

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

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**Infill Infrastructure Grant Program
Draft Guidelines
Statement of Reasons**

The Infill Infrastructure Grant Program (IIG or Program) was originally funded by Proposition 1C, the Housing and Emergency Shelter Trust Fund Act of 2006. IIG is one of the California Department of Housing and Community Development's (Department) most successful programs and has provided almost \$800 million for critical infrastructure supporting the development of over 17,000 multifamily homes.

These Draft Guidelines incorporate changes pending the Governor's signature of AB 101 of 2019. This bill creates the Infill Infrastructure Grant Program of 2019 and allocates \$500 million to the Program fund.

The Round 6 Draft Guidelines include Program modifications required by this pending legislation, as well as the Administration's goals to encourage better linkages between housing and transportation, regional planning, and fostering local governmental accountability. Additional updates are proposed to promote consistency across Department funding sources and reduce applicant burden wherever possible. Generally, new or modified requirements in these Draft Guidelines encourage a higher level of readiness and promote "prohousing" local policies that facilitate the planning, approval, or construction of housing.

The proposed Draft Guidelines establish a noncompetitive over-the-counter process for applications from Small Jurisdictions that meet eligibility criteria to receive \$90 million in IIG funding. Small Jurisdictions are defined by the Program as a county with a population of less than 250,000, or any city within that county. The Draft Guidelines also maintain a competitive application process for remaining California counties, which are eligible to apply for \$410 million in grants over two funding cycles.

Following the public comment period, the Department will release Program Guidelines and a Notice of Funding Availability in the fall of 2019.

This Statement of Reasons describes the rationale behind significant proposed changes to the IIG Program and highlights topics on which the Department is particularly interested in receiving comments. The proposed changes are reflected in the Round 6 Draft Guidelines, available at www.hcd.ca.gov, with updates shown in strikeout and underline format.

For questions, please contact Mark Stivers, Acting Deputy Director, Division of Financial Assistance, at (916) 263-1015 or Mark.Stivers@hcd.ca.gov.

Section 302. Definitions

This section introduces the following new terms:

Section 302(j): “Developer” means an applicant that the Department may rely upon for site control of either the Qualifying Infill Project or Qualifying Infill Area.

Section 302(k): “Large Jurisdiction” means a county that is not a Small Jurisdiction.

Section 302(s): “Nondiscretionary Local Approval Process” is one that includes little or no subjective judgment by the public official and is limited to ensuring that the proposed development meets a set of objective zoning, design review and/or subdivision standards in effect at the time the application is submitted to the local government.

Section 302(z): “Small Jurisdiction” means a county with a population of less than 250,000 as of January 1, 2019, or any city within that county.

Section 303. Eligible Projects

Section 303(a)(2): Requires housing element compliance at the time of application.

Section 303(a)(3): Identifies annual progress report submittal requirements pursuant to AB 101 of 2019.

Section 303(a)(4)(B): Updates disposition and development agreement execution date pursuant to AB 101.

Section 303(a)(4)(D): Expands definition of replacement units that are not counted towards the 15 percent affordability requirement.

Section 303(a)(6): Incorporates sustainable communities strategies, specific plans, workforce housing opportunity zones, and housing sustainability districts as acceptable adopted plans as required by AB 101.

Section 303(a)(7): Clarifies requirements for infill projects in Large Jurisdictions pursuant to AB 101.

Section 303(a)(8): Introduces requirements for infill projects in Small Jurisdictions pursuant to AB 101.

Section 303(a)(9): Identifies specific requirements for Capital Improvement Projects within Small Jurisdictions pursuant to AB 101. Since applications from Small Jurisdictions are noncompetitive, it is important the Capital Improvement Projects exhibit a high degree of readiness.

Section 303(b)(2): Introduces readiness requirements for Qualifying Infill Projects in Small Jurisdictions. Since applications from Small Jurisdictions are noncompetitive, it is important the Qualifying Infill Projects exhibit a high degree of readiness. Unincorporated Small Jurisdictions are granted lesser readiness standards as required by AB 101.

Section 303(c)(2): Clarifies requirements for Qualifying Infill Areas in Large Jurisdictions pursuant to AB 101. Additionally, expands Qualifying Infill Area entitlement eligibility to include pending applications pursuant to the Nondiscretionary Local Approval Process definition.

Section 303(c)(3): Introduces requirements for Qualifying Infill Areas in Small Jurisdictions pursuant to AB 101. The requirement allows Qualified Infill Areas to include sites identified in the site inventory of the jurisdiction's currently adopted housing element or to document that the area's Capital Improvement Project, as documented by an environmental review or other adopted planning document, is necessary to make the area suitable and available for residential development or to allow the area to accommodate housing for additional income levels.

Section 305. Grant Terms and Limits

Section 305(b): Increases minimum grant amounts for Qualifying Infill Projects to encourage catalytic projects.

Section 305(g): Updates grant term to allow Small Jurisdiction Qualifying Infill Areas to complete work and submit for reimbursements prior to obtaining non-Program funding commitments and land use entitlements for the Qualifying Infill Project because Qualifying Infill Areas in Small Jurisdictions are not required to include a Qualifying Infill Project.

Section 305(k): Introduces requirements for Senior Balloon Payments and Sandwich Loans consistent with the Uniform Multifamily Regulations to protect the affordability covenant.

