approved project application.

Part III – DIRECT BENEFIT DEMOGRAPHIC INFORMATION (*If the activity is an area wide benefit, leave this Part III area blank)*

A. Enter the total individuals who will benefit by racial and ethnicity and by income level. This total for LMI is any person 80% or below the area median income and Non-LMI are 81% or higher of the area median income. The LMI and Non-LMI total should equal the population total in Part I-A.

   Race and ethnicity are independent of each other and should be counted separately. For instance, fi the activity served 20 White persons, 15 of which are not of Hispanic/Latino ethnicity and 5 of which are of Hispanic/Latino ethnicity, the information to be added into row "A. Race and Ethnicity, 1. White "should be 20 for Total and 5 for Hispanic/Latino".

B. Enter female headed households for those LMI (80% or below area median income) and those non-LMI (above 80% area median income).

Project Maps

A map (or maps) that delineate(s) the following items for each target area must be included in the application package:

1. Existing Conditions Map: Provide a detailed map of the existing improvements. The map should delineate such items as the location of project and/or size of waterlines, elevated water tanks, sewer lines, manholes, location of treatment plants, etc.

2. Proposed Improvements Map: Provide a detailed map showing the location of project, sizes, etc. of the proposed improvements.

3. Census tracts and/or block groups (by number) and/or logical records numbers.
4. Location of concentrations of low- and moderate-income persons, showing numbers and percent by census tracts and/or block groups and/or logical record number.

5. Boundaries of areas in which the activities will be concentrated; and

6. The specific location of each activity.

Note: *The Existing Conditions map and the Proposed Improvements map may be combined into one map if all the information shown can be depicted in such a way as to easily determine the difference between the existing and proposed.*

NMHC COMMUNITY DEVELOPMENT BLOCK GRANT – DISASTER RECOVERY
ACTIVITY BENEFICIARY FORM

1. ☐ Grantee ☐ Interagency/Developer	2. Int./Dev./Project ID

3. Activity Name:

PART I – BENEFICIARY INCOME INFORMATION

A. Income Levels	Total	Percentage
1. Total number of persons less than or equal to 50% Area Median Income		
2. Total number of persons over 50% not greater than 80% Area Median Income		
3. Total number of persons over 80% Area Median Income		
Total Population		

A. Source(s) for Determining Beneficiary Data:

PART II – AREA INFORMATION *(Skip Part II if this is a direct benefit project)*

A. Indicate whether the completed project was target area(s) specific or community-wide

☐ Target Area(s) ☐ Community-Wide

List Census Tract(s) and/or Block Group(s):

_____

_____

_____

_____

B. Provide Latitude/Longitude for the project location at or near geographical center:

Latitude: _____ Longitude: _____

PART III – DIRECT BENEFIT DEMOGRAPHIC INFORMATION *(Skip Part III if this is an area wide benefit project)*

A. Race and Ethnicity	Total		Hispanic/Latino	
	LMI	Non-LMI	LMI	Non-LMI
1. White				
2. Black/African American				
3. Asian				
4. American Indian/Alaskan Native				
5. Native Hawaiian/Other Pacific Islander				
6. American Indian/Alaskan Native and White				
7. Asian and White				
8. Black/African American and White				
9. American Indian/Alaskan Native and Black/African American				
10. Other multi-racial				
11. Unknown				
Total Persons				
B. Head of Household	**LMI**		**Non-LMI**	
1. Female-Headed Households				

OTHER FUNDS SUPPLEMENTAL DOCUMENTATION

Some projects may cost more than is available under the approved NMHC action plan programs. The applicant may propose to use other funds in conjunction with the CDBG-DR funds. These other funds must be identified and must be available and ready to spend. If these funds involve loans or grants from other local, federal, or private sources, the monies must have already been awarded. To substantiate the immediate availability of the other funds, one of the following items of supporting documentation will be required:

1. Letter and adopted resolution from the local governing body stating the specific source, amount, and location of local cash;

2. A line of credit letter from a financial institution such as a bank stating the amount available as a loan;

3. Specific evidence of funds to be received from a tax or bond election that has already passed; or

4. A letter from another funding agency stating that the funds have been awarded and are currently available for expenditure.

Note: *Attach the supporting documentation to this application.*

AUTHORIZATION

In the event that the NMHC or HUD determines that any funds were expended by the Agency/Developer for unauthorized or ineligible purposes or the expenditures constitute disallowed costs in any other way, then NMHC or HUD may order repayment of the same. The Agency/Developer shall remit the disallowed amount to NMHC within thirty (30) days of written notice of the disallowance.

I certify that all information provided as part of this application is true and correct to the best of my knowledge. I agree to substantially abide by the above budget in the utilization of funds provided under this Intergovernment/Developer Agreement. I certify under penalty of perjury that : (1) the information provided in this Community Development Block Grant Disaster Recovery Project application is true and correct as of this date and that any intentional or negligent misrepresentation may result in civil liability, including monetary damages, and/or in criminal penalties including, but not limited to, fine or imprisonment or both under the provisions of Title 18, United States Code, Sec 1001, et seq.; and (2) the property will not be used for any illegal or prohibited purpose or use.

Organizational Head:

Print Name and Official Title

Signature Date

NMHC-CDBG-DR Use Only

Reviewed by CDBG-DR Compliance Manager:

Print Name and Official Title

Signature Date

Reviewed by CDBG-DR Project Manager:

Print Name and Initials

Signature Date

Reviewed by Finance Manager:

Print Name and Initials

Signature Date

Approved / Rejected by NMHC Corporate Director:

Print Name and Official Title

Signature Date

APPENDIX C: HUD RIDER

HUD GENERAL PROVISIONS

The following terms and conditions apply to any contract for which any portion of the funding is derived from a grant made by the United States Department of Housing and Urban Development ("HUD"). In addition, Subcontractor shall comply with the Federal Labor Standards Provisions set forth in Form HUD4010, available at http://www.hud.gov/offices/adm/hudclips/forms/files/4010.pdf.

1. PROVISIONS REQUIRED BY LAW DEEMED INSERTED

Each and every provision of law and clause required by law to be inserted in this contract shall be deemed to be inserted herein and the contract shall be read and enforced as though it were included herein, and if through mistake or otherwise any such provision is not inserted, or is not correctly inserted, then upon the application of either party the contract shall forthwith be physically amended to make such insertion or correction.

2. STATUTORY AND REGULATORY COMPLIANCE

Subcontractor shall comply with all laws and regulations applicable to the Community Development Block Grant-Disaster Recovery funds appropriated by the Disaster Relief Appropriations Acts, 2018 (Pub. L. 115-254 and Pub. L. 116-20), including but not limited to the applicable Office of Management and Budget Circulars, which may impact the administration of funds and/or set forth certain cost principles, including the allowability of certain expenses.

3. BREACH OF CONTRACT TERMS

NMHC reserves its right to all administrative, contractual, or legal remedies, including but not limited to suspension or termination of this contract, in instances where the Contractor or any of its subcontractors violate or breach any contract term. If the Contractor or any of its subcontractors violate or breach any contract term, they shall be subject to such sanctions and penalties as may be appropriate. The duties and obligations imposed by the contract documents and the rights and remedies available thereunder shall be in addition to and not a limitation of any duties, obligations, rights and remedies otherwise imposed or available by law.

4. REPORTING REQUIREMENTS

The Subcontractor shall complete and submit all reports, in such form and according to such schedule, as may be required by NMHC. The Subcontractor shall cooperate with all NMHC efforts to comply with HUD requirements and regulations pertaining to reporting, including but not limited to 24 C.F.R. §§ 85.40-41 (or 84.50-52, if applicable) and 570.507.

5. ACCESS TO RECORDS

The State, the U.S. Department of Housing and Urban Development, the Comptroller General of the United States, or any of their duly authorized representatives, shall have, at any time and from time to time during normal business hours, access to any work product, books, documents, papers, and records of the Subcontractor which are related to this contract, for the purpose of inspection, audits, examinations, and making excerpts, copies and transcriptions.

Subcontractor-NMHC
Initials ____/____
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6. MAINTENANCE/RETENTION OF RECORDS

All records connected with this contract will be maintained in a central location and will be maintained for a period of at least four (4) years following the date of final payment and close-out of all pending matters related to this contract.

7. SMALL AND MINORITY FIRMS, WOMEN'S BUSINESS ENTERPRISES, AND LABOR SURPLUS AREA FIRMS

The Subcontractor will take necessary affirmative steps to assure that minority firms, women's business enterprises, and labor surplus area firms are used in subcontracting when possible. Steps include:

(i) Placing qualified small and minority businesses and women's business enterprises on solicitation lists;

(ii) Assuring that small and minority businesses, and women's business enterprises are solicited whenever they are potential sources;

(iii) Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority business, and women's business enterprises;

(iv) Establishing delivery schedules, where the requirement permits, which encourage participation by small and minority business, and women's business enterprises; and

(v) Using the services and assistance of the Small Business Administration, and the Minority Business Development Agency of the Department of Commerce.

8. RIGHTS TO INVENTIONS MADE UNDER A CONTRACT OR AGREEMENT

Contracts or agreements for the performance of experimental, developmental, or research work shall provide for the rights of the Federal Government and the recipient in any resulting invention in accordance with 37 CFR part 401, "Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Grants, Contracts and Cooperative Agreements," and any implementing regulations issued by HUD.

9. ENERGY EFFICIENCY

The Subcontractor shall comply with mandatory standards and policies relating to energy efficiency issued in compliance with the Energy Policy and Conservation Act (Public Law 94-163).

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Initials ____/____
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10. TITLE VI OF THE CIVIL RIGHTS ACT OF 1964
The Contractor shall comply with the provisions of Title VI of the Civil Rights Act of 1964. No person shall, on the grounds of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance.

11. SECTION 109 OF THE HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974
The Subcontractor shall comply with the provisions of Section 109 of the Housing and Community Development Act of 1974. No person in the United States shall on the grounds of race, color, national origin, or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with funds made available under this title. Section 109 further provides that discrimination on the basis of age under the Age Discrimination Act of 1975 or with respect to an otherwise qualified handicapped individual as provided in Section 504 of the Rehabilitation Act of 1973, as amended, is prohibited.

12. SECTION 504 OF THE REHABILITATION ACT OF 1973
The Subcontractor shall comply with section 504 of the Rehabilitation Act of 1973 (29 U.S.C. § 94), as amended, and any applicable regulations. The Subcontractor agrees that no qualified individual with handicaps shall, solely on the basis of handicap, be excluded from participation in, be denied the benefits of, or otherwise be subjected to discrimination under any program or activity that receives Federal financial assistance from HUD.

13. AGE DISCRIMINATION ACT OF 1975
The Subcontractor shall comply with the Age Discrimination Act of 1975 (42 U.S.C. § 6101 et seq.), as amended, and any applicable regulations. No person in the United States shall, on the basis of age, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under, any program or activity receiving Federal financial assistance.

14. DEBARMENT, SUSPENSION, AND INELIGIBILITY
The Subcontractor represents and warrants that it and its subcontractors are not debarred or suspended or otherwise excluded from or ineligible for participation in Federal assistance programs subject to 2 C.F.R. part 2424.

15. CONFLICTS OF INTEREST
The Subcontractor shall notify NMHC as soon as possible if this contract or any aspect related to the anticipated work under this contract raises an actual or potential conflict of interest (as defined at 2 C.F.R. Part 215 and 24 C.F.R. § 85.36 (or 84.42, if applicable)). The Subcontractor shall explain the actual or potential conflict in writing in sufficient detail so that the State is able to assess such actual or potential conflict. The Subcontractor shall provide NMHC any additional information necessary for NMHC to fully assess and address such actual or potential conflict of interest. The Subcontractor shall accept any reasonable conflict mitigation strategy employed by NMHC, including but not limited to the use of an independent subcontractor(s) to perform the portion of work that gives rise to the actual or potential conflict.

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Initials ____/____
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16. SUBCONTRACTING
When subcontracting, the Subcontractor shall solicit for and contract with such subcontractors in a manner providing for fair competition. Some of the situations considered to be restrictive of competition include but are not limited to:

(i) Placing unreasonable requirements on firms in order for them to qualify to do business,

(ii) Requiring unnecessary experience and excessive bonding,

(iii) Noncompetitive pricing practices between firms or between affiliated companies,

(iv) Noncompetitive awards to consultants that are on retainer contracts,

(v) Organizational conflicts of interest,

(vi) Specifying only a brand name product instead of allowing an equal product to be offered and describing the performance of other relevant requirements of the procurement, and

(vii) Any arbitrary action in the procurement process.

The Subcontractor represents to NMHC that all work shall be performed by personnel experienced in the appropriate and applicable profession and areas of expertise, taking into account the nature of the work to be performed under this contract. The Subcontractor will include these HUD General Provisions in every subcontract issued by it so that such provisions will be binding upon each of its subcontractors as well as the requirement to flow down such terms to all lower-tiered subcontractors.

17. ASSIGNABILITY
The Subcontractor shall not assign any interest in this contract, and shall not transfer any interest in the same (whether by assignment or novation) without prior written approval of NMHC.

18. INDEMNIFICATION
The Subcontractor shall indemnify, defend, and hold harmless NMHC and its agents and employees from and against any and all claims, actions, suits, charges, and judgments arising from or related to the negligence or willful misconduct of the Subcontractor in the performance of the services called for in this contract.

19. COPELAND "ANTI-KICKBACK" ACT (Applicable to all construction or repair contracts) Salaries of personnel performing work under this contract shall be paid unconditionally and not less often than once a month without payroll deduction or rebate on any account except only such payroll deductions as are mandatory by law or permitted by the applicable regulations issued by the Secretary of Labor pursuant to the Copeland "Anti-Kickback Act" of June 13, 1934 (48 Stat. 948; 62 Stat. 740; 63 Stat. 108; Title 18 U.S.C. § 874; and Title 40 U.S.C. § 276c). The Subcontractor shall comply with all applicable "Anti-Kickback" regulations and shall insert appropriate provisions in all subcontracts covering work under this contract to ensure compliance by subcontractors with such regulations, and shall be responsible for the submission of affidavits

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Initials ____/____
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required of subcontractors thereunder except as the Secretary of Labor may specifically provide for variations of or exemptions
from the requirements thereof.

20. CONTRACT WORK HOURS AND SAFETY STANDARDS ACT
(Applicable to construction contracts exceeding $2,000 and contracts exceeding $2,500 that involve the employment of mechanics or laborers).

The Subcontractor shall comply with Sections 103 and 107 of the Contract Work Hours and Safety Standards Act (40 U.S.C. §§ 327-330) as supplemented by Department of Labor regulations (29 C.F.R. part 5).

All laborers and mechanics employed by contractors or subcontractors shall receive overtime compensation in accordance with and subject to the provisions of the Contract Work Hours and Safety Standards Act, and the contractors and subcontractors shall comply with all regulations issued pursuant to that act and with other applicable Federal laws and regulations pertaining to labor standards.

21. DAVIS-BACON ACT
(Applicable to construction contracts exceeding $2,000 when required by Federal program legislation)

The Subcontractor shall comply with the Davis Bacon Act (40 U.S.C. §§ 276a to 276a-7) as supplemented by Department of Labor regulations (29 C.F.R. part 5).

All laborers and mechanics employed by contractors or subcontractors, including employees of other governments, on construction work assisted under this contract, and subject to the provisions of the federal acts and regulations listed in this paragraph, shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act.

22. TERMINATION FOR CAUSE (Applicable to contracts exceeding $10,000)
If, through any cause, the Subcontractor shall fail to fulfill in a timely and proper manner his obligations under this contract, or if the Subcontractor shall violate any of the covenants, agreements, or stipulations of this contract, NMHC shall thereupon have the right to terminate this contract by giving written notice to the Subcontractor of such termination and specifying the effective date thereof, at least five (5) days before the effective date of such termination. In such event, all finished or unfinished documents, data, studies, surveys, drawings, maps, models, photographs, and reports prepared by the Subcontractor under this contract shall, at the option of NMHC, become NMHC's property and the Subcontractor shall be entitled to receive just and equitable compensation for any work satisfactorily completed hereunder. Notwithstanding the above, the Subcontractor shall not be relieved of liability to NMHC for damages sustained by NMHC by virtue of any breach of the contract by the Subcontractor, and NMHC may withhold any payments to the Subcontractor for the purpose of set-off until such time as the exact amount of damages due NMHC from the Subcontractor is determined.

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Initials ____/____
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23. TERMINATION FOR CONVENIENCE (Applicable to contracts exceeding $10,000) NMHC may terminate this contract at any time by giving at least ten (10) days' notice in writing to the Subcontractor. If the contract is terminated by NMHC as provided herein, the Subcontractor will be paid for the time provided and expenses incurred up to the termination date.

24. SECTION 503 OF THE REHABILITATION ACT OF 1973 (Applicable to contracts exceeding $10,000)

The Subcontractor shall comply with section 503 of the Rehabilitation Act of 1973 (29 U.S.C. § 793), as amended, and any applicable regulations.

Equal Opportunity for Workers With Disabilities

1. The Subcontractor will not discriminate against any employee or applicant for employment because of physical or mental disability in regard to any position for which the employee or applicant for employment is qualified. The Subcontractor agrees to take affirmative action to employ, advance in employment and otherwise treat qualified individuals with disabilities without discrimination based on their physical or mental disability in all employment practices, including the following:

i. Recruitment, advertising, and job application procedures;

ii. Hiring, upgrading, promotion, award of tenure, demotion, transfer, layoff, termination, right of return from layoff and rehiring;

iii. Rates of pay or any other form of compensation and changes in compensation;

iv. Job assignments, job classifications, organizational structures, position descriptions, lines of progression, and seniority lists;

v. Leaves of absence, sick leave, or any other leave;

vi. Fringe benefits available by virtue of employment, whether or not administered by the Subcontractor;

vii. Selection and financial support for training, including apprenticeship, professional meetings, conferences, and other related activities, and selection for leaves of absence to pursue training;

viii. Activities sponsored by the contractor including social or recreational programs;and

ix. Any other term, condition, or privilege of employment.

2. The Subcontractor agrees to comply with the rules, regulations, and relevant orders of the Secretary of Labor issued pursuant to the act.

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Initials ____/____
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3. In the event of the Subcontractor's noncompliance with the requirements of this clause, actions for noncompliance may be taken in accordance with the rules, regulations, and relevant orders of the Secretary of Labor issued pursuant to the act.

4. The Subcontractor agrees to post in conspicuous places, available to employees and applicants for employment, notices in a form to be prescribed by the Deputy Assistant Secretary for Federal Contract Compliance Programs, provided by or through the contracting officer. Such notices shall state the rights of applicants and employees as well as the Subcontractor's obligation under the law to take affirmative action to employ and advance in employment qualified employees and applicants with disabilities. The Subcontractor must ensure that applicants and employees with disabilities are informed of the contents of the notice (e.g., the Subcontractor may have the notice read to a visually disabled individual, or may lower the posted notice so that it might be read by a person in a wheelchair).

5. The Subcontractor will notify each labor organization or representative of workers with which it has a collective bargaining agreement or other contract understanding, that the Subcontractor is bound by the terms of section 503 of the Rehabilitation Act of 1973, as amended, and is committed to take affirmative action to employ and advance in employment individuals with physical or mental disabilities.

6. The Subcontractor will include the provisions of this clause in every subcontract or purchase order in excess of $10,000, unless exempted by the rules, regulations, or orders of the Secretary issued pursuant to section 503 of the act, as amended, so that such provisions will be binding upon each subcontractor or vendor. The Subcontractor will take such action with respect to any subcontract or purchase order as the Deputy Assistant Secretary for Federal Contract Compliance Programs may direct to enforce such provisions, including action for noncompliance.

25. EXECUTIVE ORDER 11246
(Applicable to construction contracts and subcontracts exceeding $10,000)
The Subcontractor shall comply with Executive Order 11246 of September 24, 1965, entitled "Equal Employment Opportunity," as amended by Executive Order 11375 of October 13, 1967, and as supplemented in Department of Labor regulations (41 CFR chapter 60).

During the performance of this contract, the Subcontractor agrees as follows:

A. The Subcontractor shall not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The Subcontractor shall take affirmative action to ensure that applicants for employment are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship.

B. The Subcontractor shall post in conspicuous places, available to employees and applicants for

employment, notices to be provided by Contracting Officer setting forth the provisions of this non-discrimination clause. The Subcontractor shall state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

C. The Subcontractor will, in all solicitations or advertisements for employees placed by or on behalf of the Subcontractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin.

D. The Subcontractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the agency contracting officer, advising the labor union or workers representative of the contractor's commitments under Section 202 of Executive Order 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

E. The Subcontractor will comply with all provisions of Executive Order 11246 of September 24, 1965, and of the rules, regulations and relevant orders of the Secretary ofLabor.

F. The Subcontractor will furnish all information and reports required by Executive Order 11246 of September 24, 1965, and by the rules, regulations and orders of the Secretary of Labor, or pursuant thereto, and will permit access to books, records and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations and orders.

G. In the event of the Subcontractor's non-compliance with the non-discrimination clause of this contract or with any of such rules, regulations or orders, this contract may be cancelled, terminated or suspended in whole or in part and the Subcontractor may be declared ineligible for further government contracts in accordance with procedures authorized in Executive Order 11246 and such other sanctions as may be imposed and remedies invoked as provided in Executive Order 11246 of September 24, 1965, or by rule, regulation or order of the Secretary of Labor, or as otherwise provided by law.

H. Subcontractor shall incorporate the provisions of A through G above in every subcontract or purchase order unless exempted by rules, regulations or orders of the Secretary of Labor so that such provisions shall be binding on such subcontractor. The Subcontractor will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions including sanctions for non-compliance, provided, however, that in the event the contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the Subcontractor may request the United States to enter into such litigation to protect the interests of the United States.

26. CERTIFICATION OF NONSEGREGATEDFACILITIES (Applicable to construction contracts exceeding $10,000)

The Subcontractor certifies that it does not maintain or provide for its establishments, and that it

does not permit employees to perform their services at any location, under its control, where segregated facilities are maintained. It certifies further that it will not maintain or provide for employees any segregated facilities at any of its establishments, and it will not permit employees to perform their services at any location under its control where segregated facilities are maintained.

The Subcontractor agrees that a breach of this certification is a violation of the equal opportunity clause of this contract.

As used in this certification, the term "segregated facilities" means any waiting rooms, work areas, rest rooms and wash rooms, restaurants and other eating areas, time clocks, locker rooms, and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation and housing facilities provided for employees which are segregated by explicit directive or are, in fact, segregated on the basis of race, color, religion, or national origin because of habit, local custom, or any other reason.

The Subcontractor further agrees that (except where it has obtained for specific time periods) it will obtain identical certification from proposed subcontractors prior to the award of subcontracts exceeding $10,000 which are not exempt from the provisions of the equal opportunity clause; that it will retain such certifications in its files; and that it will forward the preceding notice to such proposed subcontractors (except where proposed subcontractors have submitted identical certifications for specific time periods).

