

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF FINANCIAL ASSISTANCE**

Infill Infrastructure Grant Program
Transit-Oriented Development Housing Program
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April 4, 2013

TO: All Interested Parties

FROM: Eugene Lee, Section Chief
Infill Infrastructure Grant and TOD Housing Programs

SUBJECT: IIG and TOD NOFAs and Draft Guideline Changes

This memorandum describes the Round 3 Notices of Funding Availability ("NOFAs") for the Infill Infrastructure Grant Program ("IIG") and the Transit-Oriented Development Housing Program ("TOD"). This memorandum also announces the written public comment period for the proposed changes dated March 12, 2013 to the IIG Guidelines (Rev. 9/1/10) ([Attachment 1](#)) and the TOD Guidelines (Rev. 3/19/09) ([Attachment 2](#)).

Pursuant to the funding authority in AB 1585/Ch. 777, Statutes 2012 ("AB 1585"), the Department of Housing and Community Development (HCD) will be issuing NOFAs in April 2013 for the IIG and TOD Programs. AB 1585 appropriates \$25 million each for IIG and TOD, respectively. The final amount of the NOFAs may be increased subject to additional funds being made available through the disencumbrance of prior awards.

There will be a **public comment period** commencing with the date of this memorandum for which the public may submit written comments to HCD regarding the proposed revisions contained in the draft IIG and TOD Guidelines. After giving careful consideration to the public comments, HCD will issue the final IIG and TOD Guidelines ("Final Guidelines") that will apply to project applications evaluated and awarded through each of the NOFAs. Thereafter HCD anticipates that the NOFAs and Final Guidelines will be posted online in April 2013, with applications being due in June 2013, and funds awarded in September 2013. The final schedule and application workshop dates will be stated in these NOFAs. No additional NOFAs are planned at this time.

I. Proposed NOFA Considerations

A. Eligible Projects

Although there are housing development examples evidencing forms of economic recovery in certain housing markets, stakeholders state that current economic conditions are continuing to constrain the construction of housing, particularly large, multi-phased projects and qualifying infill areas in most regions of the state.

HCD supports the expeditious use of the IIG and TOD funds and the rapid creation of housing, infrastructure, and jobs through IIG and TOD projects. To encourage the development of feasible infill housing in current market conditions, the Round 3 IIG and TOD NOFAs will: 1) be limited to Qualifying Infill Projects (QIPs) in the IIG Program, and 2) continue to allow projects with a minimum of 50 housing units to apply in the TOD Program.

B. Eligible Applicants

- (i) For IIG, the nonprofit or for-profit developer of the Qualifying Infill Project is a required applicant, either by itself or as a joint applicant with a Locality or public housing authority with jurisdiction over the area in which the Qualifying Infill Project is located. Public agencies are not eligible as sole applicants for Qualifying Infill Projects. Transit districts, regional planning agencies, and joint powers authorities are not eligible joint applicants, except that joint powers authorities comprised entirely of eligible applicants are eligible, jointly with the developer of the Qualifying Infill Project, where the authority granted to the joint powers authority encompasses the activities necessary to comply with the requirements of the Program.

- (ii) For TOD, the eligible applicants are:

TYPE OF PROJECT FINANCIAL ASSISTANCE REQUESTED	REQUIRED APPLICANT(S)
Rental Housing Development	Eligible Developer(s) of the proposed Housing Development
Homeownership Housing Development	Eligible Developer(s) of the proposed Housing Development and the Locality in which the proposed Housing Development is to be located as co-applicants
Rental and Homeownership Housing Development	Eligible Developer(s) of the proposed Housing Development and the Locality in which the proposed Housing Development is to be located as co-applicants
Infrastructure Project	The Locality in which proposed Project is to be located, or a public transit agency
Housing Development and Infrastructure Project	Eligible Developer(s) of the proposed Housing Development, and the developer of the Infrastructure Project (either the Locality in which proposed Infrastructure Project is to be located, or a public transit agency), as co-applicants. If Program funds will be used for homeownership units, the Locality that will administer these funds must be a co-applicant.

C. Award Amounts

The maximum award from each program will be \$4 million. However, an individual housing project may receive both an IIG grant and a TOD permanent loan award up to the maximum amount under each NOFA (e.g. a \$4 million IIG grant and a \$4 million TOD loan to a single project). Applicants electing to apply to both programs will be individually evaluated by each program without assurances of funding from either program.

