MARIE HERB: Hi. OK, we're going to get started. Welcome to today's HOPWA Modernization Webinar. We're glad you were able to join us. This is part of a series of webinars that HUD'S Office of HIV Housing and it's TA team have been facilitating on various topics to help grantees manage HOPWA Modernization. Today, we'll be talking about how to use HOPWA for something called bricks and mortar.

OK, so here's our agenda. After some quick introductions and logistics, we'll talk through what we mean when we say bricks and mortar and some specifics about the HOPWA program. Next, we'll review some key regulatory requirements that apply when you use HOPWA in this way. We'll talk about how to develop a project team and the various project phases.

So first, we'll do some introductions. So hi, I'm Marie Herb from the Technical Assistance Collaborative. And I'm joined here in my office right now by-- with my colleague Liz Stewart. Liz and I are both excited for today's discussion because in our prior lives, we've both used HOPWA funds for what we are calling bricks and mortar. So we've really seen how, you know, those funds can have an impact.

The target audience for today's webinar is all HOPWA grantees and project sponsors that are impacted by the modernization. And I think we're also joined on the line by some HUD staff and our other colleagues with the other TA firm.

Since we have such a large group today, we're not able to ask you directly who you are and have you talk. So we're going to do some polls just to get a sense of who is participating today. So the first poll-- Kim, if you can launch it, please-- is just if you can answer that I work for a grantee, a project sponsor, a HUD office, or some other entity. And Kim's going to launch it. And then, if you guys can pick your answer, we'll see who's on the call today with us. Kim, whenever you think it's best, you can close the poll.

OK. She's going to be sharing the results. Kim, do you see the results?

KIM: Yes, I do. We have 41% are grantees. 14% are project sponsors. 31% HUD office, and 14% are other.

MARIE HERB: Great. Thank you. Now we're going to launch another poll, which is my level of HOPWA expertise: I am a HOPWA expert and should really be leading this webinar perhaps. I have some HOPWA knowledge and have been working with the program. Or I'm a HOPWA novice, new to the HOPWA program. If you could just take a minute and answer that.

And again Kim, whenever you see that folks are done, if you want us just tell us the results.

KIM: Sure. We have 25% I'm a HOPWA expert. 50%, I have some HOPWA knowledge. 25%, I am a HOPWA novice.

MARIE HERB: OK, so we have a good mix of everyone today. And our last poll for now is specific on the topic that we're going to be talking about today. So my level of capital development expertise or experience is I am an expert and have worked on many projects that have used HOPWA for capital development. I have some familiarity, and maybe I've worked on one or two projects. Or I have no previous experience using HOPWA in this way.

Kim, whenever you think we're done, you can share the results.

KIM: Mmhm. OK no one selected this the first option. We have 31%, I have some familiar-- "familiarality--" I'm sorry. And 65%, I have no previous experience.

MARIE HERB: Great. All right, so we have some teaching to do and some learning to do here. So that's great. Just quickly, this webinar is live. And we are recording it. And the recording will with the slides be appear on the HUD Exchange once we're completed today in the coming week or two.

Because we do have so many people, all the phone lines are muted, which means you won't be able to ask a verbal question. But you can put your questions in the question box, which should appear on the right side of your screen, of your computer screen. And if you put the questions in, we'll be able to see them and either respond live, or we'll respond directly to you after the fact.

So one more thing before you get into the content of the day is that this webinar, again, is part of HUD'S effort to really provide guidance regarding HOPWA modernization. And what the goals are around the technical assistance that's made available, really the values that HUD wants to put forth is that no person should become homeless as a result of HOPWA modernization, that all funds to be used to meet the needs of eligible households, and that no funds should be recaptured from grants. And that grantees should ensure that their project designs to meet the changing needs of the HIV epidemic. And that includes ensuring that there's positive health outcomes and reduced viral loads for those who are assisted with the HOPWA program.

And then specific to this topic, our learning objectives for today-- we see that many of you are not experts on the HOPWA for bricks and mortar-- is that we would love for you to leave here knowing that you can make decisions about using HOPWA for construction projects. That you'll understand the key steps in the process for both the grantees who are on the call, as well as the project sponsors who are on the call. That you'll review strategies for successfully completing construction projects. And I'd say a fourth one is just, since many of you do seem new to this, that you'll actually leave today's call thinking about and considering using HOPWA in this way.

So now I'm going to turn the webinar over to Liz, who's going to just walk you through the beginning stages of it.

LIZ STEWART: Thanks, Marie. So what do we mean by bricks and mortar? We're going to go get right to it now. So when we say bricks and mortar, what we are talking about are construction projects. So construction being either the rehabilitation of an existing structure or the building of something new. And these projects are commonly known as capital development projects. Capital being the land, the property involved in the project, and then development being the construction activity.

And these projects usually involve large sums of money. And that money is used as a long-term investment into a property. And the money pays for the construction of something new or the acquisition and repair of an existing structure.

So why should you consider using your HOPWA funds for capital development? There are a number of reasons why it makes sense for you to do so. Often times, when we go out to communities and we talk about the housing issues in their area, one of the biggest complaints that we hear is that there simply isn't enough housing stock. So even if someone has, for example, a tenant-based voucher, the market is so tight, with low-vacancy rates, that it's impossible to even find a unit.

Well, in this case, HOPWA dollars could be used as a resource to increase or improve the affordable housing stock in your community, which is really a much-needed resource across the country. It can also be targeted to address any unsafe property conditions at existing, programs which would perhaps result from years of deferred maintenance. So there's another opportunity there.