27. CERTIFICATION OF COMPLIANCE WITH CLEAN AIR AND WATER ACTS (Applicable to contracts exceeding $100,000)

The Subcontractor and all its subcontractors shall comply with the requirements of the Clean Air Act, as amended, 42 U.S.C. § 1857 et seq., the Federal Water Pollution Control Act, as amended, 33 U.S.C. § 1251 et seq., and the regulations of the Environmental Protection Agency with respect thereto, at 40 C.F.R. Part 15 and 32, as amended, Section 508 of the Clean Water Act (33 U.S.C. § 1368) and Executive Order 11738.

In addition to the foregoing requirements, all nonexempt contractors and subcontractors shall furnish to the owner, the following:

A. A stipulation by the Contractor or subcontractors, that any facility to be utilized in the performance of any nonexempt contract or subcontract, is not listed on the Excluded Party Listing System pursuant to 40 C.F.R. 32 or on the List of Violating Facilities issued by the Environmental Protection Agency (EPA) pursuant to 40 C.F.R. Part 15, as amended.

B. Agreement by the Subcontractor to comply with all the requirements of Section 114 of the Clean Air Act, as amended, (42 U.S.C. § 1857 c-8) and Section 308 of the Federal Water Pollution Control Act, as amended, (33 U.S.C. § 1318) relating to inspection, monitoring, entry, reports and information, as well as all other requirements specified in said Section 114 and Section 308, and all regulations and guidelines issued thereunder.

C. A stipulation that as a condition for the award of the contract, prompt notice will be given of

any notification received from the Director, Office of Federal Activities, EPA, indicating that a facility utilized, or to be utilized for the contract, is under consideration to be listed on the Excluded Party Listing System or the EPA List of Violating Facilities.

D. Agreement by the Subcontractor that he will include, or cause to be included, the criteria and requirements in paragraph (A)through (D) of this section in every nonexempt subcontract and requiring that the Subcontractor will take such action as the government may direct as a means of enforcing such provisions.

28. LOBBYING (Applicable to contracts exceeding $100,000)

The Subcontractor certifies, to the best of his or her knowledge and belief, that:

(1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the Subcontractor, to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

(2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the Contractor shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

(3) The Subcontractor shall require that the language of this certification be included in the award
documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.
This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure.

29. BONDING REQUIREMENTS
(Applicable to construction and facility improvement contracts exceeding $25,000)
The Subcontractor shall comply with NMHC bonding requirements, unless they have not been approved by HUD, in which case the Contractor shall comply with the following minimum bonding requirements:

(1) A bid guarantee from each bidder equivalent to five percent of the bid price. The "bid

guarantee" shall consist of a firm commitment such as a bid bond, certified check, or other negotiable instrument accompanying a bid as assurance that the bidder will, upon acceptance of his bid, execute such contractual documents as may be required within the time specified.

(2) A performance bond on the part of the Contractor for 100 percent of the contract price. A "performance bond" is one executed in connection with a contract to secure fulfillment of all the Contractor's obligations under such contract.

(3) A payment bond on the part of the Contractor for 100 percent of the contract price. A "payment bond" is one executed in connection with a contract to assure payment as required by law of all persons supplying labor and material in the execution of the work provided for in the contract.

30. SECTION 3 OF THE HOUSING AND URBAN DEVELOPMENT ACT OF 1968 (As required by applicable thresholds)

A. The work to be performed under this contract is subject to the requirements of section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. § 1701u (section 3). The purpose of section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by section 3, shall, to the greatest extent feasible, be directed to low- and very low-income persons, particularly persons who are recipients of HUD assistance for housing.

B. The parties to this contract agree to comply with HUD's regulations in 24 C.F.R. part 135, which implement section 3. As evidenced by their execution of this contract, the parties to this contract certify that they are under no contractual or other impediment that would prevent them from complying with the part 135 regulations.

C. The Subcontractor agrees to send to each labor organization or representative of workers with which the Subcontractor has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the Contractor's commitments under this section 3 clause, and will post copies of the notice in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the section 3 preference, shall set forth minimum number and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.

D. The Subcontractor agrees to include this section 3 clause in every subcontract subject to compliance with regulations in 24 C.F.R. part 135, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 C.F.R. part 135. The Subcontractor will not subcontract with any subcontractor where the Subcontractor has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 C.F.R. part 135.

Subcontractor-NMHC
Initials ____/____
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E. The Subcontractor will certify that any vacant employment positions, including training positions, that are filled: (1) after the subcontractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 C.F.R. part 135 require employment opportunities to be directed, were not filled to circumvent the Subcontractor's obligations under 24 C.F.R. part 135.

F. Noncompliance with HUD's regulations in 24 C.F.R. part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

G. With respect to work performed in connection with section 3 covered Indian housing assistance, section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. § 450e) also applies to the work to be performed under this contract. Section 7(b) requires that to the greatest extent feasible: (i) preference and opportunities for training and employment shall be given to Indians, and (ii) preference in the award of contracts and subcontracts shall be given to Indian organizations and Indian-owned Economic Enterprises. Parties to this contract that are subject to the provisions of section 3 and section 7(b) agree to comply with section 3 to the maximum extent feasible, but not in derogation of compliance with section 7(b).

31. FAIR HOUSING ACT

Subcontractor shall comply with the provisions of the Fair Housing Act of 1968 as amended. The act prohibits discrimination in the sale or rental of housing, the financing of housing or the provision of brokerage services against any person on the basis of race, color, religion, sex, national origin, handicap or familial status. The Equal Opportunity in Housing Act prohibits discrimination against individuals on the basis of race, color, religion, sex or national origin in the sale, rental, leasing or other disposition of residential property, or in the use or occupancy of housing assisted with Federal funds. Please visit http://portal.hud.gov/hudportal/documents/huddoc?id=DOC_11868.pdf for more information.

Subcontractor-NMHC
Initials ____/____
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NORTHERN MARIANAS HOUSING CORPORATION

ECONOMIC REVITALIZATION PROGRAM: TOURISM MARKETING POLICIES

VERSION: 1.0

[ENTER DATE OF APPROVAL HERE]

Prepared by:

Northern Marianas Housing Corporation – CDBG-DR Program Division

The policies stated in this manual are current as of [ENTER DATE OF APPROVAL HERE]. This Manual represents the current version of the Northern Marianas Housing Corporation's (NMHC) policies which provide general guidance for the operation of the Infrastructure Programs. All manuals will be reviewed periodically and updated. Therefore, users are strongly encouraged to visit our website: www.cnmi-cdbgdr.com to access the latest version.

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1.0 CONTENT

1.1 Version Policy

Version history is tracked in Table 1, with notes regarding version changes. The dates of each publication are also tracked in this table. The first version of this document is 1.0.

Substantive changes within this document that reflect a policy change will result in the issuance of a new version 2.0, an increase in the primary version number. Future policy changes will result in additional revision and the issuance of a new primary version number.

Non-substantive changes such as minor wording and editing, or clarification of existing policy, that do not affect the interpretation or applicability of the policy will be included in minor version updates denoted by a sequential number increase behind the primary version number. Such changes would result in a version number such as 2.1, 2.2, etc.

1.2 Agencies and Acronyms

CNMI: Government of the Commonwealth of the Northern Mariana Islands

FEMA: Federal Emergency Management Agency

HUD: U.S. Department of Housing and Urban Development

NMHC: Northern Marianas Housing Corporation

SBA: Small Business Administration

1.3 Definitions

Action Plan: The plan to guide the spending of a HUD CDBG-DR grant award to address unmet housing, economic, and infrastructure needs after a disaster.

Allocation: 1) Amount of a grant award that has been determined for a particular grantee. 2) Amount of funding attributed to a program.

Community Development Block Grant – Disaster Recovery (CDBG-DR): Assistance from HUD to help the CNMI recover from presidentially declared disasters, especially in low-income areas, subject to availability of supplemental appropriations.

Cross-cutting regulations: Regulations outside of CDBG-DR regulations that apply to CDBG-DR programs. These include regulations pertaining to financial management, procurement, environmental, labor, acquisition, relocation, fair housing, and non-discrimination.

Davis Bacon and Related Acts (DBRA): Federal law requiring payment of local prevailing wages as determined by the Department of Labor on public works projects. It applies to contractors and subcontractors performing work on federally funded or assisted contracts in excess of $2,000 for the construction, alteration, or repair of public buildings or public works.

Duplication of Benefits (DOB): A duplication of benefit is the receipt of funding from multiple sources for the same purpose. The Robert T. Stafford Disaster Assistance and Emergency Relief Act (Stafford Act) prohibits any person, business concern or other entity from receiving financial assistance from CDBG Disaster Recovery funding with respect to any part of the loss resulting from a major disaster as to which he/she has already received financial assistance under any other program or from insurance or any other sources. It is an amount determined by the program that may result in the reduction of an award value.

Eligible Activity: Activities eligible to be assisted under the CDBG program. All CDBG-DR grantees must: (1) use CDBG funds only for activities that fall under an authorized category of basic eligibility; (2) properly classify the activity; and (3) provide adequate documentation as required by the category it selects for each such activity.

Environmental Review Record (ERR): The document resulting from required environmental review which includes a description of activities, evaluation of environmental impact, documentation of compliance with applicable environmental regulations, and an environmental determination.

Grantee: HUD grantees receive funding from HUD to support HUD's mission to create strong, sustainable, inclusive communities and quality affordable homes for all. HUD grantees include state and local governments, non-profit and for-profit organizations, public housing authorities, and tribal entities.

Gross Domestic Product (GDP): Monetary value of all final goods and services produced in a time period.

Implementing Partner (Partner): CNMI government agencies that are provided CDBG-DR funds by a grantee for their use in carrying out agreed-upon, eligible activities through an Intergovernmental Agreement with NMHC.

Low- and Moderate-Income (LMI): A household is considered to be of low or moderate income if the household income (including income derived from assets) is at or below 80 percent of an area's median income. All income is based on the Area Median Income limits set annually by HUD for each parish or metropolitan statistical area.

National Environmental Policy Act (NEPA): Establishes a broad national framework for protecting the environment. NEPA's basic policy is to assure that all branches of government give proper consideration to the environment prior to undertaking any major federal action that could significantly affect the environment.

National Objective: The authorizing statute of the CDBG program requires that each activity

funded, except for program administration and planning activities, must meet one of three national objectives. The three national objectives are: 1) Benefit to low- and moderate-income (LMI) persons; 2) Aid in the prevention or elimination of slums or blight; and 3) Meet a need having a particular urgency (referred to as urgent need). An activity that does not meet a national objective is subject to recapture.

Request for Release of Funds (RROF): An environmental review term for a process used by Responsible Entities (the state) when requesting the release of funds and the authority to use such funds for HUD programs identified by statutes that provide for the assumption of the environmental review responsibility by units of general local government and states. The approval of the RROF is required before environmental clearance may be provided to a recipient of CDBG-DR funds.

Section 3: A provision of the Housing and Urban Development (HUD) Act of 1968 that requires that recipients of certain HUD financial assistance, to the greatest extent feasible, provide job training, employment, and contracting opportunities for low- or very-low income residents in connection with projects and activities in their neighborhoods.

Section 504: A provision of the Rehabilitation Act of 1973 which provides that no qualified individual with a disability should, only by reason of his or her disability, be excluded from the participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance.

2.0 INTRODUCTION

2.1 Summary

As a result of the 2018 typhoons Mangkhut and Super Typhoon Yutu, the Commonwealth of the Northern Mariana Islands (CNMI) received an allocation of Community Development Block Grant Disaster Recovery (CDBG-DR) funds which are being administered by the Northern Marianas Housing Corporation (NMHC). The U.S. Department of Housing and Urban Development's (HUD) allocations for the CNMI's CDBG-DR program total $243,946,000 to assist local entities with unmet recovery needs for housing, infrastructure, and economic development.

The Economic Revitalization Program is essential for the success of the housing recovery efforts as it will provide opportunities to ensure the financial independence of homeowners/leaseholders and renters for the care and maintenance of their homes. The impact of Typhoon Mangkhut and Super Typhoon Yutu on the CNMI's economy, businesses, and the workforce were significant. Tourism-related industries such as guest lodging and food services were most especially affected. These industries account for roughly 40% of CNMI jobs.

The attraction, retention, and return of the tourism industry and related jobs are critical to the long-term recovery of the CNMI. The large-scale rebuilding efforts currently on-going and those created through the CDBG-DR program will also create unique opportunities to invigorate the CNMI's

workforce and increase the local labor force. These efforts to revitalize the economy will ultimately support the CNMI community in maintaining financial stability and independence. Therefore, the CNMI will invest $8,660,000 in programs and activities to revitalize the economy through two main areas: tourism marketing/promotional activities and workforce development.

Recognizing tourism as the largest contributor to employment and the GDP, the CNMI has submitted a Tourism Waiver application to the U.S. Department of Housing and Urban Development (HUD) outlining two main areas of focus which were Tourism Marketing and Destination Enhancement. HUD subsequently approved the waiver request for Tourism Marketing with a cap of no more than $10,000,000, but did not approve Destination Enhancement activities.

The approved waiver allows for these activities to be conducted in the geographical locations of Saipan, Tinian, and Rota. Specific metrics demonstrating the impact of CDBG-DR expenditures on the tourism and other sectors of the economy are outlined below under the "Eligible Activities" portion of the Economic Revitalization Program. These funds will expire 2 years after the initial drawdown of the CDBG-DR funds under the allocation provided in the January 27, 2020 Federal Register notice (85 FR 4681).

This document represents the policies of implementation of Tourism Marketing inclusive of the conditions prescribed under the *Tourism Waiver* as stipulated and announced through **Federal Register Notice No. 85 60821**.

2.2 Background

In the wake of the storms, President Trump announced a Major Disaster Declaration for Typhoon Mangkhut (**DR-4396**) and another for Super Typhoon Yutu (**DR-4404**) to make federal disaster assistance available to the CNMI. Subsequently, the U.S. Congress approved Supplemental Appropriations for Disaster Relief Requirements (Public Laws 115-254 and 116-20, respectively, which made available $243,946,000 for the purpose of addressing disaster recovery unmet needs following the onslaught of Typhoon Mangkhut and Super Typhoon Yutu. The CNMI, through NMHC, requested for a *Tourism Waiver* by which HUD subsequently approved with certain conditions. *See* **Federal Register Notice No. 85 60821**

3.0 TOURISM MARKETING PROGRAM OVERVIEW

3.1 Method of Distribution

Eligible Activity: Technical Assistance (HCDA Section 105(a)(19)); Assistance to for-profit business (HCDA Section 105(a)(17); Micro Enterprise Assistance (HCDA Section 105(a)(22); Marketing - waiver request approved.

Estimated Start and End Dates:

National Objective: Low- and Moderate-Income Jobs; Low- and Moderate-Income Limited Clientele; Low- and Moderate-Income Area Benefit; Urgent Need.

Geographic Area(s) Served: CNMI-wide (Saipan, Tinian, and Rota).

Administering Entity: Marianas Visitors Authority (MVA)

Eligibility Criteria: Marketing Initiatives

• The projected use of funds for global marketing and outreach efforts will be focused as follows: event and festival planning and sponsorship in impacted areas within the CNMI; advertising creation; niche marketing; and media placement (social media/ television/ radio/ digital and out-of-home advertising) in targeted markets

Program Allocation: **[Enter Approved $ Amount Here]**

3.2 Roles and Responsibilities

3.2.1 NMHC

NMHC administers the grant funds for the Tourism Program through the CDBG-DR Division. Division staff are responsible for ensuring projects comply with all applicable federal and local regulations, including but not limited to, Pub. L. 115-254, Pub. L.116-20, NEPA, HCDA, and NMHC procurement regulations where applicable, and align with the CDBG-DR Action Plan. Division staff provide technical assistance to Implementing Partners to meet these requirements as needed.

NMHC's CDBG-DR Division responsibilities include:

• Determine sufficient capacity and payment procedures for Implementing Partners

• Determine project eligibility and mechanisms to comply with crosscutting requirements

• Disburse funds in accordance with NMHC Financial Policies

• Complete desk, onsite, and formal monitoring of the project

• Prepare and maintain documentation of activities and compliance with requirements for monitoring and audits.

3.2.2 Implementing Partner (MVA)

The Implementing Partner under the Tourism Program refers to the entity managing and executing the project activities. Implementing Partners can

request funds from the Tourism Program by submitting the Project Application Form to NMHC (Appendix B).

The Implementing Partner's responsibilities include:

• Meet the requirements of NMHC Capacity Assessments and grant conditions

• Manage all aspects of project

• Responsibly manage project funds

• Coordinate activities with other federal and local agencies

• Implement crosscutting requirements

• Report back to NMHC on a monthly basis

• Prepare and maintain documentation of activities and compliance with requirements for monitoring and audits.

3.3 Marketing Initiatives

Through the approved waiver, the CNMI plans to allocate $7,500,000 for marketing/promotional activities. These funds will be utilized to create a global branding and marketing strategy establishing an identity of an alluring and desirable island resort destination for the travel community. Unifying the CNMI brand is integral to building a strong brand position and identity. The purpose of the global branding initiative is to share the unity and diversity of the 14 islands in the CNMI. The CNMI plans to enhance existing marketing platforms locally and in source markets, while also creating new opportunities, ideas, and guidelines to strategically brand The Marianas to current and potential new markets. In 2018, prior to Typhoon Mangkhut and Super Typhoon Yutu, the Hotel Association of the Northern Mariana Islands (HANMI) reported an 82% hotel occupancy rate. The Marianas Visitors Authority (MVA) reported $9.2 million dollars in its 2018 marketing budget and expenses. Based on these figures, the CNMI will seek to increase hotel occupancy by 60% with the $7.5 million allocation provided through the Tourism Waiver.

3.4 Program Implementation

3.4.1 General Program Oversight

NMHC will oversee all activities and expenditures in connection with the CDBG-DR funds and will ensure that the Tourism Industry Support Program meets all requirements, including: the disaster threshold, activity

eligibility, national objective, fair housing, labor standards, Section 3, nondiscrimination, environmental regulations, and procurement regulations. NMHC will create a Monitoring Manual in accordance with CDBG-DR requirements so that each activity funded will meet the disaster threshold and one of HUD's three national objectives, with emphasis on eligible activities achieving the primary national objective of benefiting low- and moderate-income persons. All activities must comply with any applicable federal laws and regulations and effectively meet their stated goals.

3.4.2 Program Implementation

3.4.2.1 Marketing Initiatives

MVA will develop a comprehensive marketing campaign to re-establish that the CNMI is open for business following the 2018 Typhoons. It will procure a firm to assist in development of the campaign through competitive sealed proposals in conformance with NMHC's procurement regulations.

4.0 CDBG-DR PROGRAM REQUIREMENTS

The Government of the Commonwealth of the Northern Mariana Islands (CNMI), through the Northern Marianas Housing Corporation, will ensure that each activity which receives funding under the Tourism Industry Support Program complies with the waiver requirements included in **Federal Register Notice No. 85 60821**.

The approved waiver paves way to the eligible use of CDBG-DR funds (currently capped at Enter $ Amount Here) for assistance to promote the CNMI in general or specific components of the islands.

- No elected officials shall appear in tourism marketing materials financed with CDBG-DR funds;
- Oversight of procurement activities to ensure compliance with applicable procurement requirements; and,
- Waiver expires two years after first draw of CDB G-DR funds;

4.1 Tie to the Disaster

4.1.1 All activities funded with CDBG-DR in the Economic Revitalization Program: Tourism Marketing must in some way respond to a direct or indirect impact of one of the following federally-declared disasters:

a) Typhoon Mangkhut (**DR-4396**)
b) Super Typhoon Yutu (**DR-4404**)

4.2 Duplication of Benefits

The Tourism Program will include a duplication of benefits (DOB) review as part of the project application review and award calculation process. The requirements of the Robert T. Stafford Act (Stafford Act), as amended, prohibit any person, business concern, or other entity from receiving federal funds for any part of such loss for which they have already received financial assistance under any other program, private insurance, charitable assistance, or any other source.

4.2.1 Preventing Duplication of Benefits

MVA is responsible for verifying there is no duplication of resources. Additionally, CDBG-DR funds may not be used to supplant local resources used for Tourism Programs.

MVA reviews reported DOB and makes appropriate deductions. NMHC maintains records in accordance with Federal grants requirements and assures that the agency has accurately completed DOB reviews and made deductions as appropriate. Project DOB information must be maintained by the MVA and reported to NMHC throughout the life of the project. Reporting should occur at any point that such information becomes available, including:

•During scoping process development, pre-award, and approval;
• During the grant period of performance;
• During closeout; and
• After grant closeout, if duplicative funds are received at a later date.

4.2.2 Recapture

The Marianas Visitors Authority may be required to repay all, or a portion of the funds received. The reasons for recapture include but are not limited to the following:

• An Implementing Partner is determined to have provided false or misleading information to the Program;
• An Implementing Partner withdraws from the program prior to completion of the activity;
• An Implementing Partner does not complete the project or program identified in their approved grant as outlined in their approved project application
• An Implementing Partner fails to meet a national objective of the program;
• An Implementing Partner is found to have used program funds for an ineligible activity and/or;

• An Implementing Partner does not report the receipt of additional insurance, SBA, FEMA, non-profit assistance and/or any other duplication of benefits received after award.

NMHC will develop a detailed recapture policy for the overall CDBG-DR program. The policy, once developed, will be referenced in an update to this manual.

NORTHERN MARIANAS HOUSING CORPORATION

WORKFORCE DEVELOPMENT TRAINING PROGRAM
POLICIES AND PROCEDURES

VERSION: 1.0

[ENTER DATE OF APPROVAL HERE]

Prepared by:

Northern Marianas Housing Corporation – CDBG-DR Program Division

The policies stated in this manual are current as of [ENTER DATE OF APPROVAL HERE]. This Manual represents the current version of the Northern Marianas Housing Corporation's (NMHC) policies which provide general guidance for the administration of its CDBG-DR Workforce Development Program. All manuals will be reviewed periodically and updated. Therefore, users are strongly encouraged to visit our website: www.cnmi-cdbgdr.com to access the latest version.

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1.0 CONTENT

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1.2 Agencies and Acronyms

BCA	Benefit Cost Analysis
DOB	Duplication of Benefits
HCDA	Housing and Community Development Act
HUD	U.S. Department of Housing and Urban Development
NMHC	Northern Marianas Housing Corporation
NTP	Notice to Proceed
QPR	Quarterly Status Report

1.3 Definitions

Action Plan: A plan to guide the spending of a HUD CDBG-DR grant award to address housing economic, and infrastructure needs after a disaster.

Allocation: 1) Amount of a grant award that has been determined for a particular grantee. 2) Amount of funding attributed to a program.

