

BRICK & MORTAR PROJECTS

Capital development projects are long-term investments where large sums of money are used to buy, build, and/or renovate real property. The capital refers to the real property. The development is the construction activity. The building or rehabilitation (development) of real property increases its value (capital). Capital development projects are each one of a kind — varying in scope, design, and complexity. Typically, a wide range of technical expertise is needed at different stages along the way.







This resource is prepared by technical assistance providers and intended to help grantees and project sponsors understand HOPWA program guidance. The contents of this document, except when based on statutory or regulatory authority or law, do not have the force and effect of law and are not meant to bind the public in any way. This document is intended only to provide clarity to the public regarding existing requirements under the law or agency policies.

EXPERTISE NEEDED

The nature of capital development projects demands a range of skills at different stages of the project. A team of professionals is needed for successfully completing a project. While projects vary greatly, most are multi-year undertakings. The team of people involved in a project may include:

- Owners/Developers
- Consultants
- Lenders/Funders
- Lawyers
- Building Contractors
- Environmental Specialists
- Local Officials
- Project Managers
- Board Members
- Investors
- Architects
- Engineers
- Construction Monitors

PROJECT PHASES: GRANTEE VS. PROJECT SPONSOR

 RFP	Procurement		Grant Agreement		Monitoring & Disbursements
<ul style="list-style-type: none">▪ Complete ConPlan requirements▪ Issue a Request for Proposal (RFP) that reflects local needs and goals▪ Review projects for eligibility, appropriateness, team capacity, readiness, and sustainability		<ul style="list-style-type: none">▪ Execute grant/loan agreement outlining requirements▪ Record restrictive covenants with minimum use period		<ul style="list-style-type: none">▪ Monitor construction activity regularly for timeliness and quality▪ Review requisitions carefully▪ Drawdown and disburse funds in a timely manner	
	Predevelopment Planning		Financing & Use Restrictions		Construction
<ul style="list-style-type: none">▪ Identify property to buy/build/renovate▪ Select team members with needed expertise▪ Develop project design and scope		<ul style="list-style-type: none">▪ Prepare funding applications▪ Understand long-term impact of obligations required by funders/lenders▪ Execute agreements and restrictive covenants		<ul style="list-style-type: none">▪ Begin construction with oversight plan for quality and timeliness▪ Submit requisitions for reimbursement and pay contractors▪ Plan ahead for marketing and lease up to achieve full occupancy	

Project Phases	Grantee Activity	Developer Activity (Grantee or Project Sponsor)
Predevelopment and Procurement	<ul style="list-style-type: none"> ▪ Work with HUD Field Office (FO) to complete ConPlan requirements ▪ Issue a Request for Proposal (RFP) that reflects local needs and goals ▪ Review projects for eligibility, appropriateness, team capacity, readiness, and sustainability 	<ul style="list-style-type: none"> ▪ Identify property to buy/build/renovate ▪ Select team members with needed expertise ▪ Develop project design and scope
Financing and Grant Agreements	<ul style="list-style-type: none"> ▪ Work with HUD FO to complete Environmental Review (before committing funds) ▪ Select projects and commit funds ▪ Execute grant/loan agreement outlining requirements ▪ Record restrictive covenants with minimum use period 	<ul style="list-style-type: none"> ▪ Prepare funding applications ▪ Understand long-term impact of obligations required by funders/lenders ▪ Work with HUD FO to complete Environmental Review ▪ Execute agreements and restrictive covenants
Construction, Monitoring, and Disbursements	<ul style="list-style-type: none"> ▪ Monitor construction activity regularly for timeliness and quality ▪ Review requisitions carefully ▪ Drawdown and disburse funds in a timely manner 	<ul style="list-style-type: none"> ▪ Begin construction with oversight plan for quality and timeliness ▪ Submit requisitions for reimbursement and pay contractors ▪ Plan ahead for marketing and lease-up to achieve full occupancy

ELIGIBLE ACTIVITIES

Eligible activities under HOPWA Facility-Based Housing include:

- Acquisition, rehabilitation, conversion, and repair of facility-based housing
- Newconstruction of SRO units and Community Residences

FOR MORE INFORMATION

- HOPWA Oversight Training, Module 2, Unit 4, Special Issues for Capital Development:
<https://www.hudexchange.info/trainings/hopwa-oversight-training/>
- HUD Ask a Question:
<https://www.hudexchange.info/program-support/my-question/>

MINIMUM USE PERIODS

When HOPWA is used for the construction or rehabilitation of units, minimum use periods apply. The grantee and project sponsor must ensure that the facility and/or units will be set aside for people living with HIV/AIDS (PLWHA) for a minimum of either a three- or ten-year period. For non-substantial rehabilitation (when the value is less than or equal to 75% of the value of the building after renovation), there is a 3-year minimum use requirement. For substantial rehabilitation, construction, and purchase, there is a 10-year minimum use requirement. If HOPWA funds are not used to support the operating costs of a project during the minimum use period, these units are referred to as “Stewardship” units and annual reporting requirements do apply.

ADDITIONAL REQUIREMENTS

All of the HOPWA Facility-Based Housing requirements apply, such as Habitability Standards, along with a series of HUD requirements (Lead-based Paint, Environmental Review, Energy Star, etc). If this is the first time HOPWA will be used for capital development, an amendment to the ConPlan may be necessary. In addition, there will be state and local requirements such as zoning, building codes, and life safety standards, among others.