Capital development spending can also be useful from a grant management perspective because the spending is only a one-time commitment. It's not an ongoing commitment that you're making. And because there's flexibility when the funds might be expended and how much will be expended, this may be a good opportunity from that grant management standpoint.

For example, it could be used as a way to manage fluctuations in your community's annual HOPWA allocation. As Marie just discussed earlier, these webinars are part of the HOPWA modernization technical assistance that is available. So some of you may be getting large sums of money, increases in your allocation. Some of you may be losing funds. And so in that way, capital development could actually be used in both situations.

And so as grantees are looking to build their HOPWA program to respond to these changes, spending on capital development may be a useful piece of planning grant expenditures. In addition, it could be a good use of spending excess funds that you have on hand. And that would be a way for you to spend down those additional funds.

The one thing, though, to take away when we think about capital development, though, is that capital development spending does not come without a risk. Projects can run into delays for a wide range of reasons. There can be delays in permits being issued, problems with materials.

Weather is always an issue. There can be disputes of contractors. And so it really is important that everyone is aware of what the different considerations are before they decide to do something like capital development.

Well, now let's dig in deeper into what kinds of costs are considered capital development. The phrase bricks and mortar refers to actual building materials and building activity. But there are other important costs as well that will be part of any capital development budget.

So all capital development costs-- and you're looking at them-- are going to be either considered hard costs or soft costs. And the category of hard costs includes all direct construction costs, both materials and labor. For example, if your project includes the replacement of windows, then the hard costs associated with that task would be the cost of the actual window, the cost to pay someone to take out the old windows, and the cost to install the new windows, as well as the cost to dispose of the old windows. So those would be considered hard costs of a development budget.

The soft costs, those are going to be going to costs that are related to professional services, fees, and other non-construction project costs. So that may include costs related to architectural, engineering, and legal costs. Those are typically major soft cost items, along with any fees associated with the loans or the permits that you need to obtain, or the different applications that you may need to submit as part of that project. Other additional soft cost may include interest, the cost to do environmental testing, costs to do appraisals and have marketing services.

So when we're looking at what types of capital development are eligible under HOPWA activities, we're going to go through what those activities actually are. So the HOPWA program allows grantees to authorize spending on capital development under the facility-based housing activity. And within the facility-based housing activity, eligible activities include acquisition, rehabilitation, conversion, and repair of facility-based housing and new construction of SRO units or community residence.

So in other words, you can use your HOPWA dollars to buy a property that will be used as a facility-based housing program. You could also rehab an existing facility-based housing program, or you can convert an existing structure that isn't currently used as facility-based housing and make it into facility-based housing program.

And you can also make repairs to a facility-based housing program. All the activities I just mentioned are considered capital development, with the exception of repair. And we'll talk more about the difference between repair and rehab in just a minute. But it's just important to make that distinction, that repair is not considered a capital development cost.

The other area that I want to highlight on this slide is related to new construction. So while this is an eligible capital development activity under HOPWA, it's really, well, not done as often today. You use HOPWA to build a new building to be used specifically as an SRO unit or as a community residence.

But due to the changing nature of the epidemic and changes in living preferences, many grantees don't choose to build new SRO or community residence programs within their HOPWA funds. So if this is something that you may want to consider, you should really think about it carefully and determine whether or not it's really going to meet the needs in your community before committing funds for this purpose. And for that reason, most of our discussion today is going to be through the lens of looking at capital development, specifically as it relates to acquisition and rehabilitation.

So when we're looking at rehabilitation, as I mentioned before, there is a distinction between repair and rehab. And it is an important one because the two activities carry different requirements and are reported differently. When we are talking about rehab, we are generally talking about construction work that is more extensive than just regular maintenance or repair.

So repair projects would include, for example, replacement of integral building systems, such as the heating and cooling systems. And so in these cases, where you are making these placements of these large building systems, these would usually result in an increase of the value of the property. And because we have projects that are more comprehensive, they also may trigger other requirements, which we'll talk about later on. And when you are expending HOPWA funds on rehab, you just want to make sure that you're tracking it right. And so for rehab funds, you'd be tracking it and reporting this one separately in IDS, IDIS, and the APR and CAPER.

So now let's talk a little bit about repair, which is an eligible HOPWA activity, but it's not considered a capital development cost. The HOPWA eligible activity repair includes routine maintenance, preventative measures to keep the building in working order, and periodic replacement of fixtures and appliances on an as-needed basis. HOPWA funds spent on repairs in facility-based housing units are categorized as operating funds in IDIS and on the APR or CAPER.

So these types of activities in this slide would not be considered capital development. And they are not the focus of today's discussion. But because the distinction is so important, we've included a slide here that really gives you an idea of what the difference is, what types of work fall into either the rehabilitation or the repair categories.

So these examples should illustrate the difference between repair and rehabilitation. As you look at this list and compare the activities that are repair and rehabilitation, you will see that repair activities are typical routine maintenance type of thing, such as repairing something that's broken. Whereas rehabilitation work represents work on a larger scale.

For example, paying for the replacement of a single door or window is a repair. While paying for all new doors or all new windows throughout the entire property would be considered rehabilitation. Before we move on to the next section, Marie, were there any questions that have come in?

MARIE HERB: Yeah, there's this one. So the person's saying, we're thinking about rehabbing some existing buildings. But we don't have any staff expertise. If we hired a development consultant or someone who knows what they're doing, could we bill their time to HOPWA?