Community Development Block Grant-Disaster Recovery: Flexible grant assistance from HUD to help the CNMI recover from presidentially declared disasters, especially in low-income areas, subject to availability of supplemental appropriations.

Duplication of Benefits (DOB): A duplication of benefit is the receipt of funding from multiple sources for the same purpose. The Robert T. Stafford Disaster Assistance and Emergency Relief Act (Stafford Act) prohibits any person, business concern or other entity from receiving financial assistance from CDBG Disaster Recovery funding with respect to any part of the loss resulting from a major disaster as to which he/she has already received financial assistance under any other program or from insurance or any other sources. It is an amount determined by the program that may result in the reduction of an award value.

Eligible Activity: Activities eligible to be assisted under the CDBG program. All CDBG-DR grantees must: (1) use CDBG funds only for activities that fall under an authorized category of basic eligibility; (2) properly classify the activity; and (3) provide adequate documentation as required by the category it selects for each such activity.

Grantee: HUD grantees receive funding from HUD to support HUD's mission to create strong, sustainable, inclusive communities and quality affordable homes for all. HUD grantees include state and local governments, non-profit and for-profit organizations, public housing authorities, and tribal entities.

Implementing Partner: Contractor(s) or subcontractor(s) that are provided CDBG-DR funds by a grantee for their use in carrying out agreed-upon, eligible activities through an awarded contract from NMHC.

Low- and Moderate-Income (LMI): A household considered to be of low- and moderate-income if the household income (including income derived from assets) is at or below 80 percent of an area's median income. All income is based on the Area Median Income limits set annually by HUD.

National Objective: The authorizing statute of the CDBG program requires that each activity funded, except for program administration and planning activities, must meet one of three national objectives. The three national objectives are: 1) Benefit to low- and moderate (LMI) persons; 2) Aid in the prevention or elimination of slums and blight; and 3) Meet a need having a particular urgency (referred to as urgent need). An activity that does not meet a national objective is subject to recapture.

Request for Release of Funds (RROF): An environmental review term for a process used by Responsible Entities (CNMI) when requesting the release of funds and the authority to use such funds for HUD programs identified by statutes that provide for the assumption of the environmental review responsibility by units of general local government and states. The approval of the RROF is required before environmental clearance may be provided to a recipient of CDBG-DR funds.

Section 3: A provision of the Housing and Urban Development (HUD) Act of 1968 that requires the recipients of HUD financial assistance, to the greatest extent feasible, provide training, employment, and contracting opportunities for low- or very-low-income residents in connection with projects and activities in their neighborhoods.

Section 504: A provision of the Rehabilitation Act of 1973 which provides that no qualified individual with a disability should, only by reason of his or her disability, be excluded from the participation in, be denied benefits of, or be subjected to discrimination under any program or activity receiving financial assistance.

2.0 INTRODUCTION

2.1 Purpose

This Policies and Procedures Manual for the Workforce Development Training Program (WDTP) is provided to assist program staff and contractor(s) in implementing and managing disaster recovery grants through the WDTP. It provides guidance regarding the general requirements that apply to grantee and contractor(s). It is the responsibility of NMHC's CDBG-DR program staff to ensure that recipients of CDBG-DR funding comply with all provisions of this manual, state and federal rules and regulations, and the grant award agreement. Grantee and contractor(s) must also carry out proper and efficient grant administrative practices. The Policies and Procedures Manual is intended to provide clear areas of responsibility to ensure consistent application of the procedures outlined in the manual. It is anticipated that circumstances will arise that will require deviations from the processes outlined in this manual. In those instances, the reason for the deviations need to be clearly documented and included in the Implementing Partner's file. In some cases, these circumstances will require amending the Policies and Procedures.

NMHC will be charged with soliciting proposals for WDTP so that students who enroll and complete course requirements receive certifications in various trades, e.g., carpentry, masonry, welding, etc., upon completion of classroom instructional courses and on-the-job work experience in the construction industry.

2.1 Background

The Commonwealth of the Northern Mariana Islands (CNMI), an archipelago of 14 islands, sustained severe damages from two typhoons in September and October 2018, respectively, thereby impacting the three main inhabited islands of Saipan, Tinian, and Rota. Consequently, the U.S. Department of Housing and Urban Development (HUD) has allocated $243,946,000 in Community Development Block Grant Disaster Recovery (CDBG-DR) Funds

Furthermore, post-disaster, the U.S. and CNMI Department of Labor provided over $1M to approved applicants under Disaster Unemployment Assistance. The overall recovery plan includes investment in skilled workforce development and institutions of higher education. It is the desire of the CNMI to the greatest extent feasible to comply with the Section 3 requirements that are generated by certain HUD financial assistance regarding training, employment and other economic opportunities. Key provisions and special outreach effort will be made to low- and moderate-income person and minorities by:

Appointing a local Section 3 Coordinator or hire a compliance specialist with this responsibility

Posting Section 3 requirement and opportunities on the DR web page

Continue to include Section 3 language where applicable in all CDBG-DR related bids, procurements, and contracts

Encourage adoption of local Section 3 plans to recipients receiving CDBG-DR funds

Provide Section 3 Training and Literature

Ensure sufficient access to job opportunities within the recovering economy and prioritize access to residents that are unemployed or underemployed as a result of the disaster.

The workforce development training program will offer training opportunities for LMI residents in the most in-demand sectors for the CNMI. The primary focus of the workforce development program will be LMI residents to fill jobs in recovery-related sectors such as construction. With construction, producing skilled workers by way of investing CDBG-DR funds into educational institutions such as the Northern Marianas College (NMC), Northern Marianas Technical Institute (public) and Latte Academy (private), will yield the following outcomes:

1. Address the shortage of construction workers,

2. Benefit LMIs by providing them employment and income; and

3. Address HUD's Section 3 requirement.

It is worth mentioning that, Latte Academy, which was established in 2013, offers job trainings in nationally recognized certifications. Further, the Academy has a 95% certification rate with 400 students attaining certifications between 2014 - 2017. Similarly, the Northern Marianas Trades Institute (NMTI), established in 2008 and a public education institute, is accredited by the National Center for

Construction Education. It is now called the Northern Marianas Technical Institute. Funding for these activities will strengthen collaboration between the workforce, educational institutions, and employers with a shared goal of providing solutions to promote growth and stability to the CNMI economy. Through the workforce development program, the CNMI will be able to assist an estimated 300 participants based on current tuition rates. The current workforce needs related to the CNMI's recovery initiatives present both a challenge and an opportunity to benefit residents across the CNMI. These efforts are aimed at ensuring that low- and moderate-income residents have access to the training needed to take advantage of these opportunities and additional support to ensure long-term success.

3.0 CDBG-DR REQUIREMENTS

Each project that receives funding under the Workforce Development Training Program (WDTP) must meet CDBG-DR requirements, including tie to the disaster, national objective, and eligible activities.

3.1 Tie to the Disaster

All activities funded through CDBG-DR must in some way respond to a direct or indirect impact of the applicable disaster. The WDTP addresses impacts of Super Typhoon Yutu across the areas of Saipan **(and Tinian)**. Super Typhoon Yutu had a significant impact on the housing supply, creating an increased demand for new construction and home repair activities, with additional impacts on commercial construction and repair activities. The increased demand for construction activities following Super Typhoon Yutu has created or increased the supply gap in many construction occupations.

The WDTP will address this unmet need by providing workforce training in construction trades to support post-disaster construction activities. Additionally, the WDTP will support LMI persons looking for new employment in the post-disaster economy to encourage economic recovery of individuals and communities. For the WDTP, a tie to the disaster is demonstrated through the contractor(s) ability to provide training in construction trades and job opportunities to LMI persons in disaster impacted areas.

3.2 HCDA Eligible Activity

CDBG-DR activities must meet an eligible activity under Section 105(a) of the Housing and Community Development Act of 1974 (HCDA). The WDTP is provided as an eligible activity under HCDA Section 105(a)(8), provision of public services. The allocation for the WDTP within the total allocation for Super Typhoon Yutu funding complies with requirements that not more than 15 percent of the amount of assistance may be used for activities provided under the public services' eligible activity.

3.3 Meeting National Objective

All CDBG-DR activities must meet a national objective. The WDTP will meet requirements for the LMI national objective utilizing the LMI limited clientele category. Services provided under this category serve a specific clientele, rather than providing services to all persons in a geographic area. The WDTP will meet the LMI clientele category by serving LMI individuals as determined by family size and income. At least 51 percent of individuals served must meet LMI requirements based on total household income and total household size for the program to meet the LMI national objective. See 24 CFR 570.483 for more information about national objectives.

In the application for WDTP funding, each eligible Implementing Partner ("contractors" and "subcontractors") must provide a plan to ensure that at least 51 percent of individuals served by the Implementing Partner through WDTP funding meet LMI requirements. NMHC will determine whether the plan is sufficient to meet the national objective as a part of the application review process. Each Implementing Partner must maintain a copy of its plan to ensure that at least 51 percent of individuals served by the contractor through WDTP funding meet LMI requirements. If a contractor updates its plan, a copy must be provided to NMHC for review and approval. NMHC will maintain documentation of each Implementing Partner's plan in its program files.

Documentation must be retained throughout the term of the service contract awarded and for six years thereafter.

3.3.1 National Objective Documentation and Records

An Implementing Partner must maintain records showing that funded activities meet the applicable national objective. Documents required to be maintained for purposes of demonstrating that the LMI national objective is being met include:

- Documentation that participants or beneficiaries are LMI based on family size and income (*see* 24 CFR 570.208), including verification of income in accordance with WDTP Program Guidelines Section 2.13. Documentation may include federal tax return documentation, an income self-attestation form, a zero income self-attestation form, or other appropriate documentation.

Each Implementing Partner must have written policies and procedures regarding verification of income and income self-certification. The verification of income and income self-certification policies and procedures and any amendments thereto must be approved by NMHC. Under CDBG regulations, a project is not considered having met a national objective until it has provided complete documentation that verifies the national objective has been met. Implementing Partners must be aware

of the national objective category and document compliance throughout the life of the project.

3.4 Duplication of Benefits

Duplication of Benefits (DOB) is a component of the Stafford Act, which governs disaster recovery. The requirements of the Stafford Act prohibit any person, business concern, or other entity from receiving federal funds for any part of an activity for which they have already received financial assistance under any other program, private insurance, charitable assistance, or any other source. A DOB occurs when a recipient of federal disaster funds receives funding from more than once source for the same activity.

3.4.1 Preventing DOBs

Implementing Partners are responsible for verifying there is no duplication of resources, such as charitable or public grants pertaining to workforce training. Funds provided by any federal, state, or local government entity, or non-profit or private source intended for the same purpose as the WDTP are considered a DOB and under federal law must be deducted from the assistance provided by the WDTP. A DOB may occur at any point, including after receipt of CDBG-DR funds. Any additional funds paid to participants for the same purpose as the WDPT after the WDTP services are completed must be returned to NMHC.

Participant applicants will be required during the application process to provide information on any other funding or benefits relating to disaster recovery and/or workforce training, including charitable contributions, scholarships, or other sources of financial assistance. Participant applicants will also be required to complete authorization for the Implementing Partners to verify information with federal, state, local, and private entities. Participants in the WDTP must sign a subrogation agreement, in which participants agree to repay any duplicative assistance considered a DOB. The subrogation agreement requires the participant to notify NMHC if additional funds are received and to assist NMHC in collecting any amounts owed to them from these sources.

All WDTP Implementing Partners must include a DOB review as part of the participant applicant eligibility screening process. Each Implementing Partner must have written policies and procedures documenting the Implementing Partner's duplication of benefits verification process. The duplication of benefits policies and procedures and any amendments thereto must be approved by NMHC.

Each Implementing Partner must maintain records of the DOB information reported by the participant applicant, verified by the Implementing Partner, and results of the DOB review, including any denial or reduction in award or benefits to the participant applicant, if applicable. DOB information must be maintained throughout the term of the contract and for six years thereafter.

3.4.2 Supplanting

CDBG-DR funds may not be used to supplant funds otherwise available for similar workforce training programs. Implementing Partners must document that funds awarded are above and beyond any annual appropriations that are provided for the same purpose. Implementing Partners must also document that WDTP funds expended on any participant are above and beyond any other funding available through other sources for the same purpose, including any funding available through other federal, state, or local funding. WDTP funds may be utilized after all other funds available to provide benefits to the participant for the same purpose have been expended. Any supplanting of funds will be treated as a duplication of benefits or fraud, waste, and abuse, and is subject to recapture under the terms of the Implementing Partner agreement.

3.5 Recapture

An Implementing Partner or participant may be required to repay all or a portion of CDBG-DR funds received. Reasons for recapture may include, but are not limited to:

• An Implementing Partner, subcontractor, or participant is determined to have provided false or misleading information to the program;

• An Implementing Partner or subcontractor withdraws from the program prior to completion of the project;

• An Implementing Partner or subcontractor does not complete the project;

• An Implementing Partner or subcontractor fails to meet the national objective;

• An Implementing Partner or subcontractor is found to have used program funds for an ineligible activity; or

• An Implementing Partner, subcontractor, or participant fails to report the receipt of additional funds or benefits received that create a DOB.

4.0 WORKFORCE TRAINING ACTIVITIES

To ensure that there are resources to support the remaining recovery needs, and to assist disaster-impacted individuals in obtaining employment, the WDTP will focus on workforce training in the construction trades.

4.1 Eligible Activities

Eligible activities under this program include:

• Workforce training in construction trades;
• Employment support services; and
• Job readiness and job placement assistance to support successful graduates of training in obtaining employment.

Activities requiring construction, rehabilitation, or renovation of any facilities or real property are not eligible activities under the WDTP.

4.2 Training

Training may be provided through multiple means, including classroom training, apprenticeship programs, on-the-job training, customized training, or other innovative models as proposed by Implementing Partners to NMHC. Training may be delivered via partnerships with public, private, or non-profit entities. If an Implementing Partner intends to utilize a partnership to deliver services, the Implementing Partner must document how partners will be selected. Any entity that is listed as excluded, debarred, or suspended on the System for Award Management (https://sam.gov/SAM/), including affiliated businesses with the same Employer Identification Number (EIN), is not eligible to receive WDTP funds and may not be selected as an Implementing Partner, Subcontractor, or Vendor.

4.2.1 Training Subjects

To support housing recovery, all Implementing Partners are required to provide workforce training in construction trades. Construction trades include, but are not limited to:

o Roofing;
o Masonry;
o Carpentry;
o Concrete finishing;
o Plumbing;
o HVAC (heating, ventilation, and air conditioning);
o Electricity;
o Heavy equipment operations;

o Glass / window installation;
o Plastering; and
o Welding.

Construction training must develop participants' specific occupational knowledge and skills that will prepare and contribute to participants' ability to obtain employment. Construction training does not have to result in an industry recognized credential, but training curricula must reflect current industry standards and be sufficient to lead to employment within the relevant construction trade.

Each Implementing Partner may determine the timeframe for the training program in each construction trade and/or programming option it makes available to participants. The timeframe for training must be within the timeframe of the WDTP, to ensure that all participants have the opportunity to complete the training program before the conclusion of WDTP training activities on **November 24, 2026**.

4.2.2 Training Schedule

Implementing Partners must publish the schedule of class times for each term on the Implementing Partners' website at least 60 calendar days before the first day of the term or within 15 calendar days of execution of the service contract, whichever is later. The Implementing Partner must submit a copy of the schedule of days and times of classes for each term to NMHC at least before the first day of the term or within 15 calendar days of execution of the Implementing Partner agreement, whichever is later.

Changes, updates, or cancellations to scheduled programming must be made at least 5 business days prior to the date of the originally scheduled activity. All information on the changes, updates, or cancellations must be posted to the Implementing Partner's website, provided in writing to all known attendees, and submitted to NMHC at least five (5) business days prior to the date of the originally scheduled activity. Exceptions to the timeframe for changes, updates, or cancellations may be made for extenuating circumstances, including emergency, extreme weather, and instructor illness. If NMHC determines that an Implementing Partner has made unreasonable or recurring changes, updates, or cancellations, NMHC may request a root cause analysis and corrective action plan from the Implementing Partner.

4.3 Support Services

CDBG-DR funds may be used for activities that provide employment support services. Support services include, but are not limited to, peer support programs, counseling, English to speakers of other languages (ESOL), transportation, child care, computer skills / digital literacy, and other similar services. Support services may be provided to participants in the WDTP, but Implementing Partners are not required to provide support services. Implementing Partners must clearly outline the support services that participants may receive, the eligibility determination

process for support services, and any limitations on support service expenditures (including limited timeframes and maximum allowances) in written policies and procedures that are made available to participants and participant applicants. The support service policies and procedures and any amendments thereto must be approved by NMHC.

Support services are provided to reduce or eliminate barriers to an individual's ability to participate in WDTP activities or obtain employment. Implementing Partners must assess participants individually to identify eligibility and need for support services. The rationale for providing support services must be documented in the participant's file.

Support services may be provided directly by the Implementing Partners or may be provided through referrals to other community resources and entities for support service delivery. Support services provided directly by the Implementing Partner should include consideration of the Implementing Partner's WDTP funding limitations and the availability of other community resources and entities, to leverage limited program resources to the greatest extent possible. Implementing Partners are encouraged to explore viable alternatives available to the participant before providing support services.

Support services are not an entitlement. Implementing Partners' availability of support services do not obligate or commit them to approve or provide services of any type to any participant.

Transportation and child care support services must clearly be related to the participant's WDTP activities. For example, an Implementing Partner may provide a transportation allowance for bus fare to and from the training site from the participant's residence but may not provide a transportation allowance for travel to non-WDTP locations. A participant's transportation allowance may not exceed $6 per day. Automotive repair assistance may not exceed $500 per participant. Child care support services may be provided for a participant's dependents who are up to twelve (12) years of age, not to exceed $120 per week.

Materials and supplies provided to participants utilizing WDTP funds must be related to WDTP training activities. Clothing, with the exclusion of wearable materials and supplies related to WDTP training activities, such as steel-toed boots, hard hats, etc., may not be provided utilizing WDTP funds.

Implementing Partners may provide support services to participants in the WDTP throughout the term of the beneficiary's participation in a workforce training program. Support services may not be provided to a participant after that participant has concluded workforce training components, for example, completion of a training program in the electrical trade.

4.4 Career Services

All Implementing Partners are required to provide job readiness and job search assistance to support successful graduates of training in obtaining employment. These services are intended to help prepare participants for the workforce and assist in obtaining a position on program exit. Job readiness and job search services may include, but are not limited to:

- Resume assistance;
- Interview preparation;
- Employability skills;
- Provision of information on market demand, vacancy listings, job skills requirements for vacancy listings, and wage information;
- Job search assistance;
- Career counseling;
- Individual employment plans; and
- Referral and direct employment opportunity assistance.

4.5 Case Management Services

Implementing Partners are highly encouraged to provide case management services to participants to provide support and ensure successful program completion. Case management services may be provided throughout the entire duration of program participation, from the time of application intake through program exit. Case management services may include, but are not limited to:

- Administering assessments;
- Identifying barriers to program participation and recommending ways to remove such barriers, including provision of support services or referral to other support services providers;
- Financial assistance information;
- Support service screening and information;
- Tutoring information;
- Referrals to other sources of assistance;
- Certification, credential, or licensing assistance;
- Establishing training benchmarks, tracking participant progress, and verifying satisfactory progress; and
- Maintaining and/or monitoring participant files.

5.0 PARTICIPANT APPLICATION

5.1 Application Process

Individuals seeking to receive training, support services, or other benefits through the WDTP must complete the official application developed and distributed by the Implementing Partner.

Implementing Partners are required to assist individuals who contact their training institutions to complete an application by phone or by visiting an Implementing Partner's office location. Implementing Partners must provide a hard copy application by U.S. mail to any individual who requests a hard copy application. Implementing Partners must accept completed applications from applicants, if provided directly to the Implementing Partner via email, mail, in-person, or other means. After WDTP Implementing Partners are selected, contact information for all Implementing Partners will be made available to the public and posted on www.cnmi-cdbgdr.com.

5.1.1 Application Period

Each Implementing Partner may set the application period for the Implementing Partner's program services. Any Implementing Partner's application period must be documented in policies and procedures made available to participants and participant applicants. If no application period is provided in an Implementing Partner's policies and procedures, applications will be accepted on a rolling basis until all Implementing Partner's funding has been expended.

5.1.2 Application Intake

Implementing Partners are responsible for processing applications. Each Implementing Partner must review and process all applications in which the participant applicant indicated that he or she would like to apply to that Implementing Partner's program. Implementing Partners must ensure all applications and attached documentation are complete, and issue a notice of incompleteness, if applicable, detailing all incomplete elements of the application and information on how the applicant may submit the missing information. Implementing Partners are responsible for maintaining the complete application file, including information received in the initial application and any additional information provided during application processing. Each Implementing Partner must have written policies and procedures documenting their application intake that are made available to participants and participant applicants. The application intake policies and procedures and any amendments thereto must be approved by NMHC. Implementing Partners may not begin processing applications until the Implementing Partners' relevant policies and procedures have been reviewed and approved by NMHC.

5.2 Participant Eligibility Screening Process

Implementing Partners are required to screen each application received to determine eligibility in accordance with the WDTP Program Guidelines and other relevant program guidance. Participant applicants must provide documentation for eligibility criteria during the application process. Upon determination of eligibility or non-eligibility for program benefits, Implementing Partners must notify the

participant applicant in writing of the determination and reasons for denial, if applicable. Implementing Partners must maintain an accurate log of all participant applicant approval and denial determinations.

5.2.1 Priority Schedule

Participant applications may be accepted and eligibility for services and benefits determined on a priority schedule to ensure compliance with the LMI national objective. Veterans and eligible veteran spouses and dependents will receive priority in accordance with federal regulations. Each Implementing Partner may set its own priority schedule to meet these requirements. Each Implementing Partner must have written policies and procedures documenting the priority schedule set by the Implementing Partner that are made available to participants and participant applicants. The policies and procedures and any amendments thereto must be approved by NMHC.

5.2.2 Participant Program Assistance Requirements

In order to receive program assistance, participants must:

- Complete an WDTP application.
- Provide all documentation required by the WDTP application.
- Sign a release so that information provided by the participant can be shared with state and federal agencies and certain third parties in order to verify information given to the program. The participant and everyone 18 and older in the household are required to sign the release.
- Swear to the accuracy and completeness of all information provided to the program under penalty of law.
- Sign a subrogation agreement acknowledging that any overpayment of benefits will be subject to recapture.

Implementing Partners are required to ensure that each participant has completed the required documentation and forms before providing program assistance. Implementing Partners must retain completed participant documentation in the participant's file.