The IIG and TOD award amounts will be determined using the existing calculations stated in the IIG and TOD Guidelines.

D. Disbursement Deadlines

All IIG and TOD awarded funds must be disbursed no later than October 1, 2017.

E. Housing Element Compliance (IIG)

Due to different housing element review cycles, HCD will state the required compliance deadline in the NOFA instead of using the IIG application deadline.

F. Geographic Distribution (IIG)

HCD will use the same approximate funding targets for geographic distribution of funds used in prior IIG NOFAs:

- (i) Target 45% of total funds to projects located in Southern California (Kern, San Bernardino, San Luis Obispo, Santa Barbara, Ventura, Los Angeles, Orange, Riverside, San Diego or Imperial counties);
- (ii) Target 10% of total funds to projects located in the Central Valley (Fresno, Kings, Madera, Merced, San Joaquin, Stanislaus and Tulare counties);
and
- (iii) Target 45% of total funds to projects located in Northern California (those counties not specified in paragraphs (a) and (b) above).

G. Score Tie Breakers IIG & TOD

In the NOFA, HCD is proposing that in the event two or more applications have the same rating and ranking scores, the following bonus points will be awarded in this order of priority until there is no longer a tie:

- (1) 10 bonus points will be awarded if the Qualifying Infill Project or TOD Project, is a Catalyst Capital grant recipient within a jurisdiction that received a Gold or Silver designation from HCD via the Catalyst Projects for California Sustainable Strategies Pilot Program.
- (2) If a tie still remains after applying the above criteria, then, an additional 5 bonus points will be awarded to the Qualifying Infill Project or TOD Project having the lowest ratio between the requested grant or loan amount to the total allowable maximum grant or loan amount per the maximum calculated in accordance to the respective program, guideline. (i.e as that maximum is calculated pursuant to

Section 305(a) in IIG). All such ratios will be rounded to the nearest second decimal point.

- (3) If a tie still remains after applying the above criteria, then, an additional 3 bonus points will be awarded to the Qualifying Infill Project or TOD Project for each prior awarded Qualifying Infill Project developed by the Applicant Entity that has received a certificate of occupancy by the deadline for submittal of applications set forth in the NOFA.
- (4) If a tie still remains after applying the above criteria, then, an additional 1 bonus point will be awarded to the Qualifying Infill Project or TOD Project application received earliest by HCD.
- (5) If a tie still remains after applying the above criteria (i.e. if two or more applications remained tied and were received by HCD at the same time) then the HCD Deputy Director shall have the discretion to resolve the remaining tied applications.

II. Proposed IIG Guideline Changes

Section 303(a)(2) - Eligible Projects

HCD will specify the housing element compliance requirements in the NOFA, recognizing adjustments may be necessary to ensure a broad, geographically representative pool of applicants based on the housing element submittal deadlines to HCD.

Section 305(b) - Grant Terms and Limits

The proposed grant limit is a maximum of \$4 million for Qualifying Infill Projects. This amount is based upon the size of existing QIPs awards and stakeholder feedback that the amount is adequate to fund most infrastructure costs for QIPs.

Section 306(c) – Performance Requirements

Because the NOFA will result in funding the most competitively ready QIP projects, the guidelines have been amended to require housing construction commencement within two years of the award and housing completion within five years of award.

Funds awarded from the April 2013 NOFA must be fully disbursed no later than October 1, 2017. This term allows sufficient time for the submission, review, and approval of infrastructure costs prior to the final fund liquidation deadline of January 1, 2018. As a result, HCD is requiring recipients to execute all necessary IIG grant documents no later than June 30, 2014, to allow sufficient time for loan closings and infrastructure and housing construction.

Section 307 (c) and (f) – Eligible Applicants and Application Process

Redevelopment agencies are no longer eligible applicants. In the event of tied scores in the application evaluation process, HCD will utilize a tiered, tie breaking system stated in the NOFA.

Section 309 - Application Selection Criteria for Qualifying Infill Projects

(a)(1) and (2) Project Readiness – Environmental Review Status and Land Use Entitlement Status

HCD proposes to increase the points in this category to reward ready projects that have satisfied the necessary environmental review requirements and substantially obtained land use entitlements. HCD proposes to eliminate measurements less useful in evidencing increased project readiness.