LIZ STEWART: So yes, a consultant would be an eligible soft cost, an eligible capital development soft cost that is eligible under the HOPWA program. So if you did need to hire a consultant for a potential HOPWA capital development project, the cost of that consultant would be an eligible soft cost of that HOPWA activity.

MARIE HERB: OK. And there's just another question. So I just want to understand it. So if it was window replacement, complete window replacement and upgrade in a 70-year-old building, would that be OK? Would that be considered-- could we use HOPWA for that? And I guess, would that be a capital development?

LIZ STEWART: Well, I do think that the replacement of windows, it is a little tricky because you want to be making sure that it's going to be increasing the value of the property, which is what you were looking at on the slide earlier. But generally, if you had to do a replacement of all the windows, and that was going to be considered increasing the value of the property, which in a lot of cases for older buildings it does, then that could be considered an eligible rehabilitation cost.

MARIE HERB: And I know we can get to some-- if people keep submitting questions, we can get to some at the end too.

LIZ STEWART: OK, great. I'll go ahead and pass it back over to you, Marie, to talk about restrictions and requirements.

MARIE HERB: OK. So not surprisingly, with any federal dollars, there are always rules and regulations that must be followed. So I'm going to walk us through some of those, hopefully not scaring you away from this. So the screen now is showing about the consolidated plan or the con plan.

So one of the first things you're going to have to do is check your con plan to make sure that you've identified and included this. So if you never used HOPWA funds for capital development before, then it's likely that you haven't included it in your con plan, and you're going to want to amend those, should you decide to go ahead with this.

So I'd say the first thing is to go back, review your con plan and the related documents, like the action plan, and see if it's in there or not. And if not, you would check with your local HUD field office representative to determine what steps you need to do to amend or update your con plan an action plan so that you would be included in these activities in it. I'd say one of the first warnings or takeaways I'll share today is that if it's not in your con plan, you can't do it.

So this is important to check. And it's important to then check with your HUD rep. And with that, actually, Kim, we're going to launch just a quick poll. So that would be poll number four. So do you currently have any of these HOPWA activities included in your con plan-- new construction, substantial rehab, acquisition? Then the options are yes, no, or not sure. And I'll just give you all a minute.

Kim, can you launch and let us know the results?

KIM: Yeah.

MARIE HERB: Or not launch, close, I guess.

KIM:

So we have 12% that said yes. 52% said no. And 36% said they're not sure.

MARIE HERB: OK, great. So again, just a reminder, for those who said no or not sure, some of you will have to go back and check. And you may have to amend the con plan. So another kind of requirement that we're going to talk about is HOPWA minimum use period.

When you use HOPWA for acquisition, new construction, development, or the rehab of units, something called minimum use applies. So what does this mean? So for both the grantee who funds the project and, say, a project sponsor who might be operating it and getting funds for, say, acquisition or rehab, they have to then ensure that the facility, those units that they've created, are going to be set aside for HOPWA-eligible persons or households for a defined period of time.

And that period of time is what is known as the minimum use period. Sometimes it's also called the affordability restriction. Now, there are two different minimum use periods. One is when it's non-substantial rehab. And that is when the value is less than or equal to 75% of the value of the building after renovation.

If that's the case, then there's a three-year minimum use requirement, which means the project sponsor and the grantee will need to make sure that for three years those units are occupied by HOPWA-eligible households. For substantial rehab, which includes new construction or acquisition, there's a 10-year minimum use requirement. So these HOPWA use restrictions, they might be less than those imposed by other public funds.

And what you'll also find when you're thinking about development is if you may not only be able to accomplish your project with HOPWA funds. You may also be using, say, HOME funds or low-income housing tax credits, or other sources. And often those other sources actually have a longer minimum use periods. And that's one of the things you're going to have to check on before you proceed.

So it can seem like a complicated thing. So I'm just going to walk through one example. So in this example, in order to figure out if your project will carry a 3-year or a 10-year use restriction, you have to determine the projected value that your property will have once the construction work is done.

And so the way to do that typically is you get a property appraisal completed by an independent professional: a third party who's going to determine the value based on where it's located, the square footage, the condition, and looking at recent sales in the same community. The important thing is they're also going to then look at what the value is after the plan improvements are completed, right? So it's going to be an after, not a before.

This is also often called in as-built appraisal. So it's the value not today, but the value after. So in this example, to get back to it, once you have your as-built value, in this example it's $400,000, you then calculate 75% of it. So that would be the $400,000 times 0.75. And that equals $300,000.

In this example, you would then come up with what your budget of rehab costs. And that's both the hard and soft cost that Liz reviewed. And in this example, we're saying it's $150,000. Since $150,000 is less than the $300,000 and less than the 75% of the value after rehab, this project would be considered non-substantial rehab. And the HOPWA funds would carry a three-year use restriction.

Because you're talking either 3 years or 10 years, it's still a significant amount of time. So that's why you really want to make sure everyone's on board before you proceed. If you're the project sponsor, you want to make sure your board of directors and other key folks have committed to this project because you'll be running it for at least 3, if not 10 years.

The other thing is you're going to have to track this and report it to HUD. The honor system is not enough. So during the minimum use period-- the example on the previous slide was three years-- grantees and project sponsors are responsible on an annual basis to certify that the units are occupied by HOPWA-eligible households. And you'll do this in one of two ways.