Department of Finance

P.O. Box 5234 CHRB
Saipan, MP 96950
Phone: (670) 664-1100 / Fax: (670) 664-1115

PUBLIC NOTICE OF PROPOSED AMENDMENTS TO REGULATIONS to the DEPARTMENT OF FINANCE, DIVISION OF CUSTOMS SERVICE

INTENDED ACTION TO ADOPT THESE PROPOSED AMENDED REGULATIONS: The Department of Finance – Division of Customs Service intends to amend the Customs Service Regulations, pursuant to the procedures of the Administrative Procedure Act (APA),1 CMC § 9104(a). If adopted, these amendments will become effective ten days after the publication of a Notice of Adoption in the Commonwealth Register. 1 CMC §9105(b)

AUTHORITY: These amendments are promulgated under the authority set forth in the Commonwealth Code, including but not limited to 1 CMC §2553, 1 CMC §2557, 1 CMC §252021, 1 CMC §1104, 1 CMC §1402, 4 CMC §1425 and §1820.

THE TERMS AND SUBSTANCE: The purpose of the amendments to Customs Service Regulations Chapter 70-10 is to establish policy and procedures to implement and provide uniform enforcement of the laws of the Commonwealth of the Northern Mariana Islands administered by Customs; to require Customs to control imports of all articles, wares, or merchandise for the assessment and collection of taxes; and for the interception of harmful elements and other contraband.

DIRECTIONS FOR FILING AND PUBLICATION: These proposed amended regulations shall be published in the Commonwealth Register in the section on Proposed and Newly Adopted Regulations (1 CMC § 9102(a)(1)) and posted in convenient places in the civic center and in local government offices in each senatorial district, both in English and in the principal vernacular. 1 CMC § 9104(a)(1)

TO PROVIDE COMMENTS: Interested parties may submit written comments on the proposed regulations to David Dlg. Atalig, Secretary of Finance, via US mail to the Dept. of Finance, P O Box 5234 CHRB, or via hand-delivery to the Office of the Secretary of Finance, Capitol Hill, Saipan, MP. Comments, data, views, or arguments are due within 30 days from the date of publication in this notice. 1 CMC § 9104(a)(2)

Department of Finance
P O Box 5234 CHRB Saipan, MP 96950
670-664-1100 info@dof.gov.mp

Submitted by: DAVID DLG. ATALIG
Secretary of Finance

2/19/21
Date

Received by: MATHILDA. A. ROSARIO
Governor's Special Assistant
for Administration

02/26/2021
Date

File & Recorded by: ESTHER SN. NESBITT
Commonwealth Register

02.26.2021
Date

Pursuant to 1 CMC § 2153(e) and 1 CMC § 9104(a)(3) the proposed regulations attached hereto have been reviewed and approved as to form and legal sufficiency by the CNMI Attorney General and shall be published, pursuant to 1 CMC § 2153(f).

EDWARD MANIBUSAN
Attorney General

2/26/2021
Date

Department of Finance
P.O. Box 5234 CHRB
Saipan, MP 96950
Phone: (670) 664-1100 / Fax: (670) 664-1115

NUTISIAN PUPBLIKU NI MANMAPROPONI NA REGULASION SIHA PARA I DIPATTAMENTON I FINANSIAT, DIBISION I CUSTOMS

NUTISIA PUT I AKSION NI MA'INTENSIONA: I Dipattamenton i Finansiat, Dibision i Customs (Customs) ma'apl'ueba i pupblikasion i tinattiyi na amendasion siha para iyo-niha Customs Service Regulations. Ma'intensiona para u ma'adapta esti siha na regulasion kumu petrnanienti, sigun para i Aktun Administrative Procedures, 1 CMC § 91 04(a). Kwnu rna' adapta, esti siha na regulasion siempri mu ifektibu gi Mlum dies (1 0) dihas dispues di pupblikasion nu i Nutisian i Adaptasion gi M.lum i Rehistl'an Commonwealth. (1 CMC § 9 105(b))

ATURIDAT: Esti na amendasion siha para u macho'gui gi papa' i aturidat ni mapega mona gi halum i Commonwealth Code iningklusi, lao ti chi-na para, 1 CMC § 2553, 1 CMC § 2557, 1 CMC § 25201, 4 CMC § 1 104, 4 CMC § 1402, 4 CMC § 1425 yan 4 CMC § 1 820.

I TEMA YAN SVST ANSIAN I P ALARRA SIHA: I intensiona i amendasion siha para i Customs Service Regulations Chapter 70-10 para u ma'estapblesi i policy yan i manera siha ni para u ma'implimenta ya mapribeni unifotmi na enforcement i lai I Commonwealth gi Sangkattan na Islas Marianas ni mamanenea gi Customs; manisisita i Customs para u gubietna i imports i todu articles, fektus, pat kosas para i ibaluasion yan kuleksion i tax siha; yan para i inturompi i piligru na elements yan otru contraband.

DIREKSION PARA V MAPO'LV YAN MAPUPBLIKA: Esti i manmaproponi na amend as ion siha debi na u mapupblika gi hruum i Rehistran i Commonwealth gi halum i seksiona ni maproponi yan nuebu na ma'adapta na regulasion siha (1 CMC § 91 02(a)(1)) yan u mapega gi hl1lum i kumbinienti na lugat gi halum civic center yan gi hruum ufisinan gubietnarnentu siha gi halum distritun senadot, parehu Englis yan gi lingguahln natibu (1 CMC § 9 104(a)(1)).

UPINON SIHA: I manintirisao na petsona siha sina manna'halum tinigi' upinon ni manmaproponi na regulasion siha para i Sekriwian i Finansiat, David Dlg. Atalig, via U,S. mail para Dipattamenton i Finansiat, P.O, Box 5234 CHRB, Saipan, MP 96950, pat intrega halum gi Ufisinan i Sekritarian Finansiat. I upinon, data, views, pat agumentu siha nisisita u fanhruum gi halum trenta (30) dihas ni tinattitiyi gi fetchan kalendariu gi pupblikasion nu esti na nutisia. 1 CMC 91 04(a)(2).

Department of Finance
P O Box 5234 CHRB Saipan, MP 96950
670-664-1100 **info@dof.gov.mp**

Nina' halum as:

DAVID DLG. ATALIG
Sekritarian I Finansiilt

2/19/21
Fetcha

Rinisibi as:

MATHILDA. A. ROSARIO
Ispisiat Na Ayudanti Para
Atministrasion

02/26/2021
Fetcha

Pine'lu yan
Ninota as:

ESTHER SN. NESBITT
Rehistran Commonwealth

02.26.2021
Fetcha

Sigun i 1 CMC § 2153(e) yan i 1 CMC § 9104(a)(3) i manmaproponi na regulasion siha ni manechettun guini ni manmaribisa yan manma'aprueba kumu fotma yan sufisienti ligat ginin i Abugadu Henerat CNMI yan debi na u mapupblika, 1 CMC § 2153(f).

EDWARD MANIBUSAN
Abugadu Henerat

2/26/2021
Fetcha

Department of Finance
P.O. Box 5234 CHRB
Saipan, MP 96950
Phone: (670) 664-1100 / Fax: (670) 664-1115

ARONGORONGOL TOULAP REEL POMMWOL LIIWEL NGALI MWOGHUTUGHUTUL DEPATTAMENTOOL FINANCE, DIVISION OF CUSTOMS

ARONGORONG REEL MANGEMANGIL MWOGHUT: Depattamentool Finance, Division of Customs (Customs) re atirow reel akkateewowul liiwel kka e amwirimwirtiw ngali Mwoghutughutul Customs Service. Re mangemangil rebwe adoptaali mwoghutughut kkal bwe ebwe lleghlo, sangi Administrative Procedure Act, 1 CMC § 9 104(a). Ngare re adoptaali, ebwe bwungulo liiwel kkal 1lo1 seigh ráál mwiril aal akkateewow reel Notice of Adoption llol Commonwealth register. 1 CMC § 9105(b).

BWANGIL: Liiwel kkal nge aa ffil reel ffeerul faal bwangil iye ebwe mmwetelo mmwal llol Commonwealth Code ebwe bwal aschuulong, nge ese yoor pilil ngali, 1 CMC § 2553, 1 CMC § 2557, 1 CMC § 25201. 4 CMC § 1104, 4 CMC § 1402, 4 CMC § 1425 me 4 CMC § 1820.

KKAPASAL ME AWEEWEL: Bwulul liiweI ngali Customs Service Regulations Chapter 70-10 nge ebwe itittiw afal me mwoghut ngali peiragh me rebwe ayoora bwe ebwe weewelo enforcement reel alleghul Commonwealth me Teel Faluw kka Efang llol Marianas iye Customs re lemeli; re mwuschel bwe Customs rebwe lemeli kkosas ikka e toolong me faluw kka akkaaw reel alongal tappal kkosas, wares, ngare merchandise ngali assessment me collection reel tax; me bwal atippa mil kka e nngaw ngaliir aramas me akkaaw ikka esoor bwangil ngare e nngaw nge re bweibwoghlong.

AFAL REEL AMMWELIL ME AKKATEEWOWUL: Pommwol liiwel kkal nge ebwe akkateewow llol Commonwealth Register loll talil pommwol me ffel mwoghutughut kka ra adoptaali (1 CMC § 9102(a)(1)) me ebwe apascheta llol civic center me lloll gobetnamento llol senatorial district, fengal reel kkasal English me mwaliyaasch (1 CMC § 9 104(a) (1)).

FOOS: Scho kka re mwuschel isiisilong iischil mangemang wool pommwol mwoghutughut kka rebwe isch ngali David Dlg. Atalig, Sekkretoriyal Finance, via U. S. Mail ngali Depattamentool Finance, P. O. Box 5234, CHRB, Seipel, MP 96950, ngare bwughilo reel Bwulasiyol Sekkretoriyal Finance, Asungul, Seipel, MP, Isiisilongol mangemang, data, views, ngare angiingi ebwe toolong llol eliigh (30) ráál mwiril aal a kkateewow arongorong yeel. 1 CMC § 9 104(a) (2).

Department of Finance
P O Box 5234 CHRB Saipan, MP 96950
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Isaliyalong: _____ 2/19/21
DAVID DLG. ATALIG
Sekkretoriyal Finance
Ráál

Bwughiyal: _____ 02/26/2021
MATHILDA A. ROSARIO
Special Assistant ngali
Administration
Ráál

Ammwelil: _____ 02.26.2021
ESTHER SN. NESBITT
Commonwealth Register
Ráál

Sangi 1 CMC §2153 (e) me 1 CMC § 9104(a)(3) reel pommwol mwoghutughut ikka e appasch bwe ra takkal amwuri fischiiy me atirowa bwe aa ffil reel ffeerul me legal sufficiency sangi Soulemelemil Allegh Lapalapal CNMI me ebwe akkateewow. 1 CMC § 2153(f).

_____ 2/26/2021
EDWARD MANIBUSAN
Soulemelemil Allegh Lapalap
Ráál

§ 70-10.1-115 Non-business Use Exemption

(1) The exemption specified under 4 CMC § 1402(d)(2), as modified by 6 CMC § 2301(a)(7) of the Cigarette Labeling and Advertising Act, shall only apply to individuals ~~18~~ **21** years of age or older and any cigarettes in the possession of a minor will be confiscated and destroyed.

§ 70-10.1-145 Payment of Taxes; Release of Goods

(a) Customs Clearance. In case of goods, commodities, resources, or merchandise whose first **sale or** use in the Commonwealth requires customs inspection and clearance, payment shall be made ~~within 30 days after entry~~ **upon entry and prior to the release of goods, commodities, resources or merchandise.**

(b) Estimated Tax. ~~Such goods, commodities, resources, or merchandise may be released prior to payment of excise tax as prescribed by 4 CMC § 1407(b) and (c) and provided the consignee has no delinquent taxes, fees, or charges due and owing the Commonwealth.~~ Where the actual amount of tax cannot be determined ~~within seven calendar days after the entry~~, an estimated tax shall be paid **upon entry** ~~within 30 days after entry; any refund of excess estimated tax paid must be applied for within the time prescribed by 4 CMC § 1409.~~**, subject to later adjustment.**

(c) Exception for Qualified Low Risk Importers. ~~**For good cause, t**~~**The Director of Customs or his/her designee in the First, Second, and Third Senatorial Districts, may authorize a grace period of 30 days for payment of excises for qualified low risk importers. To qualify as low risk, an importer must have:**

(1) A CNMI business license for at least 2 years;

(2) A valid tax identification number;

(3) A minimum of one-year compliance with Customs import laws and regulations; and

(4) A tax clearance from the Division of Revenue & Taxation for a 2-year period.

Applications for approval to qualify as a low risk importer must be submitted on a form prescribed by the Division of Customs Service. Any violations of Customs law or Regulations will result in immediate revocation of qualified low risk importer status.

§ 70-10.1-150 Procedure; Permanent Deposit

A permanent deposit may be authorized to permit the release and delivery of dutiable merchandise prior to making formal entry and paying the actual tax due when required. After 90 days from the date of ~~first use~~ **arrival** in the Commonwealth of such goods, commodities, resources, or merchandise, any and all unpaid taxes owed to the Service will be considered delinquent and sent to Customs Compliance for collections.

§ 70-10.1-155 Nonpayment of Excise Taxes When Due

Consignees owing the Commonwealth excise taxes which are not paid ~~within 30 calendar days after the~~ **upon** entry **(or within the grace period allowed for qualified low risk importers)** ~~of the goods, commodities, or merchandise,~~ shall be denied clearance and release on future imports of goods, commodities, or merchandise. The Customs Service shall require consignees to pay any outstanding excise taxes, penalties, and interest on imported goods, commodities, or merchandise prior to the release of such goods, commodities, or merchandise.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
DEPARTMENT OF LABOR
ADMINISTRATIVE HEARING OFFICE

In Re the Matter of:	)	**Consolidated Labor Case Nos. 20-025 to 20-026**
Glenn Patrick Bell and Corrado Modica,	)	
Complainants,	)	**DEFAULT JUDGMENT**
v.	)	
Imperial Pacific International (CNMI) LLC,	)	
Respondent.	)	

This matter came for an online Administrative Hearing on February 5, 2021 at 9:00 a.m. at the Administrative Hearing Office. Due to the COVID-19 public health emergency, this hearing was conducted online. Complainants Glenn Patrick Bell and Corrado Modica ("Complainants") were present and represented by Attorney Joe W. McDoulett. Respondent Imperial Pacific International (CNMI) LLC ("Respondent") failed to appear. The Department's Enforcement, Monitoring, and Compliance Section ("Enforcement") was also present and represented by Acting Director Jeffrey Camacho.

Considering Respondent's absence, Complainant moved for Default Judgment. Pursuant to NMIAC § 80-20.1-480(l), "[e]xcept for good cause shown, failure of a party to appear at a hearing after timely being served notice to appear shall be deemed to constitute a waiver of any right to pursue or contest the allegations in the complaint." Here, Complainant was served with the Notice of Hearing to the designated agent for service of process on January 22, 2021 pursuant to NMIAC § 80-20.1-475(d)(4). The undersigned finds notice and service of process was sufficient. The undersigned further finds there is no good cause to support Respondent's failure to show. Accordingly, **DEFAULT JUDGMENT** is hereby entered in favor of Complainants.

So ordered this **5th** day of February, 2021.

/s/
JACQUELINE A. NICOLAS
Administrative Hearing Officer

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
DEPARTMENT OF LABOR
ADMINISTRATIVE HEARING OFFICE

In Re Matter of:	)	**PUA Case No. 20-0030**
Dongxiang Lin	)	
Appellant,	)	**ADMINISTRATIVE ORDER**
v.	)	
CNMI Department of Labor, Division of Employment Services-PUA,	)	
Appellee.	)	

I. INTRODUCTION

This matter came before the undersigned for an Administrative Hearing on January 26, 2021 at 9:00 a.m. at the Administrative Hearing Office. Due to the ongoing COVID-19 public health emergency, the hearing was held telephonically. Appellant Dongxiang Lin ("Appellant") was present and self-represented. Appellee CNMI Department of Labor Division of Employment Services – Pandemic Unemployment Assistance program ("Appellee" or "Department") was present and represented by Labor Certification Worker, Dennis Cabrera. Interpreter Brandon Doggett facilitated communication during the proceedings. There were no other witnesses who gave testimony at the hearing.

Exhibits:

1. Exhibit 1: Copy of Appellant's Application Snapshot;
2. Exhibit 2: Copy of Department's Determination (dated September 22, 2020);
3. Exhibit 3. Copy of Appellant's Appeal Form (filed October 30, 2020)
4. Exhibit 4. Copy of Appellant's Employment Certification;
5. Exhibit 5: Copy of Appellant's (5) CBP Form I-94;
6. Exhibit 6: Copy of Appellant's USCIS Notice re: Limited Parole (dated January 9, 2019);
7. Exhibit 7: Copy of Appellant's USCIS Notice re: Notice of Parole (dated October 23, 2019);

8. Exhibit 8: Copy of Appellant's C11 EAD card (valid from March 25, 2020 to June 29, 2020);
9. Exhibit 9: Copy of Appellant's USCIS Receipt Notice for Employment Authorization Application (Notice Date of August 21, 2020);
10. Exhibit 10: Copy of Department's SAVE Verification Results (initiated on September 13, 2020 and December 9, 2020); and
11. Exhibit 11: Copy of Appellant's (2) Business Licenses (effective June 4, 2019 to June 4, 2021).

For the reasons stated below, the Department's Determination dated September 22, 2020 is **AFFIRMED**. Based on the claim filed, Appellant is not eligible for benefits for the period of March 8, 2020 to December 26, 2020.

II. JURISDICTION

On March 27, 2020, the Coronavirus Aid Relief and Economic Security ("CARES") Act of 2020 was signed into law creating new temporary federal programs for unemployment benefits called Pandemic Unemployment Assistance ("PUA")[1] and Federal Pandemic Unemployment Compensation ("FPUC").[2] On March 29, 2020, the CNMI Government executed an agreement with the US Secretary of Labor to operate the PUA and FPUC program in accordance to applicable law.[3] The CNMI Department of Labor is charged with the responsibility in administering the above-mentioned programs in the CNMI. The CNMI Department of Labor Administrative Hearing Office has been designated to preside over appeals of the agency decisions. Upon review of the records and as further discussed below, the appeal was is not timely filed. Accordingly, jurisdiction is not established.

III. PROCEDURAL HISTORY & ISSUE

Appellant filed a claim for unemployment benefits under the PUA and FPUC programs. Upon review of Appellant's application and supporting documents, the Department issued its initial determination on September 22, 2020. The Department's determination found the Appellant was

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[1] *See* Section 2102 of the CARES Act of 2020, Public Law 116-136.
[2] *See* Section 2104 of the CARES Act of 2020, Public Law 116-136.
[3] Pursuant to Section 2102(h) of the CARES Act of 2020 (Pub. L. 116-136) and 20 CFR § 625.2(r)(1)(ii), the CNMI Governor issued Executive Order No. 2020-09 declaring Hawaii Employment Security Law as the applicable state law in the CNMI. Hawaii state law applies, to the extent it does not conflict with applicable federal law and guidance.

not a U.S. Citizen, non-national citizen, or qualified alien and denied benefits effective March 8, 2020. Appellant filed the present appeal on October 30, 2020. The issues on appeal are: (1) whether Appellant filed a timely appeal; and (2) whether Appellant is a qualified alien eligible for PUA.

IV. FINDINGS OF FACT

In consideration of the evidence provided and credibility of witness testimony, the undersigned issues the following findings of fact:

1. Prior to the pandemic, Appellant was self-employed as a driver for LJ Shuttle Sedan.[4] The business license for L J Shuttle is under Appellant's name.[5]
2. Appellant prepared and provided a self-certification of employment stating, "[d]ue to the covid-19 Coronavirus [*sic*] we Stop [*sic*] work from March 16, 2020. [*sic*] until further notice."[6] The letter did not specify how COVID-19 impacted the business or Appellant's employment.
3. On June 30, 2020, Appellant applied for unemployment insurance under the PUA and FPUC benefits administered by the CNMI Department of Labor.[7]
4. In his application, Appellant acknowledged and certified that he understands it is his responsibility to read and familiarize himself with the contents of the Benefit Rights Information Handbook.[8] Among other things, the Benefit Rights Information Handbook include instructions on filing an appeal.
5. On September 22, 2020, the Department issued a determination disqualifying Appellant from unemployment insurance benefits because the Department found that Appellant was not a United States Citizen, Non-citizen National, or Qualified Alien eligible for federal public benefits.[9]
6. The determination included appeal rights and instructions. Specifically, the Determination states: "[y]ou have 10 days from the mail date on this letter to file an appeal. This means

[4] Exhibit 4.
[5] Exhibit 11.
[6] Exhibit 4.
[7] Exhibit 1.
[8] Exhibit 1.
[9] Exhibit 2.

your appeal **must be received or postmarked** by **10/06/2020**. If you do not make that deadline, you lose the right to appeal this determination." [10]

7. The instructions and correct form to use to file an appeal is also published on the Departments website. Also, the Department published a number of press releases to provide appeal rights and instructions.
8. Contrary to the instructions provided in the Benefit Rights Information Handbook and deadline on the Determination, Appellant submitted wrong or illegible forms to the wrong locations, past the applicable deadline. Specifically, Appellant emailed the determination form to info@puamarianas.com instead of hearing@dol.gov.mp. Then, Appellant emailed the correct appeal form to the hearing email on October 27, 2020, past the deadline.[11] Because the emailed forms were blurry and illegible, Appellant resorted to filing his appeal in person on October 30, 2020. This appeal was considered filed as of October 30, 2020.
9. Appellant could not provide a reason for filing late but simply insisted he filed on time.
10. Appellant contests the finding he is not a qualified alien. Appellant provided a series of CBP Form 1-94 cards showing he was paroled in the U.S. on for the following periods:[12]
    a. April 30, 2012 to December 31, 2012;
    b. December 21, 2012 to December 13, 2014;
    c. March 11, 2015 to December 31, 2016;
    d. January 11, 2017 to December 31, 2018; and
    e. October 29, 2019 to June 29, 2020.
11. To account for gaps between the fourth and fifth parolee cards above, Appellant had two additional notices from USCIS. First, Appellant was granted an additional validity period of parole from January 1, 2019 to June 29, 2019.[13] Second, on June 29, 2019, USCIS automatically extended her transitional parole through October 28, 2019.[14]
12. Appellant was given prior employment authorizations with the Category C11. Appellant has Employment Authorization Document ("EAD")[15] card is valid for March 25, 2020 to

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[10] *Id.*
[11] Exhibit 3.
[12] Exhibits 5
[13] Exhibit 6.
[14] Exhibit 7.
[15] An EAD is a work permit that allows noncitizens to work in the United States.

June 29, 2020.[16] There is no showing whether Appellant was authorized to work during any other time period.