(a)(3) – Funding Commitments

In response to the general reduction of public funding resources for housing and community development, HCD proposes to lower the minimum percentage of funding commitments to receive full points, and create a mid-level point category for projects receiving 75 percent of construction and permanent funding sources for the proposed infrastructure and housing development. Also, HCD is clarifying that land donations and local fee waivers are permissible forms of funding commitments. HCD is utilizing language similar to documentation standards reflected in the Tax Credit Allocation Committee regulations.

(a)(4) – Local Support

HCD is deleting references to the 2009 federal economic stimulus package (“Stimulus Funds”) because these federal funds are no longer available to new projects, and striking out less material forms of local support. Additionally, HCD is clarifying that land donations and local fee waivers are permissible forms of local support using the text in *Funding Commitments* - Section 309 (a)(3).

Section 309(f) – Consistency with Regional Plans

HCD is reducing the points in this category and transferring them to the Project Readiness category. Also, HCD recognizes that other types of adopted regional growth plans may serve the same purpose as regional blueprint plans. Therefore, HCD is clarifying that another adopted regional growth plan, such as a regional transportation plan with the same stated intent of fostering infill development and efficient land use, may be accepted for affirming consistency. To receive points, applicants must provide an authorized letter or resolution from the responsible entity adopting the plan. Regional Housing Need Allocation (RHNA) plans will not be accepted because all jurisdictions are statutorily subject to RHNA plans.

III. Proposed TOD Guideline Changes

Section 105(a) – Assistance Terms and Limits

The proposed assistance limit for eligible TOD projects is a maximum of \$4 million in the form of either a rental housing development loan or infrastructure grant.

Section 106(c) – Application Process-Eligible Applicants

Redevelopment Agencies are no longer eligible applicants for Program.

Section 108 - Application Selection Criteria - Readiness of the Housing Development

HCD proposes to increase the points in this category to reward ready projects that have satisfied the necessary environmental review requirements and substantially obtained land use entitlements. HCD proposes to eliminate measurements less useful in evidencing increased project readiness.

(g)(1) – Funding Commitments

In response to the general reduction of public funding resources for housing and community development, HCD proposes to lower the minimum percentage of funding commitments to receive full points, and create a mid-level point category for projects receiving 75 percent of construction and permanent funding sources for the proposed infrastructure and housing development. Also, HCD is clarifying that land donations and local fee waivers are permissible forms of funding commitments. HCD is utilizing language similar to documentation standards reflected in the Tax Credit Allocation Committee regulations.

(j) – Community Support

HCD is eliminating this scoring category.

(k) – Replacement Scoring Category

HCD is eliminating scoring for Project Size and will replace it with a new category that will measure accessibility and scale of Qualified Employment Areas from a prescribed proximity from the Qualified Transit Station serving the Housing Development to that of a Destination Transit Station using an online mapping application on the U.S. Census Bureau website.

(m) – Economic Stimulus Funding and Local Support

HCD is deleting references to the 2009 federal economic stimulus package (“Stimulus Funds”) because these federal funds are no longer available to new projects, and striking out less material forms of local support. Additionally, HCD is clarifying that land donations and local fee waivers are permissible forms of local support using the text in *Funding Commitments* - Section 108 (g)(1).

IV. Public Comment Timing

No later than April 24th at 5 PM, submit your written comments to the proposed IIG and TOD Guideline Changes using the attached form (Attachment 3) to:

IIG Program: infill@hcd.ca.gov

TOD Program: tod@hcd.ca.gov

Email Subject Line: “[IIG or TOD] R3 Guideline Comments”

HCD will carefully review and consider all comments before issuing the Final Guidelines that will be used for the NOFAs.

If you have questions, you may email the IIG Program at infill@hcd.ca.gov and the TOD Program at tod@hcd.ca.gov or call (916) 324-1555.

Thank you and we look forward to your participation in this important process.

Attachments

1. IIG Program Guidelines (Draft Rev. 4/4/13).
2. TOD Program Guidelines (Draft Rev. 4/4/13).
3. Guideline Comment Form (*Excel*)

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