So if after construction the project also received HOPWA funding for ongoing operations, then you'll report those units under facility based housing. And again, those units must be occupied by HOPWA-eligible households. The other way, though, is if after construction or the rehab the project does not receive any HOPWA operating funds, then those units are called stewardship units. And the grantee, you're going to have to still keep track of those units, and you're going to make sure that the project sponsor or the property owner is tracking them.

And that you'll have to complete what's called a Stewardship Certification form. And that's part 6 of the HOPWA CAPER. And it's part 5E of the HOPWA APR. And again, just to reinforce that, those units for that minimum use period have to be occupied by eligible households.

So now we're going to talk about environmental review. All HUD-assisted development projects are subject to an environmental review process. And this process analyzes both how the project may impact the environment, but also how the environment may impact the project.

It's very important that absolutely no HUD funds be committed to a project or spent before the environmental review is complete. While it's the grantee's responsibility to ensure that the environmental review process is completed, there may be another office, that's called a responsible entity, in your community that actually is kind of identified by HUD as the agency or the entity that is kind of responsible and capable to complete this. So you'll want to search out who that office is and ask for their help.

So I know many of you who are on the phone today are grantees that are kind of located in either your state department of public health or your city's department of public health. It's unlikely you are the responsible entity in HUD's eyes to complete environmental reviews. What you'll want to do is go down the hall and find people in, say, the office of community planning and development or the office of housing, who are more likely to be the responsible entity, and ask them to, again, partner with you to complete this last task.

You can always reach out to your local HUD field office for guidance. And they are also likely to know who is the responsible entity in the community because that entity does it for lots of other HUD programs, so not just HOPWA. So just keep in mind that your local HUD field office is your friend and a good source to go to for all questions.

The last bullet on this-- excuse me-- on this slide is a link to a lot of helpful information on environmental review that you can find on the HUD Exchange. So remember, don't spend any funds before you have your environmental review completed. So now HUD's lead-based paint requirements.

This is also required of any HOPWA-funded housing activity. So many of you may be familiar with this. The key piece we want to emphasize today is that you must determine if lead is present. And if there is lead contamination, then there are a set of requirements that you have to follow.

The slide here has the citation 24 CFR 35, and it also has all the sub parts. If you're not familiar with it, you're going to want to become familiar with it. But the last bullet, again, has some really helpful information and a training on specifically to HOPWA and includes information on this topic.

So HUD, like many of us, wants to really be a good player in the environment. And one way to do that is to really encourage that anything that HUD is funding or helping to operate operates as efficiently as possible. Energy Star might be a name that you're familiar with when you go out and buy the refrigerator or another appliance for your own home. Things have Energy Star ratings.

So working toward really being as energy efficient as possible, grantees and sponsors can incorporate the use of Energy Star standards and products in how you procure appliances, say, and then go and purchase them. So really prioritizing that as one element of your purchase. You're going to want to make sure that your team members, including the architect and any other consultants and your general contractor, are familiar with the goal to really make the units efficient and that they will work for that and develop plans and basically a shopping list that'll help you meet that goal. Besides being the right thing to do, in the long run, including things like Energy Star will also just reduce your overall operating costs and help you out in the long run.

And the next requirement from HUD is called the Uniform Relocation Assistance, or URA. And this applies to properties that are purchased or rehabbed with HOPWA funds and other HUD funds, in fact. The goal of the URA is to protect residents from being abruptly displaced in any HUD-funded project.

So if your project involves the purchase or rehab of a building that has current residents in it who will have to move out as a result of your plan project, then it is extremely important that you plan for the URA requirement, which will impact both your timeline and your budget. Again, there is likely a state or local government office that has had to do this. Again, you can ask your HUD field office for additional guidance.

The key takeaway, I think, from this is that if there is a property and there are occupants in that property who may or will have to move, you want to look into this right away because there are very detailed requirements regarding notifications and timing and possible payments that you must adhere to. So you don't want to go down that road until you know what you're facing there. And the last bullet, again, will bring you to some more information on the URA.

So that is kind of the HUD requirements. But there's also likely some state and local rules and requirements that you'll also have to follow. So zoning, in general, will control things, like if you're allowed to put housing in an area versus commercial in an area. And they control how big, how many units of housing you're allowed in a neighborhood.

The building codes and permitting are going to require what kind of materials, say. It will require how that local community expects inspections to be made as you're doing the renovations. And it's going to just look at other sort of requirements.

It may have accessibility requirements. Some local communities require a certain number of units to be fully physically accessible. Others do something called visitability, which is, again, something you need to be aware of.

If your project has historic qualities or is in a historic preservation area, there may be other requirements that you need to follow. And all of these state and local restrictions, of course, may add time. And sometimes they add expense to a project.

So Liz, any questions?

LIZ STEWART: There was a question about the minimum use period. So for the minimum use period, is it always 10 years when new construction or acquisition is involved?

MARIE HERB: Yes. So if your project involves acquisition, it involves new construction, then you can assume or you know it is always then a 10-year requirement for minimum use. OK, so I know it sounds like a lot of information. But you're not going to have to do this alone. There's a lot of people you can work with and draw upon their expertise. And Liz is going to review now kind of who your team can be and how you can make that a little less daunting a task.

LIZ STEWART: Thanks, Marie. And we know that questions are continuing to come in. And we're going to definitely have some time at the end to address those. And if we can't get to all of them, then, again, we will be able to follow up directly.

So now we're going to talk about the key parts of developing a team if you decide that you are going to go ahead and use HOPWA funds for capital development. And there are a lot of different pieces involved and different requirements that we just went over. And so it really is a team effort to get a development project up and running.