13. In August of 2020, Appellant submitted an application for employment authorization to U.S. Citizenship and Immigration Services (USCIS).[17] On October 14, 2020, USCIS issued a notice stating that Appellant's application is still pending. There is no showing that Appellant's employment authorization was granted an automatic extension.
14. On or around September 13, 2020, the Department entered Appellant's information into the Systematic Alien Verification for Entitlements (SAVE) database maintained by USCIS, Verification Division. This database is used to determine the alien status of PUA applicants so only those entitled to benefits receive them. The SAVE results indicate that Appellant's status has expired and he is not authorized to work.[18]
15. On or around September 13, 2020, the Department conducted another SAVE verification. Initially, the SAVE results indicate that Appellant's case with USCIS is under review. After further review, the SAVE results indicate that Appellant has a pending application with USCIS and is not authorized to work.[19]

V. CONCLUSIONS OF LAW

In consideration of the above-stated findings and applicable law, the undersigned issues the following conclusions of law:

1. Appellant did not file a timely appeal.

Generally, an appeal should be filed within ten days after the Notice of Determination was issued or served to the claimant. However, the Department may extend the period to thirty days by a showing of good cause.[20] Good cause means: (1) illness or disability; (2) keeping an appointment for a job interview; (3) attending a funeral of a family member; and (4) any other reason which would prevent a reasonable person from complying as directed.[21]

Here, Appellant testified to receiving the disqualifying Determination on September 21, 2020. Based on the filings and testimony provided, Appellant had notice of the filing deadline and

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[16] Exhibit 8.
[17] Exhibit 9.
[18] Exhibit 10.
[19] *Id.*
[20] HI. Rev. Statute § 383-38(a).
[21] HAR § 12-5-81(j).

instructions. Despite said notice, Appellant did not file the correct documents, at the correct location by the applicable deadline of October 6, 2020. Further, when asked why he did not file on time, Appellant did not provide a reason but simply insisted his appeal was timely filed. As shown above, Appellant's appeal was not timely. Further, based on Appellant's testimony, the undersigned finds that there is insufficient basis to establish good cause for a 30-day extension. Notably, even if a 30-day extension were granted, the appeal would still be untimely. Due to the untimely nature of this appeal, the undersigned has no jurisdiction to hear this case and the Department's Determination is final.

VI. ORDER

For the reasons stated above, it is ORDERED that:

1. The CNMI Department of Labor's Determination is **AFFIRMED**; and
2. The Appellant is **NOT ELIGIBLE** to receive PUA benefits for the period of March 8, 2020 to December 26, 2020.

If a party is aggrieved by this Order and would like to contest the decision, he or she must submit a written request to reopen the decision pursuant to Hawaii Admin. Rule § 12-5.93. The written request should be supported by legal, factual, or evidentiary reasons to reopen the decision. The written request must be submitted to the Administrative Hearing Office, either in person at 1357 Mednilla Avenue, Capitol Hill Saipan MP 96950) or via email at hearing@dol.gov.mp.

In the event a request to reopen the decision is granted, the matter shall be scheduled for a subsequent hearing. In the event a request to reopen the decision is denied, or if the Appellant still disagrees with a subsequent decision, the Appellant may seek judicial review with the CNMI Superior Court under the local Administrative Procedures Act. *See* 1 CMC § 9112. All forms, filings fees, and filing deadlines for judicial review will be as established by the applicable law and court rule.

So ordered this **28th** day of January, 2021.

/s/
JACQUELINE A. NICOLAS
Administrative Hearing Officer

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
DEPARTMENT OF LABOR
ADMINISTRATIVE HEARING OFFICE

In Re Matter of:	)	**PUA Case No. 20-0034**
	)	
Maria Gerarda Espiritu Pensader,	)	
	)	
Appellant,	)	**ADMINISTRATIVE ORDER**
	)	
v.	)	
	)	
CNMI Department of Labor, Division of Employment Services-PUA,	)	
	)	
Appellee.	)	
	)	

I. INTRODUCTION

This matter came before the undersigned for an Administrative Hearing on January 21, 2021 at 1:30 pm at the Administrative Hearing Office. Due to the ongoing COVID-19 public health emergency, the hearing was held online. Appellant Maria Gerarda Espiritu Pensader ("Appellant") was present and self-represented. Appellee CNMI Department of Labor Division of Employment Services – Pandemic Unemployment Assistance program ("Appellee" or "Department") was present and represented by PUA Program Supervisor Jake Maratita and PUA Program Supervisor Sharon Palacios. There were no other witnesses who gave testimony at the hearing.

Exhibits:

1. Exhibit 1: Appellant's Application Snapshot
2. Exhibit 2: Determination dated October 27, 2020.
3. Exhibit 3: Request to File an Appeal dated November 5, 2020 with Letter.
4. Exhibit 4: Employment Certification
5. Exhibit 5: Furlough letter dated April 13, 2020.
6. Exhibit 6: Addendum to Furlough Letter dated May 8, 2020.
7. Exhibit 7: Email from Esther Ada to DOL dated December 4, 2020.
8. Exhibit 8: Separation Notice dated October 23, 2020.

For the reasons stated below, the Department's Determination dated October 27, 2020 is **AFFIRMED**. Claimant is not eligible for benefits for the period of July 04, 2020 to December 26, 2020.

II. JURISDICTION

On March 27, 2020, the Coronavirus Aid Relief and Economic Security ("CARES") Act of 2020 was signed into law creating new temporary federal programs for unemployment benefits called Pandemic Unemployment Assistance ("PUA")[1] and Federal Pandemic Unemployment Compensation ("FPUC").[2] On March 29, 2020, the CNMI Government executed an agreement with the US Secretary of Labor to operate the PUA and FPUC program in accordance to applicable law.[3] The CNMI Department of Labor is charged with the responsibility in administering the above-mentioned programs in the CNMI. The CNMI Department of Labor Administrative Hearing Office has been designated to preside over first level appeals of the aforesaid programs.

Upon review of the records, the appeal was timely filed. Accordingly, jurisdiction is established.

III. PROCEDURAL HISTORY & ISSUE

Appellant filed a claim for unemployment benefits under the PUA and FPUC programs. Upon review of Appellant's application and supporting documents, the Department issued and mailed its disqualifying determination on October 27, 2020. The Department's determination found that Appellant was not eligible to receive PUA effective July 04, 2020 to December 26, 2020. On November 05, 2020, Appellant filed a request to appeal the disqualifying determination. On December 09, 2020, the Department issued a Notice of Overpayment for previously received PUA and FPUC benefits of $4,885.22.

As stated in the Notice of Hearing, the issues on appeal are whether Appellant is eligible for PUA and whether an overpayment requiring the return of funds is necessary.

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[1] *See* Section 2102 of the CARES Act of 2020, Public Law 116-136.
[2] *See* Section 2104 of the CARES Act of 2020, Public Law 116-136.
[3] Pursuant to Section 2102(h) of the CARES Act of 2020 (Pub. L. 116-136) and 20 CFR § 625.2(r)(1)(ii), the CNMI Governor issued Executive Order No. 2020-09 declaring Hawaii Employment Security Law as the applicable state law in the CNMI. Hawaii state law applies, to the extent it does not conflict with applicable federal law and guidance.

IV. FINDINGS OF FACT

In consideration of the evidence provided and credibility of witness testimony, the undersigned issues the following findings of fact:

1. Prior to the pandemic, Appellant was employed as an Operations Support Manager for DFS Saipan Limited ("Employer"). Appellant worked for Employer from September 04, 1996 to June 30, 2020. Appellant worked 40 hours per week for the hourly rate of $31.24.[4]
2. Due to the impact of COVID-19 Pandemic, Appellant was placed on 15% reduction of base pay beginning April 27, 2020 through June 30, 2020.[5]
3. Appellant voluntarily resigned from her position effective June 30, 2020.[6]
4. Appellant departed the CNMI on October 26, 2020. Appellant relocated to Honolulu, Hawaii to live with family. As of the date of the Hearing, Appellant has not returned to the CNMI.
5. Appellant received a total of $4,885.22 in unemployment assistance. Specifically, Appellant received $2,400.00 in PUA benefits and $2,485.22 in FPUC benefits for the work weeks ending July 04, 2020 to August 22, 2020.
6. Appellant used all of this money for food, utilities, rent and transportation.
7. On October 27, 2020, the Department disqualified Appellant from receiving PUA benefits effective July 04, 2020 to December 26, 2020.[7] The Determination was based on Appellant voluntarily resigning from her job at Employer and therefore was considered not "able" and "available" to work.
8. On November 05, 2020, Appellant filed her appeal of the Department Determination.
9. On December 09, 2020, the Department issued a Notice of Overpayment for previously received PUA and FPUC benefits of $4,885.22.

V. CONCLUSIONS OF LAW

In consideration of the above-stated findings and applicable law, the undersigned issues the following conclusions of law:

1. Appellant's employment was affected as a direct result of COVID-19.

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[4] Exhibit 4.
[5] Exhibit 8.
[6] Exhibit 4.
[7] Exhibit 2.

Pursuant to Section 2102 of the CARES Act of 2020, Public Law 116-136, there are a number of requirements to meet the eligibility standard of PUA. First, the claimant cannot be qualified for regular unemployment, extended benefits under state or federal law, or pandemic emergency unemployment compensation (PEUC).[8] Second, the claimant must attest[9] that he or she is able and available for work, as defined by Hawaii law, except they are unemployed, partially unemployed, or unable to work or unavailable for work as a direct result[10] of a COVID-19 reason identified in Section 2102 (a)(3)(A)(ii)(I) of the CARES Act:

(a) The individual has been diagnosed with COVID-19 or is experiencing symptoms of COVID-19 and is seeking a medical diagnosis;
(b) A member of the individual's household has been diagnosed with COVID-19;
(c) The individual is providing care for a family member or a member of the individual's household who has been diagnosed with COVID-19;
(d) A child or other person in the household for which the individual has primary caregiving responsibility is unable to attend school or another facility that is closed as a direct result of the COVID-19 public health emergency and such school or facility care is required for the individual to work;
(e) The individual is unable to reach the place of employment because of a quarantine imposed as a direct result of the COVID-19 public health emergency;
(f) The individual is unable to reach the place of employment because the individual has been advised by a health care provider to quarantine due to concerns related to COVID-19;
(g) The individual was scheduled to commence employment and does not have a job or is unable to reach the job as a direct result of the COVID-19 public health emergency;
(h) The individual has become the breadwinner or major support for a household because the health of the household has died as a direct result of COVID-19;
(i) The individual has to quit his or her job as a direct result of COVID-19;
(j) The individual's place of employment is closed as a direct result of the COVID-19 public health emergency; or
(k) The individual is an independent contractor who is unemployed (total or partial) or is unable or unavailable to work because of the COVID-19 public health emergency has severely limited his or her ability to continue performing the customary job.

Generally, the CNMI was heavily impacted by the threat of COVID-19. Due to the threat of COVID-19 and pursuant to the Governor's Executive Orders, there were closures of government offices, restrictions on private businesses, and an overall reduction in revenue from the immediate

[8] This is not at issue in this case.
[9] The PUA program relies on self-certifications and self-reporting under penalty of perjury.
[10] Pursuant to 20 CFR § 625.5, unemployment is considered a "direct result" of the pandemic where the employment is an immediate result of the COVID-19 public health emergency itself, and not the result of a longer chain of events precipitated or exacerbated by the pandemic.

halt in tourism. On July 3, 2020 Appellant submitted a claim for PUA self-certifying that her place of employment was closed as a direct result of COVID-19.[11] The undersigned notes that Employer is a travel retailer of luxury products and that due to the pandemic and the halt in tourism, Employer closed its doors in July of 2020. Accordingly, the undersigned finds Appellant's place of employment was closed as a direct result of COVID-19.

2. Appellant was not available to work effective June 30, 2020.

Appellant worked as an Operations Support Manager for Employer from September 4, 1996 to June 30, 2020. As a result of the pandemic, Employer placed Appellant on 15% pay reduction beginning on April 27, 2020[12]. Moreover, according to Appellant, Employer offered employees an opportunity to avail of a Voluntary Separation Incentive Program[13]. Appellant stated that she then resigned from Employer on June 30, 2020.

Appellant argues that although she voluntarily resigned from Employer on June 30, 2020, she only did so to avail of the Voluntary Separation Incentive Program offered by Employer. Appellant testified that if she did not resign from Employer she would have been terminated. Therefore, according to Appellant, in-spite of her voluntary resignation on June 30, ,2020, she was able and available to work at Employer.

A claimant must be able to work and be available for work to be eligible for benefits. "An individual shall be deemed able and available for work...if the individual is able and available for suitable work during the customary work week of the individual's customary occupation which falls within the week for which a claim is filed."[14] "An individual shall be deemed ***able*** to work if the individual has the physical and mental ability to perform the usual duties of the individual's customary occupation or other work for which is the individual is reasonably fitted by training and experience."[15] "An individual shall be deemed ***available*** for work only if the individual is ready and willing to accept employment for which the individual is reasonably fitted by training and experience. The individual must intend and wish to work, and there must be no undue

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[11] Exhibit 1.
[12] Although Appellant's pay was reduced effective April 27, 2020, Appellant only applied for PUA benefits effective June 30, 2020.
[13] Appellant did not produce credible evidence that adequately described the Voluntary Separation Incentive Program.
[14] HAR § 12-5-35(a)
[15] HAR § 12-5-35(a)(1) (emphasis added).

restrictions either self-imposed or created by force of circumstances which prevent the individual from accepting employment."[16] If a claimant is not physically able or available for work, he or she may be disqualified for PUA, unless the reason he or she is unable or unavailable is directly related to a COVID-19 reason, such as illness and orders to quarantine.

Here, Appellant argues that she was ready and willing to continue working at Employer. The undersigned finds that Appellant was physically in the Commonwealth from June 30 to October 26. Accordingly, the Appellant was able to work at Employer from June 30 to October 26, 2020. However, Appellant was not able to work from October 27 to December 26, 2020 because he was no longer residing in the CNMI.

However, despite Appellant's physical presence in the CNMI from June 30, 2020 to October 26, 2020, the undersigned does not find that Appellant was available to work, due to her voluntary resignation from Employer. First, Appellant's Employer Certification and Separation Notice both explicitly state that Appellant voluntarily resigned, with no mention of a conditional voluntary separation program.[17] Second, Appellant self-certified on her on-line application that she resigned from her employ for personal reasons. Appellant's on-line statement about resigning for personal reasons was corroborated by PUA Program Supervisor Sharon Palacios who testified that Employer HR Manager Esther Ada confirmed that Appellant resigned for personal reasons. Finally, Appellant did not provide any credible evidence to prove that her resignation from Employer was anything but voluntary. Accordingly, the undersigned finds that Appellant voluntarily resigned from Employer and was therefore not available to work, effective June 30, 2020.

3. An overpayment occurred and Appellant is required to pay the amount back.

"Benefits shall be paid promptly in accordance with a determination, redetermination, or decision or appeal."[18] However, "[a]ny individual who has received any amount as benefits . . . to which the individual was not entitled shall be liable for the amount unless the overpayment was received without fault on the part of the recipient and its recovery would be against equity and

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[16] HAR § 12-5-35(a)(2) and (b) (emphasis added).
[17] DFS Saipan Limited Human Resources Manager Esther Ada did state, in a December 4, 2020 email to DOL, that Appellant opted for a Voluntary Separation Incentive Program at the beginning of the year. Nonetheless, according to Ada, Appellant continued to work at DFS Saipan Limited until June 30, 2020 at a 15% pay cut.
[18] HRS § 383-43.

good conscience."[19] Notably, PUA and FPUC overpayments are treated differently. The CNMI has no authority to waive repayment of PUA overpayments. In cases of FPUC overpayments, the CNMI may waive repayment if the payment was made without fault on the part of the individual and such repayment would be contrary to equity and good conscience.[20] Fault[21] is defined as:

> (A) A material statement made by the individual which the individual knew or should have known to be incorrect; or
> (B) Failure to furnish information which the individual knew or should have known to be material; or
> (C) Acceptance of a payment which the individual either knew or reasonably could have been expected to know was incorrect.

Based on federal guidance, "contrary to equity and good conscience" is tantamount to placing an individual below the poverty line and taking away basic necessities to live. In evaluating equity and good conscience,[22] the factors to consider include, but are not limited to:

> (A) Whether notice of a redetermination was given to the claimant, as required ...
> (B) Hardship to the claimant that the repayment may impose; and
> (C) The effect, if any, that the repayment will have upon the fulfillment of the objectives of the program.[23]

Considering that Appellant was not available for work, the $2,400 in PUA benefits and $2,485.22 in FPUC benefits received by Appellant is an overpayment.[24] The undersigned finds that the overpayment was not the fault of Appellant. Nonetheless, the undersigned finds that repayment by Appellant would not be contrary to equity and good conscience. Here, Appellant testified that her gross annual income is $60,000.00 and that her net monthly income is $3,000.00. She further testified that although her monthly rental expense was $2,500.00, she is amenable to a repayment plan of $100 per month. Accordingly, Appellant is not entitled to a waiver.

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[19] HRS § 383-44.
[20] Section 2104(f)(2) of the CARES Act of 2020, Public Law 116-136; *See* UIPL 16-20.
[21] HRS 12-5-83.
[22] *Id.*
[23] PUA benefits were designed to be a critical lifeline for qualifying individuals facing a financial crisis amidst a pandemic. PUA is not an excuse to refuse suitable work. PUA is not free or unencumbered money. Issues of fraud and overpayments are of great consequence that jeopardizes the integrity of the program and availability of funds for eligible or qualified individuals.
[24] *See* Notice of Overpayment, issued December 09, 2020.

VI. CONCLUSION

For the reasons stated above, it is ORDERED that:

1. The CNMI Department of Labor's Determination is **AFFIRMED**; and
2. The Appellant is **NOT ELIGIBLE** to receive PUA benefits for the period of July 04, 2020 to December 26, 2020.
3. The CNMI Department of Labor's Notice of Overpayment is **AFFIRMED**;
4. Appellant shall promptly submit to a repayment plan, with the Benefit Payment Control Unit. Appellant shall pay monthly installments of, at least, $100.00 by the first of each month, beginning March 01, 2021, until the entire overpayment is completely paid;
5. The CNMI Department of Labor Benefit Payment Control Unit shall notify the CNMI Department of Finance of this overpayment in federal funds. Where possible, BPC shall collect any of Appellant's tax rebates, tax refunds, stimulus checks, or other federal funds to satisfy this debt.

This Order constitutes a **FINAL AGENCY DECISION**. In the event a party aggrieved by this Order would like to dispute or contest this decision, said party may seek judicial review with the CNMI Superior Court under the local Administrative Procedures Act within 30 days of this Order. *See* 1 CMC § 9112.

So ordered this **11th** day of February, 2021.

/s/
JOEY P. SAN NICOLAS
Pro Tem Administrative Hearing Officer

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
DEPARTMENT OF LABOR
ADMINISTRATIVE HEARING OFFICE

In Re Matter of:	)	**PUA Case No. 20-0035**
Alben Luzama,	)	
Appellant,	)	**ADMINISTRATIVE ORDER**
v.	)	
CNMI Department of Labor, Division of Employment Services-PUA,	)	
Appellee.	)	

I. INTRODUCTION

This matter came before the undersigned for an Administrative Hearing on January 22, 2021 at 1:30 pm at the Administrative Hearing Office. Due to the ongoing COVID-19 public health emergency, the hearing was held online. Appellant Alben Luzama ("Appellant") was present and self-represented. Also present online with Appellant was Jenalyn Taman. Appellee CNMI Department of Labor Division of Employment Services – Pandemic Unemployment Assistance program ("Appellee" or "Department") was present and represented by PUA Program Supervisor Jake Maratita and PUA Coordinator Carol Hosono. There were no other witnesses who gave testimony at the hearing.

Exhibits:

1. Exhibit 1: Appellant's Initial Application.
2. Exhibit 2: Appellant's Application Snapshot
3. Exhibit 3: Determination dated November 17, 2020.
4. Exhibit 4: Request to File an Appeal dated November 10, 2020.
5. Exhibit 5: Separation Information dated October 15, 2020.

For the reasons stated below, the Department's Determination dated November 17, 2020 is **REVERSED**. Claimant is eligible for benefits for the period of April 19, 2020 to June 12, 2020 and for the period of September 08, 2020 to December 26, 2020.

II. JURISDICTION

On March 27, 2020, the Coronavirus Aid Relief and Economic Security ("CARES") Act of 2020 was signed into law creating new temporary federal programs for unemployment benefits called Pandemic Unemployment Assistance ("PUA")[1] and Federal Pandemic Unemployment Compensation ("FPUC").[2] On March 29, 2020, the CNMI Government executed an agreement with the US Secretary of Labor to operate the PUA and FPUC program in accordance to applicable law.[3] The CNMI Department of Labor is charged with the responsibility in administering the above-mentioned programs in the CNMI. The CNMI Department of Labor Administrative Hearing Office has been designated to preside over first level appeals of the aforesaid programs.

Upon review of the records, the appeal was timely filed. Accordingly, jurisdiction is established.

III. PROCEDURAL HISTORY & ISSUE

Appellant filed a claim for unemployment benefits under the PUA and FPUC programs. Upon review of Appellant's application and supporting documents, the Department issued and mailed its disqualifying determination on November 17, 2020. The Department's determination found that Appellant was not eligible to receive PUA effective April 19, 2020 to December 26, 2020. On November 10, 2020, Appellant filed a request to appeal the disqualifying determination. This matter came before the undersigned for an Administrative Hearing on December 10, 2020. During the hearing, Appellee made an oral motion to reverse the Department's determination. Based on Appellee's motion to reverse, the undersigned issued a tentative ruling on the record to reverse the Department's Determination.

Upon review of the evidence, the undersigned re-opened the record for a hearing on January 22, 2021 to hear additional testimony relative to whether Appellant had primary caregiving responsibility over a child who was unable to attend school due to COVID-19 and should

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[1] *See* Section 2102 of the CARES Act of 2020, Public Law 116-136.
[2] *See* Section 2104 of the CARES Act of 2020, Public Law 116-136.
[3] Pursuant to Section 2102(h) of the CARES Act of 2020 (Pub. L. 116-136) and 20 CFR § 625.2(r)(1)(ii), the CNMI Governor issued Executive Order No. 2020-09 declaring Hawaii Employment Security Law as the applicable state law in the CNMI. Hawaii state law applies, to the extent it does not conflict with applicable federal law and guidance.

Appellant be eligible to receive PUA benefits, then what dates is Appellant qualified to receive PUA benefits.