So there is no one way that HOPWA development projects are done. They really do vary in terms of size, type, design, complexity, and location. And each project is unique because of these differences. And you'll want to bring together the right team with the expertise you need to get the job done for that particular project.

From HUD's perspective, both grantees and project sponsors are responsible for the project, with the desired outcome of developing an effective, high-quality, sustainable project. Grantees and private sponsors will each benefit from working together with each other, but also with the larger team involved, which are going to include a lot of different players that we're going to go into in a bit. And as we all know, successful teamwork involves planning and coordinating. And the time and effort can help keep the project on track.

Remember, we mentioned earlier that capital development projects are commonly delayed. So that is a key aspect of it. To designate an individual to lead the project in developing clear rules for all involved staff could help keep the project moving along and minimize any delays.

So here's a list of the many types of professionals and experts that you may be either directly hiring or working with during the course of a development project. Each team member plays an important part in the project. And you should carefully evaluate your needs and their expertise when choosing who to work with.

Making local contacts and developing new relations with experienced professionals can give you valuable insight into where to find local experts. Again, it will depend on the type of capital development projects that is being undertaken to determine whether some of these professionals are needed. So in some cases, you may absolutely need to have a lawyer involved. But you may not need to have, for example, an engineer, depending on the level of activity that is being done at a particular development project.

So now we're going to look at things from the grantee perspective, from the grantee team-building perspective. And grantees as funders may want to join forces with other HUD programs that provide funding for capital. For some of you that are on the call, these might be folks who work next to you. They might be down the hall.

But for others, these programs may be administered in a whole different department in your community. And it may take some initial networking to develop a partnership. Either way, other HUD programs, like HOME and CDBG, are larger programs that frequently fund capital development.

So you may be able to benefit from their capacity. And there may be opportunities that will benefit your HOPWA program by reaching across the aisle and getting in touch with these folks. There really is the ability to have that information that many of these programs already have in-house and expertise.

So your state or your municipality may also have its own sorts of funds dedicated to creating or rehabbing affordable housing. These programs may also provide opportunities for partnerships and coordination. For example, the timing of when funds are made available from various sources is an important planning consideration. And as a grantee, you may be able to coordinate the HOPWA funds with other funds in a way that helps move projects forward.

So for example, if you did have a local resource for capital dollars in your community, whether it's directly through your agency or through another department, making sure that you're timing potential HOPWA dollars with that RFP process makes a lot of sense because then a potential project sponsor doesn't have to worry about getting one award and then not knowing whether or not they're going to get this other source of funding that they need. So that is where teamwork around the timing of funding sources makes a lot of sense and will help move the project forward.

And then from a project sponsor team building, we've already said this, but it does bear repeating because it's important. That as the project sponsor, you're in charge of the project. And managing the team of professionals, lenders, and contractors is really time consuming. So you don't want to overlook it as you plan your project.

Also, no matter how big or small the project is, it is important to keep your board informed and engaged in the process, as Marie said earlier. So for members who don't have experience with capital development, there will be potentially a need to educate them about the key aspects of the process and the long-term implications. That if the board is supportive on doing a capital development project, you, again, just want to make sure that they're aware that it's not something that is necessarily going to be happening within six months. It might be a much longer-term endeavor that they are agreeing to support, so just making sure that you bring up that knowledge base across not just your agency, but also the board.

And when choosing the best way to manage a project, you do have a few different paths to choose from. Finding an experienced local developer to partner with is one option. It can take many forms, with varying degrees of shared legal and financial and responsibilities and risks. And if you do decide to work with a developer, keep in mind that they will have their own goals and interests. So you really want to make sure that any developer that you choose, that their goals and their interests align with your goals and the goals of the project.

Another option as part of creating a team is hiring a consultant. And again, this can take different shapes, depending on how the project looks. So the consultant could be a part of all aspects of the project from start to finish, or you may only need them for specific tasks that you just don't have the in-house knowledge on. And either way, the consultant role is to advise you based on your goals and needs.

Lastly, you can go the route of the do it yourself. But I think we have to say that this is not advisable for inexperienced agencies due to potential complexities with capital development. So agencies that don't have the staff time to dedicate to the project will find that there are challenges if you don't have a partner or a consultant on board to help out with the different aspects of doing capital development.

So whatever you decide when choosing which one is best for you, consider both the scope of the project and the current workload and expertise that you already have in-house. So before we move on to project phases--

MARIE HERB: So, yeah, just one question. I think it's-- Liz, so all these team members that you've identified, they could all potentially be billable to the HOPWA project?

LIZ STEWART: Yeah, so similar to what we answered before related to consultants being an eligible soft cost that would be eligible under the HOPWA program, the same is true for people like lawyers. Lawyer fees, would be considered an eligible soft cost. Architects, any of these team members that you have to pay for their expertise would be eligible soft costs.

MARIE HERB: OK, so now I'm going to talk about project phases. So the audience today are grantees and sponsors. So the phases are a little different for each of you. So I'm going to start with project phases for grantees. And then Liz will come back and talk about the phases as they relate to a sponsor.

So here we've broken things down into three phases. And we'll get a bit more detail on these steps in the next few slides. So to start, you're going to have a procurement and application process. This consists of the grantee completing any con plan requirements that I talked about, preparing and issuing a Request For Proposals, or an RFP, and reviewing and selecting applicants.

Once the projects have been identified for funding, you move into the grant-making phase, which is in the middle there. But before committing any funds to the project, remember, the environmental review must be complete. And once that's done, a commitment letter can be issued, and a grant agreement or a contract, whatever form you use, would be executed.

You might add, depending on where you're working, there may be a restrictive covenant put on it. There may be affordable housing restrictions, a loan agreement, or a combination of one or more of these things. And any of those would be acceptable.

Your approach that's best with your project will depend on your local process, as well as the scope and complexity of the project. Whichever one works best, you're going to make sure the document outlines all the requirements and responsibilities that come with using HOPWA funds. And the last phase is the monitoring and disbursement.

Monitoring begins during the planning stage before construction work really even actually starts. So being involved at this stage can avoid surprises later on. Monitoring will also inform the process of reviewing the requests and approving the requests for funding and making those disbursements.

So we've said in that first phase, the grantee is going to develop or potentially develop a Request For Proposals, or an RFP. As a grantee, there are many considerations to think through as you develop your RFP and thinking ahead of which projects you want to choose. A good place to start thinking about and perhaps getting more familiar with is your current housing stock. This includes your HOPWA housing portfolio, but also the broader affordable housing that is available, and also your general housing market.

What are the real estate values, for example? Do they vary widely based on location alone? Getting up to speed on the local housing stock and housing market will help you develop realistic expectations.

You're also going to want to think about what you hope this project or the projects will achieve. It's a big investment. And remember, it's going to be providing housing for years to come. The type of project and its scope are important to getting the outcome that you want. Therefore you're really going to want to step back and do a needs analysis.

This doesn't have to be this big, expansive task. But it could be really helpful in identifying where the greatest needs are. That might be whether you are interested in developing housing for families, which would have multiple bedrooms. Or is it developing housing for individuals, or a combination of those?

Ways to do this-- you might want to look at existing waitlists for affordable housing. You may want to talk to those that are providing services for people living with HIV in the community and seeing what they see as their housing needs, or even interviewing some potential residents to see what they would like and want. In a regular housing development project, this might be called a market analysis. You want to make sure that if you build it, people will come.

Next is the grantee application review and selection. So once your RFP process is complete, you'll then move to the task of reviewing those proposals and selecting projects to fund. Of course your financial management basics will come into play here, and all costs will need to be eligible, allowable, reasonable, and applicable.

Beyond those financial management standards, you'll also want to think about more project-specific elements. For example, using the goals established in your RFP, you'll be able to evaluate how well the proposal meets those goals. You'll also want to consider the capacity of the project teams that have been identified in those RFP responses.

Liz reviewed who team members could be. And she also reviewed how it's helpful to have experienced folks as part of that team. So you'll want to look at it, see what their track record is, and their examples of projects that they've successfully completed before you make any decisions or make any awards.

So you'll also want to look at the status of permitting the permits, how to get those, the zoning. If you have a project that is going to have to get a variance from the local zoning board, that's going to add a lot of time to the project versus one that could be built as a right. So you're going to want to maybe weigh those considerations in.

The permitting process might require some redesign if it doesn't meet code, and that too will both add some time and potentially some additional costs to the project. You want to make sure all the projects have a feasible plan for ongoing operations. Again, you don't want to build it if the project sponsor is not going to be able to sustain it.

So that doesn't mean you have to have a HOPWA operating subsidy. You may be able to identify other project-based subsidies or just looking at what targeted residents would be able to pay. Basically you want to make sure that when the doors are open, you can turn the lights on, you can heat the building, and you can cover other operating costs.

On this side, monitoring and grantee fund disbursement, as I mentioned earlier, monitoring starts before construction starts. So what we mean here is that before the construction, you'll want to set up a process for how the project is going to be monitored, and you want to communicate that clearly with your project sponsor. You'll want someone knowledgeable about current building practices who will visit the site on a regular basis.

This could be a staff person, or it could be someone you hire. You may be able to join forces with other funders in this effort. Or maybe, again, since you are grantees, you may have another agency down the hall or on another floor of your building who does this regularly. And they're monitoring reports. They're going to provide valuable information to you in reviewing the request for funds.

The project funding request should mirror the actual progress of the work. For project sponsors, it's really important that they receive timely disbursement of funds so that they can continue working, so that they can pay the contractor and pay other team members. So you want to make sure before you even get started that you have a system in place to review their request for funds to make sure that they're accurate and to then disburse the funds so that the project doesn't get stalled because of lack of resources.

When the project is getting close to finishing, your monitoring effort is going to shift to project marketing and occupancy. So getting people into the newly available housing is the goal, and that starts with getting the word out in the community. And you don't want to wait until construction is totally done because some of that will take time as well.

So the final monitoring step is going to be the application, the leasing, and the occupancy process. From there, the project will either receive a HOPWA operating subsidy perhaps, or they'll be called stewardship units, as I reviewed earlier. And of course, you're going to monitor those accordingly.

So those are the processes as they relate to the grantee. I'm going to have Liz come over here now and talk to the project as it may relate to the sponsor.

LIZ STEWART: So here again we have broken things down into three main phases. But this time this is going to be from the project sponsor perspective. And we're going to go into a bit more detail on each of these three main phases in the next few slides.

But I want to be clear on who we're talking about when we say the development entity. The development entity is the organization that owns the property and is in charge of the construction activity. And in most cases, this will be the project sponsor.

For the developer, the main project phases are known as pre-development, which is really going to be identifying and selecting the property, building your team, developing the scope and proposal. Second phase is the project financing, which is really where you're figuring out how you're going to pay for this project scope that you put together. So that includes applying for the funding, again making sure that an environmental review is completed before anything else happens, executing a grant and loan agreement, and then recording any restrictive covenants that are required.