IV. FINDINGS OF FACT

In consideration of the evidence provided and credibility of witness testimony, the undersigned issues the following findings of fact:

1. Prior to the pandemic, Appellant was employed as a Delivery Driver for J.C. Tenorio Enterprises, Inc. ("Employer"). Appellant worked 40 hours per week for the hourly rate of $7.55.
2. Appellant had two children attending William S. Reyes Elementary School prior to the pandemic.
3. As a result of the pandemic, the CNMI Public School System, in March of 2020, closed all public schools and provided instruction through on-line distance education for the remainder of the school year. The last day of the school year was June 12, 2020.
4. Appellant's children did not attend summer school.
5. Appellant's children resumed distance education classes on September 8, 2020 until the present.
6. Appellant was the primary caregiver of his two children.
7. Appellant's girlfriend, Jenalyn Taman, who is the mother of Appellant's three children, continued working during the pandemic. There were no other care-givers able to watch the two children.
8. Appellant voluntarily resigned from his position at Employer on April 17, 2020 so that he could care his two children.
9. The Department issued and mailed on November 17, 2020, the Department Determination, disqualifying Appellant from receiving PUA benefits effective April 19, 2020 to December 26, 2020.[4] The Determination was based on Appellant voluntarily resigning from his job at Employer and therefore was considered not "able" and "available" to work.
10. On November 10, 2020, Appellant filed his appeal of the Departmental Determination.

[4] Exhibit 3.

11. On December 10, 2020, the undersigned heard this case and verbally issued a tentative ruling reversing the Department Determination.
12. Upon review of the evidence, the undersigned re-opened the record for a hearing on January 22, 2021.

V. CONCLUSIONS OF LAW

In consideration of the above-stated findings and applicable law, the undersigned issues the following conclusions of law:

1. Appellant's employment was affected as a direct result of COVID-19.

Pursuant to Section 2102 of the CARES Act of 2020, Public Law 116-136, there are a number of requirements to meet the eligibility standard of PUA. First, the claimant cannot be qualified for regular unemployment, extended benefits under state or federal law, or pandemic emergency unemployment compensation (PEUC).[5] Second, the claimant must attest[6] that he or she is able and available for work, as defined by Hawaii law, except they are unemployed, partially unemployed, or unable to work or unavailable for work as a direct result[7] of a COVID-19 reason identified in Section 2102 (a)(3)(A)(ii)(I) of the CARES Act:

(a) The individual has been diagnosed with COVID-19 or is experiencing symptoms of COVID-19 and is seeking a medical diagnosis;
(b) A member of the individual's household has been diagnosed with COVID-19;
(c) The individual is providing care for a family member or a member of the individual's household who has been diagnosed with COVID-19;
(d) A child or other person in the household for which the individual has primary caregiving responsibility is unable to attend school or another facility that is closed as a direct result of the COVID-19 public health emergency and such school or facility care is required for the individual to work;
(e) The individual is unable to reach the place of employment because of a quarantine imposed as a direct result of the COVID-19 public health emergency;
(f) The individual is unable to reach the place of employment because the individual has been advised by a health care provider to quarantine due to concerns related to COVID-19;
(g) The individual was scheduled to commence employment and does not have a job or is unable to reach the job as a direct result of the COVID-19 public health emergency;

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[5] This is not at issue in this case.
[6] The PUA program relies on self-certifications and self-reporting under penalty of perjury.
[7] Pursuant to 20 CFR § 625.5, unemployment is considered a "direct result" of the pandemic where the employment is an immediate result of the COVID-19 public health emergency itself, and not the result of a longer chain of events precipitated or exacerbated by the pandemic.

(h) The individual has become the breadwinner or major support for a household because the health of the household has died as a direct result of COVID-19;
(i) The individual has to quit his or her job as a direct result of COVID-19;
(j) The individual's place of employment is closed as a direct result of the COVID-19 public health emergency; or
(k) The individual is an independent contractor who is unemployed (total or partial) or is unable or unavailable to work because of the COVID-19 public health emergency has severely limited his or her ability to continue performing the customary job.

Based on the evidence and testimony provided, it is clear that Appellant's employment was affected as a direct result of COVID-19. First, prior to COVID-19, Appellant had two children whom he had primary caregiving responsibility enrolled at William S. Reyes Elementary School. Due to COVID-19, public schools in the Commonwealth were closed and students were required to stay home and attend online distance education classes, for the rest of the school year. Second, Appellant's girlfriend, and mother to the two children, was also employed prior and throughout the COVID-19 pandemic. Furthermore, there were no caregivers available to care for Appellant's two children. Therefore, on April 17, 2020, Appellant voluntarily resigned from Employer so that he could care for his children. Accordingly, the undersigned finds that children in the household for which Appellant has primary caregiving responsibility were unable to attend school as a direct result of the COVID-19 public health emergency and such school was required for Appellant to work.

2. Appellant is qualified to receive PUA for the dates his children were enrolled in school.

Based on the testimony and evidence presented, the undersigned finds that Appellant's children were enrolled in school and attended online distance education from March, 2020 until June 12, 2020. Appellant's children resumed school and continued to attend online distance education from September 08, 2020 to the present. Appellant's children were not enrolled in summer school. Accordingly, Appellant is only eligible for PUA for the period when his children were enrolled in school and taking online distance education classes. Conversely, Appellant is not eligible for the months his children were not enrolled in school.

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VI. CONCLUSION

For the reasons stated above, it is ORDERED that:

1. The CNMI Department of Labor's Determination is **REVERSED**; and
2. The Appellant is **ELIGIBLE** to receive PUA benefits for the periods of April 19, 2020 to June 12, 2020 and September 8, 2020 to December 26, 2020.

This Order constitutes a **FINAL AGENCY DECISION**. In the event a party aggrieved by this Order would like to dispute or contest this decision, said party may seek judicial review with the CNMI Superior Court under the local Administrative Procedures Act within 30 days of this Order. *See* 1 CMC § 9112.

So ordered this 11th day of February, 2021.

/s/
JOEY P. SAN NICOLAS
Pro Tem Administrative Hearing Officer

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
DEPARTMENT OF LABOR
ADMINISTRATIVE HEARING OFFICE

In Re the Matter of:	)	**Labor Case No. 20-037**
Eriberto B. Aninzo,	)	
Complainant,	)	**ORDER OF DISMISSAL**
v.	)	
Docomo Pacific, Inc.,	)	
Respondent.	)	

This matter came for an Administrative Hearing on February 11, 2021 at 9:00 a.m. at the Administrative Hearing Office. Due to the ongoing COVID-19 public health emergency and pursuant to Administrative Orders 20-03 and 20-04, the hearing was held online and telephonically. Complainant Eriberto B. Aninzo ("Complainant") was present telephonically and self-represented. Respondent Docomo Pacific, Inc. ("Respondent") was present online and represented by Attorney James Hofman. The Department's Enforcement, Compliance, and Monitoring Section ("Enforcement") was also present and represented by Labor Law Enforcement Specialist Arlene Rafanan.

Pursuant to 3 CMC § 4962, "[n]o labor complaint may be filed more than six months after the date of the last-occurring event that is the subject of the complaint, except in cases where the actionable conduct was not discoverable upon the last-occurring event." "If a complaint is not timely filed, the hearing office ***shall*** dismiss the complaint with prejudice." NMIAC § 80-20.1-465(e). Emphasis added. "The hearing officer may, after notice and an opportunity to be heard is provided to the parties, dismiss *sua sponte* a complaint that the hearing officer finds to be without merit." 3 CMC § 4947.

Based on the information provided, Complainant worked for Respondent as a Field Technician between July 3, 2013 and January 3, 2020. On October 15, 2020, Complainant filed a claim against Respondent for retaliation and wrongful termination. Upon review of the filings, the case was referred to Enforcement for further investigation in accordance with NMIAC § 80-

20.1-470. On January 14, 2021, Enforcement filed a written determination recommending dismissal pursuant to 3 CMC § 4962. The present hearing was scheduled to provide the parties notice and opportunity to respond as to whether this matter should be dismissed.

Upon review of the filings, Complainant is seeking claims arising from termination occurring on or around January 2020. Even using the latest possible date, i.e., the last date of employment, this labor complaint was filed more than six months the date of the last-occurring event. Based on Enforcement's investigation and the matters discussed during the Administrative Hearing, there are no claims occurring within the established six-month statute of limitations. Accordingly, pursuant to 3 CMC § 4962 and NMIAC § 80-20.1-465(e), this complaint is hereby **DISMISSED**, with prejudice.

Any person or party aggrieved by this Order may appeal by filing the Notice of Appeal form and filing fee with the Administrative Hearing Office within fifteen (15) days from the date of this Order.[1]

So ordered this **11th** day of February, 2021.

/s/
JACQUELINE A. NICOLAS
Administrative Hearing Officer

[1] The Notice of Appeal Form is available online at www.marianaslabor.net or hard copies are available at the Administrative Hearing Office. The aggrieved person or party must file the completed form at the Administrative Hearing Office, with the applicable filing fee.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
DEPARTMENT OF LABOR
ADMINISTRATIVE HEARING OFFICE

In Re Matter of: Elizabeth A. Berganio, Appellant, v. CNMI Department of Labor, Division of Employment Services-PUA, Appellee.	**PUA Case No. 20-0037** **ADMINISTRATIVE ORDER**

I. INTRODUCTION

This matter came before the undersigned for an Administrative Hearing on December 14, 2020 at 9:00 a.m. at the Administrative Hearing Office. Due to the ongoing COVID-19 public health emergency, the hearing was held telephonically. Appellant Elizabeth A. Berganio ("Appellant") was present and self-represented. Appellee CNMI Department of Labor Division of Employment Services – Pandemic Unemployment Assistance program ("Appellee" or "Department") was present and represented by PUA Coordinator Mario Kaipat and PUA Supervisor Jake Maratita. There were no other witnesses who provided testimony at the hearing. The following exhibits have been admitted onto the record:

Exhibit 1: Department Determination mail dated October 20, 2020;
Exhibit 2: PUA Appeal Form;
Exhibit 3: Appellant's Application Snapshot;
Exhibit 4: Furlough letter dated March 10, 2020;
Exhibit 5: A copy of Appellant's Employment Authorization Card and Passport;
Exhibit 6: SAVE Response Document submitted by Department; and
Exhibit 7: Notice of Hearing in Removal Proceedings

For the reasons stated below, the Department's Determination dated October 20, 2020 is **AFFIRMED**. Claimant is not eligible for benefits for the period of March 08, 2020 to December 26, 2020.

II. JURISDICTION

On March 27, 2020, the Coronavirus Aid Relief and Economic Security ("CARES") Act of 2020 was signed into law creating new temporary federal programs for unemployment benefits called Pandemic Unemployment Assistance ("PUA")[1] and Federal Pandemic Unemployment Compensation ("FPUC").[2] On March 29, 2020, the CNMI Government executed an agreement with the US Secretary of Labor to operate the PUA and FPUC program in accordance to applicable law.[3] The CNMI Department of Labor is charged with the responsibility in administering the above-mentioned programs in the CNMI. The CNMI Department of Labor Administrative Hearing Office has been designated to preside over first level appeals under PUA.

III. PROCEDURAL HISTORY & ISSUE

Appellant filed a claim for unemployment benefits under the PUA and FPUC programs. Upon review of Appellant's application and supporting documents, the Department issued its initial determination on October 20, 2020. The Department's determination found that Appellant was not a qualified alien. Appellant was denied benefits from March 08, 2020 to December 26, 2020.

Appellant filed the present appeal on November 18, 2020. The issues on appeal are whether the appeal is timely filed, whether Appellant is a qualified alien eligible for Pandemic Unemployment Assistance and whether there are any overpayments necessitating the return of PUA funds.

IV. FINDINGS OF FACT

In consideration of the evidence provided and credibility of witness testimony, the undersigned issues the following findings of fact:

1. Prior to the pandemic, Appellant was employed as a commercial cleaner for Kitz Corporation ("Employer") located in Susupe, Saipan. Appellant regularly worked 36 hours per week at an hourly rate of $7.25. Appellant was stationed at Hollywood Theaters located in San Jose, Saipan.

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[1] *See* Section 2102 of the CARES Act of 2020, Public Law 116-136.
[2] *See* Section 2104 of the CARES Act of 2020, Public Law 116-136.
[3] Pursuant to Section 2102(h) of the CARES Act of 2020 (Pub. L. 116-136) and 20 CFR § 625.2(r)(1)(ii), the CNMI Governor issued Executive Order No. 2020-09 declaring Hawaii Employment Security Law as the applicable state law in the CNMI. Hawaii Employment Security Law applies, to the extent it does not conflict with federal law.

2. Appellant applied for asylum on December 28, 2012. Appellant's application for asylum is still pending.
3. Appellant possesses an Employment Authorization Card[4] with the following credentials:
    a. USCIS #: 205-285-746;
    b. Category: C08;
    c. Card #: WAC1490008389; and
    d. Valid from July 09, 2014 to July 08, 2015.
4. The Employment Authorization Document Card is a work permit that allows noncitizens to work in the United States.
5. The Department entered Appellant's information into the Systematic Alien Verification for Entitlements (SAVE)[5] database maintained by US Department of Homeland Security, U.S. Citizenship and Immigration Services, Verification Division. This database is used to determine the immigration status of PUA applicants so only those entitled to benefits receive them.
6. The SAVE results indicate that Appellant is a non-national of the U.S. that has filed an application with USCIS for an extension, change or adjustment of status or to obtain employment authorization, but a decision has yet to be made. The applicant is not authorized to work in the U.S.
7. Appellant possesses a Notice of Hearing in Removal Proceedings[6] dated September 17, 2020, stating that her case is scheduled for a MASTER hearing before Immigration Court on February 12, 2021 at 9:00 a.m.

V. CONCLUSIONS OF LAW

In consideration of the above-stated findings and applicable law, the undersigned issues the following conclusions of law:

1. This appeal is timely filed.

Generally, an appeal should be filed within ten days after the Notice of Determination was issued or served to the claimant. However, the Department may extend the period to thirty days by a showing of good cause.[7] Good cause means: (1) illness or disability; (2) keeping an

[4] Exhibit 5.
[5] Exhibit 6.
[6] Exhibit 7.
[7] HI. Rev. Statute § 383-38(a).

appointment for a job interview; (3) attending a funeral of a family member; and (4) any other reason which would prevent a reasonable person from complying as directed.[8]

Here, Appellant received the disqualifying determination on October 20, 2020. The Appellant did not file her Appeal until November 18, 2020 – approximately 28 days after receiving the determination. Although the Appeal was filed beyond the ten-day deadline, the undersigned recognizes that this is due to the faulty instructions included on the determination. Specifically, the determination incorrectly indicated that the deadline was November 03, 2020 and that an Appellant can file to Guam Department of Labor. Despite the technical errors and inconsistent filing instructions, the undersigned finds that Appellant acted diligently to pursue this appeal. Based on above, there is good cause to extend the filing period to 30 days from the day Appellant received the determination. Accordingly, Appellant's filing is timely.

2. Appellant's employment was affected as a direct result of COVID-19.

Pursuant to Section 2102 of the CARES Act of 2020, Public Law 116-136, there are a number of requirements to meet the eligibility standard of PUA. First, the claimant cannot be qualified for regular unemployment, extended benefits under state or federal law, or pandemic emergency unemployment compensation (PEUC).[9] Second, the claimant must show that he or she is able and available for work, as defined by Hawaii law, except they are unemployed, partially unemployed, or unable to work or unable for work due to at least one of the following COVID-19 reason identified in Section 2102 (a)(3)(A)(ii)(I) of the CARES Act:

(a) The individual has been diagnosed with COVID-19 or is experiencing symptoms of COVID-19 and is seeking a medical diagnosis;

(b) A member of the individual's household has been diagnosed with COVID-19;

(c) The individual is providing care for a family member or a member of the individual's household who has been diagnosed with COVID-19;

(d) A child or other person in the household for which the individual has primary caregiving responsibility is unable to attend school or another facility that is closed as a direct result of the COVID-19 public health emergency and such school or facility care is required for the individual to work;

(e) The individual is unable to reach the place of employment because of a quarantine imposed as a direct result of the COVID-19 public health emergency;

[8] HAR § 12-5-81(j).
[9] This was not at issue in this matter.

(f) The individual is unable to reach the place of employment because the individual has been advised by a health care provider to quarantine due to concerns related to COVID-19;

(g) The individual was scheduled to commence employment and does not have a job or is unable to reach the job as a direct result of the COVID-19 public health emergency;

(h) The individual has become the breadwinner or major support for a household because the health of the household has died as a direct result of COVID-19;

(i) The individual has to quit his or her job as a direct result of COVID-19;

(j) The individual's place of employment is closed as a direct result of the COVID-19 public health emergency; or

(k) The individual is an independent contractor who is unemployed (total or partial) or is unable or unavailable to work because of the COVID-19 public health emergency has severely limited his or her ability to continue performing the customary job.

Based on the evidence and testimony provided, it is clear that Appellant's employment was affected as a direct result of COVID-19. Due to COVID-19, there was an immediate halt in tourism. The lack of tourism greatly impacted the revenue streams of businesses throughout the CNMI, including Employer. For those reasons, the employer had to close operations. Accordingly, Appellant's employment was directly affected by a COVID-19 reason.

3. Appellant was not able and available to work in the CNMI.

A claimant must be able to work and be available for work to be eligible for benefits. "An individual shall be deemed able and available for work...if the individual is able and available for suitable work during the customary work week of the individual's customary occupation which falls ***within the week for which a claim is filed.***"[10] "An individual shall be deemed ***able*** to work if the individual has the physical and mental ability to perform the usual duties of the individual's customary occupation or other work for which is the individual is reasonably fitted by training and experience."[11] "An individual shall be deemed ***available*** for work only if the individual is ready and willing to accept employment for which the individual is reasonably fitted by training and experience. The individual must intend and wish to work, and there must be no undue restrictions either self-imposed or created by force of circumstances which prevent the individual

[10] HAR § 12-5-35(a) (emphasis added).
[11] HAR § 12-5-35(a)(1) (emphasis added).

from accepting employment."[12] For qualified aliens, the inquiry of whether an individual is "able and available" also hinges on whether they are authorized to work during the weeks claimed.

The Department conducted a SAVE Verification in October that showed that Appellant was not authorized to work. The Employment Authorization Card submitted by Appellant also showed that her employment authorization was valid from July 09, 2014 to July 08, 2015. Appellant produced no evidence that proves Appellant was authorized to work in the CNMI for the weeks claimed. Therefore, because Appellant was not authorized to work in the CNMI for the period claimed, Appellant is not able and available to work.

4. Appellant is not a qualified alien eligible for PUA.

PUA and FPUC are federal public benefits as defined by 8 USC §1611(c). As a condition of eligibility for any federal public benefit, the claimant must be a "qualified alien" at the time relevant to the claim. 8 USC §1611(a). Pursuant to 8 USC §1641, the term "qualified alien" is:

1. An alien admitted for permanent residence under the Immigration and Nationality Act (INA);
2. An alien granted asylum under § 208 of the INA;
3. A refugee admitted to the US under § 207 of the INA;
4. An alien paroled into the US under § 212(d)(5) of the INA for at least one year;
5. An alien whose deportation is being withheld under § 243(h) of the INA ... or whose removal is being withheld under § 241 (b)(3) of the INA;
6. An alien granted conditional entry pursuant to § 203 (a)(7) of the INA;
7. An alien who is a Cuban or Haitian entrant as defined in § 501(e) of the Refugee Education Assistance Act of 1980; or
8. An alien who (or whose child or parent) has been battered or subject to extreme cruelty in the U.S. and otherwise satisfies the requirements of § 431(c) of the Act.

Appellant argues that she is a qualified alien because 1) she is an alien granted asylum and 2) she is an alien whose deportation is being withheld.

Appellant's arguments fail for the following reasons. First, although Appellant may have submitted an application for asylum, the application has not been approved. Second, although Appellant has an upcoming removal proceeding in Immigration Court, that alone does not establish that Appellant is an alien whose deportation is being withheld under 243(h) or whose

[12] HAR § 12-5-35(a)(2) and (b) (emphasis added).

removal is being withheld under 241(b)(3) of the INA. Accordingly, Appellant was not a qualified alien at the time of the weeks claimed.

VI. ORDER

For the reasons stated above, it is ORDERED that:

1. The CNMI Department of Labor's Determination is **AFFIRMED**; and
2. The Appellant is **NOT ELIGIBLE** to receive PUA benefits for the period of March 15, 2020 to December 26, 2020.

If a party is aggrieved by this Order and would like to contest the decision, he or she must submit a written request to reopen the decision pursuant to Hawaii Admin. Rule § 12-5.93. The written request should be supported by legal, factual, or evidentiary reasons to reopen the decision. The written request must be submitted to the Administrative Hearing Office, either in person at 1357 Mednilla Avenue, Capitol Hill Saipan MP 96950) or via email at hearing@dol.gov.mp.

In the event a request to reopen the decision is granted, the matter shall be scheduled for a subsequent hearing. In the event a request to reopen the decision is denied, or if the Appellant still disagrees with a subsequent decision, the Appellant may seek judicial review with the CNMI Superior Court under the local Administrative Procedures Act. *See* 1 CMC § 9112. All forms, filings fees, and filing deadlines for judicial review will be as established by the applicable law and court rule.

So ordered this **11th** day of February, 2021.

/s/
JOEY P. SAN NICOLAS
Administrative Hearing Officer

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
DEPARTMENT OF LABOR
ADMINISTRATIVE HEARING OFFICE

In Re Matter of:	PUA Case No. 20-0039
Daisuke Ito,	
Appellant,	ADMINISTRATIVE ORDER
v.	
CNMI Department of Labor, Division of Employment Services-PUA,	
Appellee.	

I. INTRODUCTION

This matter came before the undersigned for an Administrative Hearing on January 27, 2021 at 9:00 a.m. at the Administrative Hearing Office. Due to the ongoing COVID-19 public health emergency, the hearing was held telephonically. Appellant Daisuke Ito ("Appellant") was present and self-represented. Appellee CNMI Department of Labor Division of Employment Services – Pandemic Unemployment Assistance program ("Appellee" or "Department") was present and represented by PUA Coordinator Colleen Diaz and Labor Certification Worker Dennis Cabrera. Interpreter Hiroko Tajima facilitated communications. There were no other witnesses who gave testimony at the hearing.

1. Exhibit 1: Appellant's Application Snapshot;
2. Exhibit 2: Determination (mail date November 3, 2020);
3. Exhibit 3: Request to File an Appeal (filed November 23, 2020);
4. Exhibit 4: Notice of Hearing (issued November 24, 2020 and December 23, 2020);
5. Exhibit 5: Fiesta Certificate of Employment (dated October 14, 2020);
6. Exhibit 6: Copy of Appellant's various Emails; and
7. Exhibit 7: Copy of Appellant's Permanent Resident Card (expires April 1, 2028).

For the reasons stated below, the Department's Determination dated November 3, 2020 is **AFFIRMED**. Claimant is not eligible for benefits for the period of February 2, 2020 to December 26, 2020.

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II. JURISDICTION

On March 27, 2020, the Coronavirus Aid Relief and Economic Security ("CARES") Act of 2020 was signed into law creating new temporary federal programs for unemployment benefits called Pandemic Unemployment Assistance ("PUA")[1] and Federal Pandemic Unemployment Compensation ("FPUC").[2] On March 29, 2020, the CNMI Government executed an agreement with the US Secretary of Labor to operate the PUA and FPUC program in accordance to applicable law.[3] The CNMI Department of Labor is charged with the responsibility in administering the above-mentioned programs in the CNMI. The CNMI Department of Labor Administrative Hearing Office has been designated to preside over appeals of agency decisions.

Upon review of the records, the appeal was timely filed. Accordingly, jurisdiction is established.

III. PROCEDURAL HISTORY & ISSUES

Appellant filed a claim for unemployment benefits under the PUA and FPUC programs. Upon review of Appellant's application and supporting documents, the Department issued its disqualifying determination with the mail date of November 3, 2020. The Department's determination found that Appellant was not eligible for PUA benefits because the unemployment was not a direct result of a COVID-19 qualifying reason. As stated in the Notice of Hearing issued September 24, 2020, the issues on appeal are: (1) whether the appeal is timely filed; (2) whether Appellant is eligible for PUA; and (3) whether an overpayment occurred and funds should be returned.

IV. FINDINGS OF FACT

In consideration of the evidence provided and credibility of witness testimony, the undersigned issues the following findings of fact:

1. Appellant did not have a recent attachment to the CNMI work force prior to the pandemic. Appellant did not work in the year 2020 or 2019. Specifically, Appellant has not been employed since November 30, 2018.[4]

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[1] *See* Section 2102 of the CARES Act of 2020, Public Law 116-136.
[2] *See* Section 2104 of the CARES Act of 2020, Public Law 116-136.
[3] Pursuant to Section 2102(h) of the CARES Act of 2020 (Pub. L. 116-136) and 20 CFR § 625.2(r)(1)(ii), the CNMI Governor issued Executive Order No. 2020-09 declaring Hawaii Employment Security Law as the applicable state law in the CNMI. Hawaii state law applies, to the extent it does not conflict with applicable federal law and guidance.
[4] Exhibit 1.

2. Appellant last worked as a Front Office Manager for Fiesta Resort & Spa Saipan ("Employer") from August 4, 2001 to November 30, 2018.[5] Appellant resigned from Employer because he wanted to find other employment.
3. Appellant was looking for working and applied for positions with various hotels since 2019. Appellant was never offered a job from those applications. Appellant was never scheduled to start employment in 2020.
4. Appellant cares for ten year old child and twenty year old daughter.
5. On June 18, 2020, Appellant filed an application to claim PUA and FPUC benefits.[6] In the application, Appellant certified under penalty of perjury that his employment was affected as a direct result of COVID-19 because he is the primary caregiver of someone in his household who is unable to attend school or other facility that is closed as a direct result of the COVID-19 public health emergency.
6. On November 3, 2020, the Department disqualified Appellant from receiving PUA benefits.[7] The Determination found that the Appellant's unemployment predated the Pandemic Assistance Period and was not the direct result of a COVID-19 qualifying reason.
7. On November 23, 2020, Appellant filed the present Appeal.[8] In support of the Appeal, Appellant filed a number of identifying documents unrelated to his COVID-19 reason to qualify for PUA.

V. CONCLUSIONS OF LAW

In consideration of the above-stated findings and applicable law, the undersigned issues the following conclusions of law:

1. **For good cause shown, the filing appeal shall be extended to thirty days. Appellant's appeal is timely.**

Generally, an appeal should be filed within ten days after the Notice of Determination was issued or served to the claimant. However, the undersigned may extend the period to thirty days by a showing of good cause.[9] Good cause means: (1) illness or disability; (2) keeping an

[5] Exhibit 5.
[6] Exhibit 1.
[7] Exhibit 2
[8] Exhibit 3.
[9] HI. Rev. Statute § 383-38(a).

appointment for a job interview; (3) attending a funeral of a family member; and (4) any other reason which would prevent a reasonable person from complying as directed.[10]

Here, Appellant received the disqualifying determination on November 3, 2020. The Determination stated that an appeal must be received or postmarked by November 17, 2020. The Determination did not include the correct instructions to file an appeal, but the Department issued a Press Release with the correct instructions on and maintains those instructions with the online form on the Department's website. Additionally, the Benefit Rights Handbook, which the Appellant certifies and acknowledges in the online application, includes the instructions to file an appeal. Appellant submitted his application via email on Friday, November 20, 2020 at 6:00pm. Since the Administrative Hearing Office was closed until the following Monday, the appeal was stamped received on the following business day, November 23, 2020.

In consideration of the technical errors and inconsistent filing instructions, the Department did not contest the issue of timeliness and an extension for good cause. Accordingly, the undersigned finds good cause to extend the filing period to 30 days from the day Appellant received notice. Here, Appellant filed her appeal on November 23, 2020, within the thirty (30) day extended timeline. Accordingly, Appellant's filing is timely.

2. Appellant's employment was not affected as a direct result of COVID-19.

Pursuant to Section 2102 of the CARES Act of 2020, Public Law 116-136, there are a number of requirements to meet the eligibility standard of PUA. First, the claimant cannot be qualified for regular unemployment, extended benefits under state or federal law, or pandemic emergency unemployment compensation (PEUC).[11] Second, the claimant must attest[12] that he or she is able and available for work, as defined by Hawaii law, except they are unemployed, partially unemployed, or unable to work or unavailable for work as a direct result[13] of a COVID-19 reason identified in Section 2102 (a)(3)(A)(ii)(I) of the CARES Act:

(a) The individual has been diagnosed with COVID-19 or is experiencing symptoms of COVID-19 and is seeking a medical diagnosis;
(b) A member of the individual's household has been diagnosed with COVID-19;
(c) The individual is providing care for a family member or a member of the individual's household who has been diagnosed with COVID-19;

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[10] HAR § 12-5-81(j).
[11] This is not at issue in this case.
[12] The PUA program relies on self-certifications and self-reporting under penalty of perjury.
[13] Pursuant to 20 CFR § 625.5, unemployment is considered a "direct result" of the pandemic where the employment is an immediate result of the COVID-19 public health emergency itself, and not the result of a longer chain of events precipitated or exacerbated by the pandemic.

(d) A child or other person in the household for which the individual has primary caregiving responsibility is unable to attend school or another facility that is closed as a direct result of the COVID-19 public health emergency and such school or facility care is required for the individual to work;
(e) The individual is unable to reach the place of employment because of a quarantine imposed as a direct result of the COVID-19 public health emergency;
(f) The individual is unable to reach the place of employment because the individual has been advised by a health care provider to quarantine due to concerns related to COVID-19;
(g) The individual was scheduled to commence employment and does not have a job or is unable to reach the job as a direct result of the COVID-19 public health emergency;
(h) The individual has become the breadwinner or major support for a household because the health of the household has died as a direct result of COVID-19;
(i) The individual has to quit his or her job as a direct result of COVID-19;
(j) The individual's place of employment is closed as a direct result of the COVID-19 public health emergency; or
(k) The individual is an independent contractor who is unemployed (total or partial) or is unable or unavailable to work because of the COVID-19 public health emergency has severely limited his or her ability to continue performing the customary job.

Here, Appellant submitted a claim for PUA self-certifying under penalty of perjury that his employment was affected as a direct result of COVID-19 because he is the primary caregiver of someone in his household who is unable to attend school or other facility that is closed as a direct result of the COVID-19 public health emergency. On October 5, 2020, the Department requested Appellant submit more information on how his employment was interrupted in relation to the COVID-19 public health emergency. Appellant was given under October 15, 2020 to submit the necessary information. Appellant submitted a Certificate of Employment from Fiesta dated October 14, 2020. The Certificate of Employment indicated that Appellant was a Front Office Manager for Employer from August 4, 2001 to November 30, 2018. Appellant worked as a Front Office Manager at Fiesta Resort & Spa from August 4, 2001 to November 30, 2018. Unrelated and prior to the COVID-19 public health emergency, Appellant quit or resigned from his employment in order to pursue other opportunities. Appellant has been looking for other work since 2019 and interviewed with certain positions. In 2019, Appellant declined a position in housekeeping because he wanted a front desk position. Once the pandemic started, there was minimal work available. Moreover, Appellant discontinued looking for work to care for his ten-year-old son and 20 year old daughter. As further discussed below, Appellant's employment was not affected as a direct result of a COVID-19 reasons.

First, Appellant did not have recent attachment to the workforce. Based on the qualifying COVID-19 reasons listed above, Appellant's employment cannot be affected as a direct result of

a COVID-19 reason when he was not employed or given a bona fide job offer during the pandemic assistance period. In other words, a person's unemployment cannot logically be the direct result of a COVID-19 qualifying reason if the unemployment predates the pandemic assistance period.

Second, when questioned under oath as to each of the qualifying COVID-19 reasons, Appellant responded in the negative. Moreover, Appellant does not fit within the Covid-19 qualifying reason as stated in his PUA application. There, Appellant certified that he is the primary caregiver for a child or other person in the household who is unable to attend school or other facility that is closed as a direct result of the COVID-19 public health emergency and such school or facility care is required for the individual to work. Appellant does not satisfy the necessary elements in this qualifying reason for a number of reasons: (1) Appellant's was not working; (2) Appellant's caregiving responsibilities did not change since he has been caring for his 10-year-old son since being unemployed in 2018; and (3) caring for a 20 year old daughter does not satisfy this criteria because the level of care is not constant or pervasive enough to prevent someone from working. Notably, being prevented from submitting applications in order to care for a child or the fact that businesses and employers are not hiring is not a qualifying COVID-19 reason.

Based on the evidence and testimony provided, Appellant's employment was not affected as a direct result of COVID-19. Accordingly, Appellant is not eligible to receive PUA benefits.

VI. CONCLUSION

For the reasons stated above, it is ORDERED that:

1. The CNMI Department of Labor's Determination is **AFFIRMED**; and
2. The Appellant is **NOT ELIGIBLE** to receive PUA benefits for the period of February 2, 2020 to December 26, 2020.

If a party is aggrieved by this Order and would like to contest the decision, he or she must submit a written request to reopen the decision pursuant to Hawaii Admin. Rule § 12-5.93. The written request should be supported by legal, factual, or evidentiary reasons to reopen the decision. The written request must be submitted to the Administrative Hearing Office, either in person at 1357 Mednilla Avenue, Capitol Hill Saipan MP 96950) or via email at hearing@dol.gov.mp.

In the event a request to reopen the decision is granted, the matter shall be scheduled for a subsequent hearing. In the event a request to reopen the decision is denied, or if the Appellant still disagrees with a subsequent decision, the Appellant may seek judicial review with the CNMI

Superior Court under the local Administrative Procedures Act. *See* 1 CMC § 9112. All forms, filings fees, and filing deadlines for judicial review will be as established by the applicable law and court rule.

So ordered this **29th** day of January, 2021.

/s/
JACQUELINE A. NICOLAS
Administrative Hearing Officer

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
DEPARTMENT OF LABOR
ADMINISTRATIVE HEARING OFFICE

In Re Matter of:	)	**PUA Case No. 21-0045**
Amalia A. Guanlao,	)	
Appellant,	)	**ADMINISTRATIVE ORDER**
v.	)	
CNMI Department of Labor, Division of Employment Services-PUA,	)	
Appellee.	)	

I. INTRODUCTION

This matter came before the undersigned for an Administrative Hearing on February 16, 2021 at 9:00 a.m. at the Administrative Hearing Office. Due to the ongoing COVID-19 public health emergency, the hearing was held telephonically. Appellant Amalia A. Guanlao ("Appellant") was present and self-represented. Appellee CNMI Department of Labor Division of Employment Services – Pandemic Unemployment Assistance program ("Appellee" or "Department") was present and represented by PUA Coordinator Rikki Camacho and Labor Certification Worker Dennis Cabrera. There were no other witnesses who gave testimony at the hearing.

1. Exhibit 1: Appellant's Application Snapshot;
2. Exhibit 2: Determination (mail date December 28, 2020);
3. Exhibit 3: Determination (mail date February 5, 2021);
4. Exhibit 4: Notice of Overpayment (mail date February 9, 2021);
5. Exhibit 5: Request to File an Appeal and Letter (filed January 6, 2021);
6. Exhibit 6: Notice of Hearing (issued January 6, 2021);
7. Exhibit 7: Employer Memo (dated March 30, 2020);
8. Exhibit 8: 1-797 Notice of Action (Notice Date of August 14, 2020);
9. Exhibit 9: 1-797 Notice of Action (Notice Date of September 21, 2020);
10. Exhibit 10: (4) Employment Authorization Documents;
11. Exhibit 11: Save Results (Initiated 1/27/21); and
12. Exhibit 12: Check Stubs from 3/2/20-12/6/20.

For the reasons stated below, the Department's Determination dated February 5, 2021 is **AFFIRMED**. Appellant is not eligible for benefits for the period of February 2, 2020 to December 26, 2020. Moreover, because the Appellant is not eligible, Appellant was overpaid Claimant is overpaid in the amount of $12,128.36.

II. JURISDICTION

On March 27, 2020, the Coronavirus Aid Relief and Economic Security ("CARES") Act of 2020 was signed into law creating new temporary federal programs for unemployment benefits called Pandemic Unemployment Assistance ("PUA")[1] and Federal Pandemic Unemployment Compensation ("FPUC").[2] On March 29, 2020, the CNMI Government executed an agreement with the US Secretary of Labor to operate the PUA and FPUC program in accordance to applicable law.[3] The CNMI Department of Labor is charged with the responsibility in administering the above-mentioned programs in the CNMI. The CNMI Department of Labor Administrative Hearing Office has been designated to preside over appeals of agency decisions.

Upon review of the records, the appeal was timely filed. Accordingly, jurisdiction is established.

III. PROCEDURAL HISTORY & ISSUES

On December 24, 2020, Appellant filed a claim for unemployment benefits under the PUA and FPUC programs. On December 28, 2020, the Department issued a determination finding Appellant monetarily eligible to receive PUA. Appellant mistakenly filed an appeal for this determination. Following the Appeal, the Department issued a Disqualifying Determination on February 5, 2021 and a Notice of Overpayment on February 9, 2021. The Disqualifying Determination found that Appellant was not a U.S. Citizen, Non-Citizen National, or Qualified Alien eligible to receive PUA. As stated in the Notice of Hearing issued, the issues on appeal are: (1) whether Appellant is eligible for PUA; and (2) whether an overpayment occurred and funds should be returned.

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[1] *See* Section 2102 of the CARES Act of 2020, Public Law 116-136.
[2] *See* Section 2104 of the CARES Act of 2020, Public Law 116-136.
[3] Pursuant to Section 2102(h) of the CARES Act of 2020 (Pub. L. 116-136) and 20 CFR § 625.2(r)(1)(ii), the CNMI Governor issued Executive Order No. 2020-09 declaring Hawaii Employment Security Law as the applicable state law in the CNMI. Hawaii state law applies, to the extent it does not conflict with applicable federal law and guidance.

IV. FINDINGS OF FACT

In consideration of the evidence provided and credibility of witness testimony, the undersigned issues the following findings of fact:

1. Prior to the pandemic, Appellant was employed at an accountant for Ocean Bee (Employer #1). Appellant worked for Employer #1 from February or March 2019 to March 2020. Appellant worked approximately 80 hours biweekly, at a rate of $12.86 per hour. On or around March of 2020, Employer #1 shut down and Appellant was transferred to work as an accountant at the same rate for a sister company, Yantze Corporation ("Employer #2). At Employer #2, Appellant worked reduced hours since March 2, 2020.[4]
2. A notice of the reduction of hours was provided and effective as of March 30, 2020.[5] The notice indicates the reduction in hours is based on precautionary healthcare measures, such as social distancing. Employer # 2 did not shut down until on or around December of 2020. Appellant worked reduced hours, ranging from 55 to 70 hours per pay period from March 2, 2020 to December 6, 2020.[6]
3. On December 24, 2020, Appellant filed an online application to claim PUA and FPUC benefits dating back to March 2, 2020.[7] In the application, Appellant self-certified under penalty of perjury that her employment was affected as a direct result of COVID-19 due to a COVID-19 reason that was not listed in the application. When asked to clarify this reason, Appellant testified it was because she was placed on reduced hours. Appellant further testified that she did not meet any of the qualifying reasons listed under the CARES Act.
4. Appellant's last day of employment with Employer #2 was February 8, 2021. Appellant does not know whether she is terminated or furloughed because she has not received the notice from her employer yet. When asked about the reason for separation from employment, Appellant indicated that Employer #2 asked her to stop working because the company no longer has enough money to pay her salary. As of the date of this hearing, Appellant indicated Employer #2 is still open and some employees, such as her boss, are still working.

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[4] Exhibit 12.
[5] Exhibit 7.
[6] Exhibit 12.
[7] Exhibit 1.

5. On December 28, 2020, the Department issued a determination finding Appellant was monetarily eligible.[8] The determination stated that Appellant was financially eligible because her partial earnings from Employer # 2 did not exceed the Weekly Benefit Amount ("WBA"). This determination was limited to her monetary eligibility and indicated that Appellant "must meet all other eligibility requirements of the law in order to receive payment."[9]
6. On January 6, 2021, Appellant appealed the monetary determination. However, during the Administrative Hearing, Appellant clarified there was nothing in this determination that she disagreed with—rather, she disagreed with the later issued determination and notice of overpayment.
7. On February 5, 2021, the Department disqualified Appellant from receiving PUA benefits.[10] The Determination found that Appellant was not a U.S. Citizen, Non-Citizen National, or Qualified Alien.
    a. Appellant believes she is a qualified alien because she has lived and worked in the CNMI for a substantial number of years. However, Appellant is not aware of her immigration status and has no other documents to substantiate her qualified alien status.
    b. Based on her testimony, is not a permanent resident, alien granted asylum, refugee, alien paroled into the U.S. for at least one consecutive year during the pandemic assistance period, an alien pending deportation or removal, an alien granted conditional entry, a Cuban or Haitian entrant, or an alien battered or subject to extreme cruelty.
    c. Appellant was granted employment authorization with the Category C18.[11] Appellant has Employment Authorization Document ("EAD")[12] cards[13] valid for the following periods:
        i. December 23, 2016 to December 22, 2017;
        ii. February 13, 2018 to February 12, 2019;

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[8] Exhibit 2.
[9] *Id.*
[10] Exhibit 3
[11] C18 refers to the EAD Code used for aliens whose employment is authorized based on a final order of deportation or order of supervision.
[12] An EAD is a work permit that allows noncitizens to work in the United States.
[13] Exhibit 10.

iii. July 26, 2019 to July 25, 2020; and

iv. September 21, 2020 to September 20, 2021.

d. To account for the gap between her third and fourth EAD card (i.e., July 25, 2020 to September 21, 2020), Appellant indicated she applied to renew her C18 EAD on July 9, 2020 and it was approved on September 21, 2020.[14]

e. On or around January 27, 2021, the Department entered Appellant's information into the Systematic Alien Verification for Entitlements ("SAVE") database maintained by USCIS, Verification Division. This database is used to determine the alien status of PUA applicants so only those entitled to benefits receive them. The SAVE results indicate that Appellant has no status and released on an Order of Supervision with temporary employment authorized under category C18.

8. On February 9, 2021, the Department personally served Appellant with a Notice of Overpayment.[15] The Notice of Overpayment indicates that Appellant was overpaid in the total amount of $12,128.36 for the weeks ending March 7, 2020 to November 28, 2020. Of this total amount $9,180 is attributable to FPUC and $2,948.36 is attributable to PUA.

9. Appellant confirmed that she received the total sum of $12,128.36 by direct deposit on January 7, 2021. Appellant does not dispute the amounts or the fact that she received the money. Appellant indicated she spent approximately $4,000 of the total amount given to her and has approximately $8,000 of the funds in her account.

10. Appellant indicated that the $4,000 she spent was used to catch up on rental payments, household bills for water, power, and telephone/internet, groceries, and school tuition. Appellant indicated her basic monthly expenses range from $1,200 to $1,500 but her household income in approximately $1,000 to $1,200. Appellant indicated that her husband is still working and able to utilize his salary towards their basic needs. Appellant stated that, if found ineligible, she is willing to return the $8,000 in her possession and enter a repayment plan of approximately $100 per month.

11. The Department indicated that the overpayment was a result of a technical glitch that was not the fault of the Appellant. The Department further indicated that it would not contest a waiver of the amount she spent if she were to repay the remaining amount she has in her possession.

[14] Exhibit 9; *see also* Exhibit 8.
[15] Exhibit 4.

V. CONCLUSIONS OF LAW

In consideration of the above-stated findings and applicable law, the undersigned issues the following conclusions of law:

1. Appellant's employment was not affected as a direct result of COVID-19.

Pursuant to Section 2102 of the CARES Act of 2020, Public Law 116-136, there are a number of requirements to meet the eligibility standard of PUA. First, the claimant cannot be qualified for regular unemployment, extended benefits under state or federal law, or pandemic emergency unemployment compensation (PEUC).[16] Second, the claimant must attest[17] that he or she is able and available for work, as defined by Hawaii law, except they are unemployed, partially unemployed, or unable to work or unavailable for work as a direct result[18] of a COVID-19 reason identified in Section 2102 (a)(3)(A)(ii)(I) of the CARES Act:

(a) The individual has been diagnosed with COVID-19 or is experiencing symptoms of COVID-19 and is seeking a medical diagnosis;
(b) A member of the individual's household has been diagnosed with COVID-19;
(c) The individual is providing care for a family member or a member of the individual's household who has been diagnosed with COVID-19;
(d) A child or other person in the household for which the individual has primary caregiving responsibility is unable to attend school or another facility that is closed as a direct result of the COVID-19 public health emergency and such school or facility care is required for the individual to work;
(e) The individual is unable to reach the place of employment because of a quarantine imposed as a direct result of the COVID-19 public health emergency;
(f) The individual is unable to reach the place of employment because the individual has been advised by a health care provider to quarantine due to concerns related to COVID-19;
(g) The individual was scheduled to commence employment and does not have a job or is unable to reach the job as a direct result of the COVID-19 public health emergency;
(h) The individual has become the breadwinner or major support for a household because the health of the household has died as a direct result of COVID-19;
(i) The individual has to quit his or her job as a direct result of COVID-19;
(j) The individual's place of employment is closed as a direct result of the COVID-19 public health emergency; or
(k) The individual is an independent contractor who is unemployed (total or partial) or is unable or unavailable to work because of the COVID-19 public health emergency has severely limited his or her ability to continue performing the customary job.

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[16] This is not at issue in this case. Appellant testified that she did not receive any other benefits from any other state or federal program.
[17] The PUA program relies on self-certifications and self-reporting under penalty of perjury.
[18] Pursuant to 20 CFR § 625.5, unemployment is considered a "direct result" of the pandemic where the employment is an immediate result of the COVID-19 public health emergency itself, and not the result of a longer chain of events precipitated or exacerbated by the pandemic.