And then the third stage is going to be the actual construction and lease up of the property. So that includes the construction. That includes submitting any requisitions to funding sources for payment, paying the contractors that you have in place and any of those other team members that you've contracted with and then marketing the property, leasing it up, and then operating it moving forward.

And so we're going to go into each one of these phases in more detail. So the pre-development period of a project is when you'll be making important decisions about the scope and the design of the project. And these decisions really will define what your project is. And many design and scope decisions are ultimately driven by the property itself.

So if you are looking for a new property or choosing among existing programs, the physical environment, the geography, and the location will have a big impact on the entire project. And usually decisions about property involve trade-offs. So it's important to not expect that a property be a perfect fit. Rather, you're going to really want to prioritize your needs and choose the most suitable property available.

So for example, you may have a property that requires some work but not a huge amount. But it's not in a desirable location. Whereas you may have another property that's in a location that's accessible to transportation and other services, but it requires more substantial rehab. And in this situation, you may decide that the property requiring more work is actually a better investment in the long run. Even though it may cost more money, it might actually be meeting the needs of your population that you're serving better, and therefore it may be worth the extra time to try to find additional sources of financing.

And so if you will be working with a development consultant, they can help you in kind making some of these decisions. And they are typically involved in the beginning to help guide you through this process. An architect is also an important team member that is involved in the early stages of developing the scope. and the design and will produce really the series of drawings, each with more detail as you get closer to figuring out what the project is actually going to entail.

And the architect piece is really important because a lot of funders want to see architectural drawings that are pretty well developed when deciding whether or not they're going to fund a project. And these architectural drawings, along with other funding application requirements, are focused during the pre-development planning phase. And so you want to be sure to carefully review the RFP that a grantee puts out as soon as it's available so that you can begin compiling all of the necessary information and ensuring that you're meeting any of the requirements that are in that RFP.

So the second stage is going to be the financing. And depending on the scope of your project, you may need more than one source of funds in order to cover all of your costs, both the hard and the soft costs. And different funders will likely have their own application process and requirements.

Some funders will receive applications on a rolling basis. So kind of whenever you submit the application they're willing to take it. While others will have deadlines that you have to meet. And this is really important to keep in mind when thinking through your overall project timeline.

All funders, public and private, who will be either granting or lending funds to the project are interested in minimizing their risk. So any unknowns of a project can be seen as a risk by a funder. These can be anything from unresolved legal or zoning issues to incomplete environmental testing.

The more things that you can finalize or complete, the better your chances of actually getting awarded those funding opportunities are. And so as you prepare your applications for funding, be sure you fully understand the commitments you'll be taking on. You want to be sure you understand what your obligations are and how long they last.

And typically funders will require a use restriction, such as the one that the HOPWA requires, requiring that all-- with HOPWA of funds it requires that any unit be occupied by HOPWA-eligible households for either a 3-year or a 10-year period. For other funders, depending on what they're providing, maybe it's HOME funding, maybe it's some local source of funding, they also may have specific restrictions that require you to maintain the property and serve a certain group of folks for a certain period of time. So it's important that you're aware of all of the different funding sources that you need and what those different requirements are for each, that you really have a clear sense of what your commitment is long term.

And so the next phase that we're going to going into is the actual construction and operations. Once your financing is in place, you will then enter into the final stage of construction operations. So you'll have your building permit in hand, and now you can finally start your construction activities.

You'll need an expert to keep an eye on the progress and the quality of the work every step of the way. And this path of construction monitoring is done by either the project's architect in a lot of situations or another construction expert. It's important that you have an expert that is independent from your construction contractor to keep an eye on the project.

You and this expert should establish a regular ongoing meeting with the contractor to review progress and address issues as they arise. And part of this review should include a review of the contractor's payment requests. Those requests should follow a reasonable payment structure that you develop prior to construction starting.

For example, it is typical for a contract to request payment in the initial stage to cover a portion of their startup costs. After that, payments may reflect the amount of progress that has been completed. A small percentage may also be held back until project completion.

So for example, if you're making payments to a construction contractor if they've only gotten 25% of the construction complete, and they're asking for 50% of the cost that would be for construction, that would be something that you'd want to be clear about upfront what your expectations are and that you likely would not be providing any more funds than what's in line with the construction progress. And as a developer, you'll be reviewing and paying the requests from the contractor while you also prepare requisitions or requests for payment from all your other funders. And you will need the cash from your funders in order to pay your contractor and any of those other professionals that you have hired.

And so it's important to present an organized and fully documented request for payment to your funder, since this process makes it more efficient. And so you want to check with each funder about their disbursement process and timeline. And timely payments to your contractor are essential for keeping the project moving. And we've seen in other capital development situations, where funders can all agree maybe on a specific form to use for a disbursement request just to help streamline things. So making sure that you have all of that figured out ahead of time makes a lot of sense.

And then the final process of this phase is going to be the marketing and lease-up process. And that really is going to differ from project to project. So planning ahead when a marketing strategy is needed will definitely help you reach your occupancy goals. And with an occupied property, you will begin your operation phase.

And as we discussed earlier, if you are not going to be receiving HOPWA operating dollars, then these units are going to be considered stewardship units for either 3 years for non-substantial rehab or 10 years for substantial rehab. If the project will continue to be funded with HOPWA operating dollars, then you will include the units under the operating category on the APR or the CAPER.