Here, Appellant submitted a claim for PUA self-certifying under penalty of perjury that her employment was affected as a direct result of COVID-19 for a reason not listed above. When asked to clarify what her reason was, Appellant indicated it was due to the reduction in hours.

For the reasons stated below, the undersigned finds that Appellant's employment was not affected as a direct result of a COVID-19 reason under the CARES Act. First, when questioned with respect to each COVID-19 qualifying reason, Appellant responded in the negative. When further questioned regarding reason (d), Appellant indicated that her minor child was participating in online school but her husband was available to care for him while she was at work. When further questioned regarding reason (j), Appellant indicated that the employer did not close entirely. As illustrated under UIPL 16-20, change 1, a claimant does not qualify under (j) if the business is partially open.

Based on the evidence and testimony provided, Appellant's employment was not affected as a direct result of COVID-19. Accordingly, Appellant is not eligible to receive PUA benefits.

2. Appellant was overpaid and entitled to a partial waiver.

"Benefits shall be paid promptly in accordance with a determination, redetermination, or decision or appeal."[19] However, "[a]ny individual who has received any amount as benefits . . . to which the individual was not entitled shall be liable for the amount unless the overpayment was received without fault on the part of the recipient and its recovery would be against equity and good conscience."[20] Fault[21] is defined as:

> (A) A material statement made by the individual which the individual knew or should have known to be incorrect; or
> (B) Failure to furnish information which the individual knew or should have known to be material; or
> (C) Acceptance of a payment which the individual either knew or reasonably could have been expected to know was incorrect.

Based on federal guidance, "contrary to equity and good conscience" is tantamount to placing an individual below the poverty line and taking away basic necessities to live. In evaluating equity and good conscience,[22] the factors to consider include, but are not limited to:

> (A) Whether notice of a redetermination was given to the claimant, as required ...
> (B) Hardship to the claimant that the repayment may impose; and

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[19] HRS § 383-43.
[20] HRS § 383-44.
[21] HRS 12-5-83.
[22] *Id.*

(C) The effect, if any, that the repayment will have upon the fulfillment of the objectives of the program.[23]

Considering that Appellant's employment was not affected as a direct result of a qualifying COVID-19 reason and there is insufficient documentation to substantiate Appellant's qualified alien status, Appellant should not have been paid benefits under PUA or FPUC. Moreover, considering that Appellant does not contest the amount listed in the Notice of Overpayment and confirmed receiving the total sum of $12,128.36—it is clear that the overpayment occurred.

However, in this case, the Department testified that the overpayment occurred due to a technical glitch in the online portal –through no fault of the Appellant. Upon review of her initial application, the undersigned notes that she did clearly stated that her COVID-19 qualifying reason was "other" and that she did not lie under the "self-certification" section. The undersigned further finds that repayment of the $4,000 that was already spent would be contrary to equity and good conscience because: (1) the money was used to pay for basic necessities and important bills; (2) Appellant is no longer working; and (3) the Appellant's monthly household expenses exceed their single income household. The undersigned is not willing to waive the entire amount because this order notifies the parties that Appellant is not eligible and an overpayment occurred. In the event that Appellant continues to accept or spend the remaining funds, she would be considered "at fault," as defined above.

VI. CONCLUSION

For the reasons stated above, it is ORDERED that:

1. The CNMI Department of Labor's Determination, dated February 5, 2021, is **AFFIRMED**;
2. The Appellant is **NOT ELIGIBLE** to receive PUA benefits for the period of February 2, 2020 to December 26, 2020;
3. The CNMI Department of Labor's Notice of Overpayment, dated February 9, 2021, is **AFFIRMED**;
4. Appellant was overpaid in the total amount of $12, 128.36;

[23] PUA benefits were designed to be a critical lifeline for qualifying individuals facing a financial crisis amidst a pandemic. Issues of fraud and overpayments are of great consequence that jeopardizes the integrity of the program and availability of funds for eligible or qualified individuals.

5. The amount of $4,000 is waived but Appellant shall promptly repay the remaining balance of $8,128.36; and
6. The CNMI Department of Labor Benefit Payment Control Unit shall assist Appellant in proceeding with repayment and notify the Administrative Hearing Office when repayment is complete.

If a party is aggrieved by this Order and would like to contest the decision, he or she must submit a written request to reopen the decision pursuant to Hawaii Admin. Rule § 12-5.93. The written request should be supported by legal, factual, or evidentiary reasons to reopen the decision. The written request must be submitted to the Administrative Hearing Office, either in person at 1357 Mednilla Avenue, Capitol Hill Saipan MP 96950) or via email at hearing@dol.gov.mp.

In the event a request to reopen the decision is granted, the matter shall be scheduled for a subsequent hearing. In the event a request to reopen the decision is denied, or if the Appellant still disagrees with a subsequent decision, the Appellant may seek judicial review with the CNMI Superior Court under the local Administrative Procedures Act. *See* 1 CMC § 9112. All forms, filings fees, and filing deadlines for judicial review will be as established by the applicable law and court rule.

So ordered this **17th** day of February, 2021.

/s/
JACQUELINE A. NICOLAS
Administrative Hearing Officer

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
DEPARTMENT OF LABOR
ADMINISTRATIVE HEARING OFFICE

In Re Matter of:	)	**PUA Case No. 21-0046**
Nilo A. Rabino	)	
Appellant,	)	**ADMINISTRATIVE ORDER**
v.	)	
CNMI Department of Labor, Division of Employment Services-PUA,	)	
Appellee.	)	

I. INTRODUCTION

This matter came before the undersigned for an Administrative Hearing on February 17, 2021 at 9:00 a.m. at the Administrative Hearing Office. Due to the ongoing COVID-19 public health emergency, the hearing was held telephonically. Appellant Ruben A. Rabino ("Appellant") was present and self-represented. Appellee CNMI Department of Labor Division of Employment Services – Pandemic Unemployment Assistance program ("Appellee" or "Department") was present and represented by Labor Certification Worker, Dennis Cabrera. There were no other witnesses who gave testimony at the hearing.

Exhibits:

1. Exhibit 1: Copy of Appellant's Application Snapshot;
2. Exhibit 2: Copy of Department's Determination, dated November 24, 2020;
3. Exhibit 3. Copy of Appellant's Appeal Form and Letter, filed January 7, 2021;
4. Exhibit 4. Copy of Appellant's Employment Certification;
5. Exhibit 5: Copy of Appellant's Furlough Notice dated August 7, 2020;
6. Exhibit 6: Copy of Appellant's Furlough Extension Notice dated October 16, 2020;
7. Exhibit 7: Copy of Appellant's Employment Authorization Document or Card with Category C09, effective January 8, 2020 to January 7, 2021; and
8. Exhibit 8: Copy of Department's SAVE Verification Results, initiated on September 3, 2020.

For the reasons stated below, the Department's Determination dated November 24, 2020 is **AFFIRMED**. Based on the claim filed, Appellant is not eligible for benefits for the period of May 24, 2020 to December 26, 2020.

II. JURISDICTION

On March 27, 2020, the Coronavirus Aid Relief and Economic Security ("CARES") Act of 2020 was signed into law creating new temporary federal programs for unemployment benefits called Pandemic Unemployment Assistance ("PUA")[1] and Federal Pandemic Unemployment Compensation ("FPUC").[2] On March 29, 2020, the CNMI Government executed an agreement with the US Secretary of Labor to operate the PUA and FPUC program in accordance to applicable law.[3] The CNMI Department of Labor is charged with the responsibility in administering the above-mentioned programs in the CNMI. The CNMI Department of Labor Administrative Hearing Office has been designated to preside over appeals of the agency decisions. Upon review of the records and as further discussed below, the appeal was is not timely filed. Accordingly, jurisdiction is not established.

III. PROCEDURAL HISTORY & ISSUE

Appellant filed a claim for unemployment benefits under the PUA and FPUC programs. Upon review of Appellant's application and supporting documents, the Department issued its initial determination on November 24, 2020. The Department's determination found the Appellant was not a U.S. Citizen, non-national citizen, or qualified alien and denied benefits effective May 24, 2020 to December 26, 2020. Appellant filed the present appeal on January 7, 2021. The issues on appeal are: (1) whether Appellant filed a timely appeal; and (2) whether Appellant is a qualified alien eligible for PUA.

IV. FINDINGS OF FACT

In consideration of the evidence provided and credibility of witness testimony, the undersigned issues the following findings of fact:

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[1] *See* Section 2102 of the CARES Act of 2020, Public Law 116-136.
[2] *See* Section 2104 of the CARES Act of 2020, Public Law 116-136.
[3] Pursuant to Section 2102(h) of the CARES Act of 2020 (Pub. L. 116-136) and 20 CFR § 625.2(r)(1)(ii), the CNMI Governor issued Executive Order No. 2020-09 declaring Hawaii Employment Security Law as the applicable state law in the CNMI. Hawaii state law applies, to the extent it does not conflict with applicable federal law and guidance.

1. Prior to the pandemic, Appellant was employed as a Pastry Supervisor for Micronesia Resort Incorporation, doing business as Kensington Hotel ("Employer").[4] On or around May 29, 2020, Appellant began experiencing reduced hours.[5] In a letter dated August 7, 2020, Employer gave Appellant notice that, due to the economic impact of the COVID-19 pandemic, Appellant would be furloughed, effective September 1, 2020 to November 30, 2020.[6] In a letter dated October 16, 2020. Employer gave Appellant notice that the furlough would be extended, effected December 1, 2020 to February 28, 2021.[7]
2. On August 20, 2020, Appellant applied for unemployment insurance under the PUA and FPUC benefits administered by the CNMI Department of Labor.[8]
3. In his application, Appellant acknowledged and certified that he understands it is his responsibility to read and familiarize himself with the contents of the Benefit Rights Information Handbook.[9] Among other things, the Benefit Rights Information Handbook include instructions on filing an appeal.
4. On November 24, 2020, the Department issued a determination disqualifying Appellant from unemployment insurance benefits because the Department found that Appellant was not a United States Citizen, Non-citizen National, or Qualified Alien eligible for federal public benefits.[10]
5. The determination did not include the correct appeal instructions. Instead, the Department relies on the instructions in the Benefit Rights Information Handbook and issued press releases. Also, the instructions and correct form to use to file an appeal is also published on the Department's website.
6. The Determination states: "[y]ou have 10 days from the mail date on this letter to file an appeal. This means your appeal **must be received or postmarked** by **12/15/2020**. If you do not make that deadline, you lose the right to appeal this determination."[11]
7. Contrary to the instructions provided in the Benefit Rights Information Handbook and deadline on the Determination, Appellant submitted the wrong form to the wrong email

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[4] Exhibit 4.
[5] Exhibit 1.
[6] Exhibit 5.
[7] Exhibit 6.
[8] Exhibit 1.
[9] Exhibit 1.
[10] Exhibit 2.
[11] *Id.*

in Guam. Appellant does not recall when he submitted the appeal to Guam and could not recall specifics regarding this issue.

8. Appellant filed his appeal with the CNMI Department of Labor Administrative Hearing Office on January 7, 2021.
9. Appellant contests the finding that he is not a qualified alien and appealed the entire time frame within the Determination. Appellant did not submit any documentation or evidence to substantiate his qualified alien status.
10. Appellant was authorized to work in the CNMI with Employment Authorization Document ("EAD")[12] or card, under Category C09, that is valid from January 8, 2020 to January 7, 2021.[13] Category C09 is a code that refers to aliens who is adjusting their status. Category C09 is not linked to a status under the qualified alien definition.
11. On or around September 3, 2020, the Department entered Appellant's information into the Systematic Alien Verification for Entitlements (SAVE) database maintained by USCIS, Verification Division. This database is used to determine the alien status of PUA applicants so only those entitled to benefits receive them. The SAVE results indicate that Appellant is a non-national of the U.S. who is admitted for a specific reason and for a limited period of time, and temporarily allowed to work.[14]

V. CONCLUSIONS OF LAW

In consideration of the above-stated findings and applicable law, the undersigned issues the following conclusions of law:

1. Appellant did not file a timely appeal.

Generally, an appeal should be filed within ten days after the Notice of Determination was issued or served to the claimant. However, the Department may extend the period to thirty days by a showing of good cause.[15] Good cause means: (1) illness or disability; (2) keeping an appointment for a job interview; (3) attending a funeral of a family member; and (4) any other reason which would prevent a reasonable person from complying as directed.[16]

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[12] An EAD is a work permit that allows noncitizens to work in the United States.
[13] Exhibit 7.
[14] Exhibit 8.
[15] HI. Rev. Statute § 383-38(a).
[16] HAR § 12-5-81(j).

Here, the Determination was issued on November 24, 2020. Based on the filings and testimony provided, Appellant had notice of the filing deadline and instructions. Despite said notice, Appellant did not file the correct documents, at the correct location by the applicable deadline. Further, when asked why he did not file on time, Appellant he indicated that he submitted his appeal to Guam. As shown above, Appellant's appeal was not timely. Further, based on Appellant's testimony, the undersigned finds that there is insufficient basis to establish good cause for a 30-day extension. Notably, even if a 30-day extension were granted, the appeal would still be untimely. Due to the untimely nature of this appeal, the undersigned has no jurisdiction to hear this case and the Department's Determination is final.

VI. ORDER

For the reasons stated above, it is ORDERED that:

1. The CNMI Department of Labor's Determination is **AFFIRMED**; and
2. The Appellant is **NOT ELIGIBLE** to receive PUA benefits for the period of May 24, 2020 to December 26, 2020.

If a party is aggrieved by this Order and would like to contest the decision, he or she must submit a written request to reopen the decision pursuant to Hawaii Admin. Rule § 12-5.93. The written request should be supported by legal, factual, or evidentiary reasons to reopen the decision. The written request must be submitted to the Administrative Hearing Office, either in person at 1357 Mednilla Avenue, Capitol Hill Saipan MP 96950) or via email at hearing@dol.gov.mp.

In the event a request to reopen the decision is granted, the matter shall be scheduled for a subsequent hearing. In the event a request to reopen the decision is denied, or if the Appellant still disagrees with a subsequent decision, the Appellant may seek judicial review with the CNMI Superior Court under the local Administrative Procedures Act. *See* 1 CMC § 9112. All forms, filings fees, and filing deadlines for judicial review will be as established by the applicable law and court rule.

So ordered this **17th** day of February, 2021.

/s/
JACQUELINE A. NICOLAS
Administrative Hearing Officer

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
DEPARTMENT OF LABOR
ADMINISTRATIVE HEARING OFFICE

In Re Matter of:	)	**PUA Case No. 21-0051**
Sally S. Torente,	)	
Appellant,	)	**ADMINISTRATIVE ORDER**
v.	)	
CNMI Department of Labor, Division of Employment Services-PUA,	)	
Appellee.	)	

Pursuant to Appellant's appeal of the Department's determination denying Pandemic Unemployment Assistance benefits, this matter was scheduled for an Administrative Hearing on February 11, 2021at 1:30 p.m. before the Pro Tem Administrative Hearing Officer. Subsequently, Appellant filed a written request for cancel or withdraw said Appeal.

Accordingly, this appeal is hereby **DISMISSED** and the Administrative Hearing scheduled for February 11, 2021 at 1:30 p.m. is **VACATED**. The Department's Determination is final.

So ordered this **10th** day of February, 2021.

/s/
JACQUELINE A. NICOLAS
Administrative Hearing Officer

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
DEPARTMENT OF LABOR
ADMINISTRATIVE HEARING OFFICE

In Re Matter of:	)	**PUA Case No. 21-0055**
Mario P. De Belen,	)	
Appellant,	)	**ADMINISTRATIVE ORDER**
v.	)	
CNMI Department of Labor, Division of Employment Services-PUA,	)	
Appellee.	)	

Pursuant to Appellant's appeal of the Department's determination denying Pandemic Unemployment Assistance benefits, this matter was scheduled for an Administrative Hearing on March 4, 2021at 9:00 a.m. before the undersigned. Subsequently, Appellant filed a written request for cancel or withdraw said Appeal.

Accordingly, this appeal is hereby **DISMISSED** and the Administrative Hearing scheduled for March 4, 2021 at 9:00 a.m. is **VACATED**. The Department's Determination is final.

So ordered this **9th** day of February, 2021.

/s/
JACQUELINE A. NICOLAS
Administrative Hearing Officer

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
ADMINISTRATIVE HEARING OFFICE

In Re Matter of:	)	**DEQ WEEC 2020-AO-002**
	)	
Division of Environmental Quality,	)	
	)	
Complainant,	)	**ORDER OF DISMISSAL**
	)	
v.	)	
	)	
Proper Grand (CNMI), LLC,	)	
	)	
Respondent.	)	
	)	

I hereby certify that I have reviewed the terms of the Consent Order in the above-captioned case and find that the terms are fair under the circumstances of this case and that the parties have knowingly and voluntarily agreed to the terms of the settlement. Therefore, the Consent Order is approved and accepted for the purposes stated therein. The terms of the above-described Consent Order are hereby incorporated into this Order. Upon review, this case has no other pending issues or claims. Accordingly, the case is hereby **DISMISSED** with prejudice, pursuant to NMIAC § 65-120-2015(c). Any remaining hearings scheduled are **VACATED**. Notwithstanding the above, the Administrative Hearing Officer shall retain jurisdiction for the purposes of enforcement of the Order.

So ordered this **19th** day of February, 2021.

/s/
JACQUELINE A. NICOLAS
Administrative Hearing Officer

COMMONWEALTH CASINO COMMISSION
Commonwealth of the Northern Mariana Islands
Unit 13 & 14, Springs Plaza, Chalan Pale Arnold, Gualo Rai
P.O. Box 500237, Saipan, MP 96950
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E-mail: info@cnmicasinocommission.com

COMMISSION ORDER NO: 2021-001

Order Authorizing the Executive Director to Require Employees to Provide Proof of COVID-19 Vaccination.

For good cause determined at the February 24, 2021 public meeting of the Commonwealth Casino Commission, which was duly publicly noticed, and based on the authority granted by the laws of the Commonwealth (including but not limited to Public Laws 18-56, 19-24, and 21-38) and the Regulations of the Commonwealth Casino Commission, NMIAC Chapter 175-10.1, the Commonwealth Casino Commission hereby finds and **ORDERS AS FOLLOWS:**

1. WHEREAS, On or about February 18, 2021 the Honorable Ralph DLG. Torres, Governor of the Commonwealth of the Northern Marian Islands, issued Directive 2021-002 regarding the mandatory COVID-19 vaccination of all Executive Branch employees; and

2. WHEREAS, Governor's Directive 2021-002 was issued "to safeguard the health and well-being of employees and their families, patrons, clients, visitors, others who spend time in our facilities, and the community, from the risks associated with COVIC-19." Further, the directive "is intended to comply with applicable federal and commonwealth guidance and authority, including guidance from the Centers for Disease Control and Prevention (CDC), the Equal Employment Opportunity Commission, the Occupational Safety & Health Administration and Commonwealth public health authorities"; and.

3. WHEREAS, Directive 2021-002 specifically exempts autonomous agencies from the directive but encourages the exempted entities to respond to the present situation. As an autonomous agency exempt from Governor's Directive 2021-002, the Commission has considered basis for and scope of the directive, and concurs that the policy adopted for the Executive Branch employees is sound and should apply to the Commission as well; and

4. WHEREAS, the Commission has studied guidance from the EEOC, specifically "What You Should Know About COVID-19 and the ADA, the Rehabilitation Act, and Other EEO laws" Technical Assistance Questions and Answers updated December 16, 2020 at www.eeoc.gov (visited February 21,2021), and agrees that employers have the authority to mandate vaccination as a standard for employment; and

5. WHEREAS, it is the policy of the Commonwealth Casino Commission that no employee shall pose a direct threat to the health and safety of others in the workplace;

NOW, THEREFORE,

6. IT IS HEREBY ORDERED that the Executive Director shall take steps he deems necessary to ensure that all Commonwealth Casino Commission employees either (A) complete the COVID-19 vaccination program or (B) obtain an approved exemption accommodation (as described below). The Executive Director shall report to the Commission monthly the percentage of employees who have completed the vaccination program, omitting information which could reasonably identify any individual employee; and

7. IT IS HEREBY FURTHER ORDERED that the Executive Director shall require employees who complete the vaccination program to provide the Executive Director written documentation provided by the Commonwealth Healthcare Corporation, or other medical provider authorized to administer the vaccine that verifies their receipt of the required doses of the vaccination. Failure to provide this documentation may be grounds for adverse personnel action; and

8. IT IS HEREBY FURTHER ORDERED that the Executive Director shall grant a request by an employee for a medical exemption accommodation where the employee provides information from the employee's health care provider that the employee has a condition which makes it unsafe for the employee to receive any or all of the COVID-19 vaccines. The Executive Director shall take steps to reasonably accommodate such exemptees, unless so doing poses an undue hardship to the Commission; and

9. IT IS HEREBY FURTHER ORDERED that the Executive Director shall grant a request by an employee for a religious exemption accommodation where the employee demonstrates (s)/he cannot receive the vaccination due to a sincerely held religious belief or practice. An employee requesting this exemption must provide evidence such as a personal statement explaining the belief or a statement from a third party (spiritual advisor, priest, pastor, rabbi, imam, person well-acquainted with the employee) demonstrating the employee's sincerity of belief. The Executive Director shall take steps to reasonably accommodate such exemptees, unless so doing poses an undue hardship to the Commission; and

10. IT IS HEREBY FURTHER ORDERED that, subject to availability of funds, the Executive Director may grant administrative leave with pay for the time spent obtaining the vaccinations pursuant to regulation 175-10.3-220, reflecting the public purpose inherent in this mandate; and

11. IT IS HEREBY FURTHER ORDERED that the Executive Director and, where appropriate, department heads, shall while maintaining the strictest of confidentiality, engage in an interactive process to determine if a reasonable accommodation can be provided that does not crate an undue hardship of the workplace. If no reasonable accommodation is possible, the Executive Director may exclude the employee from the workplace. Exclusion may ultimately result in termination of the employee's employment.

12. IT IS HEREBY FURTHER ORDERED that neither the Executive Director nor any employee may retaliate against an employee who seeks an accommodation pursuant to the Order. The Executive Director and all department heads shall keep any statements,

documents or other information obtained from an employee in relation to this Order confidential consistent with applicable federal and Commonwealth law and regulations.; and

13. IT IS HEREBY FURTHER ORDERED that the Chairman or the Executive Director shall take steps necessary to ensure that this Order is published in the Commonwealth Register, and this Order is to take effect ten days after its publication in the Commonwealth Register and shall remain in effect until it is repealed or replaced by subsequent Order of the Commission.

SO ORDERED this 24th day of February, 2021.

Signature: _____

EDWARD C. DELEON GUERRERO
CHAIRMAN