So that is a lot of information that we just provided. But we want to wrap things up so that we can make sure we get some of your questions. So we just want to hit the major items that we talked about today.

The HOPWA funds can be used to pay for capital development projects, or brick and mortar as we call it sometimes. And doing so can provide great benefits to your community, but you want to keep in mind that projects can be quite complex and require a variety of technical expertise. Because completing a project is a significant undertaking, you will benefit from being strategic and investing in a thorough planning process.

Combining HOPWA capital development funds with ongoing operating funding creates a pathway for agencies to start new programs and services in your community. And finding the right partners and building a strong team of experts is essential. So as always, if we're not able to answer some of your questions later, there's always the HOPWA AAQ. It's a really great resource. I would suggest to you put your questions in there if we don't get to them today.

Some of them may also be more complex than we're able to answer over a webinar. And that would be a good spot for those questions to go in the HOPWA AAQ. In addition, for those of you that are on the call that are communities that are highly impacted by HOPWA modernization, you can also continue this conversation with your TA provider.

So I know there's been a couple of questions that have come in that we haven't gotten to yet.

MARIE HERB: I have some, Liz. Do you want me to go first?

LIZ STEWART: Sure.

MARIE HERB: So there were a few questions about environmental reviews. One is, what environmental review standards are required to adhere to when using HOPWA for projects? And I'd say there are two answers to that, depending on what the project is.

So if we're talking a project that's using HOPWA for more limited rehab, then you would have to follow the limited scope environmental review. If it's a HOPWA project that includes substantial rehab or new construction, then it would follow the environmental assessment's environmental review process. And again, your local field offices all have someone identified as the environmental review expert in their office. And so reaching out to them, they can really help you understand which of those you'd have to follow and how to best go about it.

Another question -- and I think this is dealing with that minimum use restriction-- is would we need to get an appraisal after the work is done to determine the value of the building? How do we know which is applicable? So I think it's a great question. And I'd say you want to do both.

So you'll want to get a sense before so that you, again, know are you facing a 3-year restriction or a 10-year restriction, because that may impact your decision. But then also after your work is all done, I'd say you also want to get a true appraisal after construction. And that would be both to confirm that your original assessment was correct, but you'll probably also need to get that and do that for any sort of property insurance as well. So you'll be able to kill two birds with one stone.

Another question, are funds available to complete the environmental review? And yes, the cost to have the environmental review done could be included in the overall development costs. It would be one of those soft costs that Liz reviewed. And you could cover that in that process, in the development budget.

So those are the questions I see right now, Liz. Do you have any others?

LIZ STEWART: Yeah. I have a few other ones. Can you request funds to update an existing building that is being utilized for HOPWA activity? And so the answer to that is yes, assuming that all those different requirements get put in place, like capital costs are then added to the consolidated plan, and the grantee puts out an RFP for those, that those funds could be to update or rehab an existing building that is already using HOPWA housing.

So maybe you're getting some operating funds, but there are some needed rehabilitation activities that would better meet the needs of the people that are residing there. That could be an eligible cost. Another question is, are improvements of existing program properties limited just to safety concerns?

And the answer to that is no, they aren't. I mean it definitely would be eligible if you are doing rehab to address safety concerns. But it doesn't need to only be safety concerns. For example, a building the way it's configured now, that is part of your HOPWA program may not be configured in a way that is actually meeting the needs of some of the participants in the program. And so maybe if you were able to do some rehab to change either configuration or other aspects of it that would better meet the needs, those certainly would be eligible capital improvements, if they fall into that category based off the other aspects that we talked earlier about, whether it's rehab versus repair.

MARIE HERB: Here's a question. Is there an overarching agency that creates the consolidated plan? So yes. So again, to step back, what we've been talking about are funds that are block granted by HUD to eligible entities based on a formula. So there would be in each of those jurisdictions, an agency that is identified as responsible for completing the consolidated plan.

But that agency, because that plan includes more than just HOPWA funds-- it includes HOME funds, it'll include potentially emergency shelter grant funds, community development block grant funds-- it might need to draw upon the expertise of a number of other agencies in that jurisdiction. So if it's a city, it may need to call upon two or three other agencies to help complete the plan. But in HUD's eyes, I think there is one place that they would expect the consolidated plan to be submitted by.

LIZ STEWART: Another question that came up is just to ask about whether or not these slides will be provided afterwards. And these slides are being sent out, so everyone will have access to these. So we're just looking through the question box and see if there's any other ones we can address.

OK, while folks are maybe thinking of additional questions, why don't we go ahead and put out our last poll, which is after learning more about capital development today--

MARIE HERB: Kim, can you launch it and also read it? Because we can't see it here. Oh, there it is. OK.

LIZ STEWART: So after today's discussion, do you think you will use HOPWA funds or consider using HOPWA funds for bricks and mortar? So yes, we'd like to; no, not interested; or still not sure.

KIM: OK. We got 47% that said yes. 26% said no. And another 26% said they're not sure.

LIZ STEWART: OK, well, I think that is really interesting that some of you are thinking more about this. And again, you have the HOPWA AAQ, and you have a TA provider potentially. There's always your field office, if you're interested in asking more questions about what this may entail.

So we are happy that everyone was able to participate today. And we hope that you found this helpful. The slides will be available.

We'll be distributing those soon after this is over. And we appreciate you spending your afternoon with us. So thank you so much.

MARIE HERB: Thank you. Have a good day, everyone.