Section 306. Performance Requirements

Section 306(a): Exempts Small Jurisdictions from the requirement to begin housing construction in a Qualifying Infill Area within two years of Program award because Qualifying Infill Areas in Small Jurisdictions are not required to include a Qualifying Infill Project.

Section 306(b): Exempts Small Jurisdictions from the requirement to complete housing construction in a Qualifying Infill Area within five years of Program award because Qualifying Infill Areas in Small Jurisdictions are not required to include a Qualifying Infill Project.

Section 306(c): Identifies the performance milestone table as only applicable to projects funded by Proposition 1C.

Section 306(d): Exempts Small Jurisdictions from the requirement to repay grant funds in the event the housing used as the basis of calculating the grant amount is not commenced in a timely manner because Qualifying Infill Areas in Small Jurisdictions are not required to include a Qualifying Infill Project.

Section 306(e): Requires demonstration of progress toward meeting performance milestones prior to submission of subsequent Program applications within the same or adjoining Qualifying Infill Areas.

Section 307. Eligible Applicants and Application Process

Section 307(c): AB 101 requires every application to include a Locality as an applicant or co-applicant.

Section 307(d): Allows Small Jurisdictions to submit over-the-counter, noncompetitive applications. This section restricts the competitive application process and adjustments for geographic distribution for Large Jurisdictions pursuant to AB 101.

Section 308. Application Threshold Requirements

Section 308(b)(2): Requires Qualifying Infill Areas to include a Qualifying Infill Project in Large Jurisdictions pursuant to AB 101.

Section 308(d): Updates disposition and development execution date pursuant to AB 101.

Section 309. Application Selection Criteria for Qualifying Infill Projects in Large Jurisdictions

Section 309: Updates competitive application selection criteria to only apply to Large Jurisdictions as required by AB 101 and changes the maximum score for a Qualifying Infill Project in a Large Jurisdiction to 100 points.

Section 309(a)(2)(B): Introduces a Land Use Entitlement Status point category for applications submitted pursuant to a Nondiscretionary Local Approval Process.

Section 309(a)(2)(C): Redistributes Land Use Entitlement Status points for the lowest subcategory since a new subcategory was added.

Section 309(a)(3)(B): Requires a California Tax Credit Allocation Committee reservation letter to count 9 percent Low-Income Housing Tax Credit equity as committed. Additionally, clarifies when other Department funding must be awarded to count towards funding commitment points.

Section 309(a)(5)(A): Introduces a Prohousing Policies Readiness point category for Qualifying Infill Projects as described in AB 101 for projects located in jurisdictions:

- (i) with local financial incentives for housing or that have implemented measures to reduce impact fees,
- (ii) that have adopted a Nondiscretionary Local Approval Process in all zones permitting multifamily housing or that have established workforce housing opportunity zones or housing sustainability districts,
- (iii) zoning more residential sites or sites at higher densities than required to accommodate their low-income regional housing needs allocation,
- (iv) that have adopted mechanisms promoting the development of accessory dwelling units, and
- (v) have adopted objective design standards.

Section 309(f)(1): Updates the Consistency with Regional Plans section for Qualifying Infill Projects to include multiple point categories that will contribute to the maximum score in this section.

Section 309(f)(1)(A): Updates point categories within the Consistency with Regional Plans section for Qualifying Infill Projects to ensure projects that support the region's sustainable communities strategy or alternative planning strategy will receive points pursuant to AB 101.

Section 309(f)(1)(B): Updates point categories within the Consistency with Regional Plans section for Qualifying Infill Projects to ensure projects located in regions not requiring a sustainable communities strategy will receive points for supporting a regional plan that includes policies and programs to reduce greenhouse gas emissions.

Section 309(f)(1)(C): Updates point categories within the Consistency with Regional Plans section for Qualifying Infill Projects to ensure projects located in transit priority areas or priority development areas will receive points.

Section 310. Application Selection Criteria for Qualifying Infill Areas in Large Jurisdictions

Section 310: Updates competitive application selection criteria to only apply to Large Jurisdictions required by AB 101, and changes the maximum score for a Qualifying Infill Area in a Large Jurisdiction to 100 points.

Section 310(a)(1): Introduces Multiple Qualifying Infill Projects points for Qualifying Infill Areas that have received all land use entitlements required for construction.

Section 310(a)(5): Updates Local Support point category to remove points for obtaining commitments for the 2009 federal economic stimulus package funding.

Section 310(a)(5)(C): Updates Local Support point category to remove the option for points for submitting a letter of support for the project.

Section 310(a)(6)(A): Introduces Prohousing Policies Readiness point category for Qualifying Infill Areas as described in AB 101 for projects located in jurisdictions:

- (i) with local financial incentives for housing or that have implemented measures to reduce impact fees,
- (ii) that have adopted a Nondiscretionary Local Approval Process in all zones permitting multifamily housing or that have established workforce housing opportunity zones or housing sustainability districts,
- (iii) zoning more residential sites or sites at higher densities than required to accommodate their low-income regional housing needs allocation,
- (iv) that have adopted mechanisms promoting the development of accessory dwelling units, and
- (v) have adopted objective design standards.

Section 310(f)(1): Updates the Consistency with Regional Plans section for Qualifying Infill Areas to include multiple point categories that will contribute to the maximum score in this section.

Section 310(f)(1)(A): Updates point categories within the Consistency with Regional Plans section for Qualifying Infill Areas to ensure projects that support the region's sustainable communities strategy or alternative planning strategy will receive points pursuant to AB 101.

Section 310(f)(1)(B): Updates point categories within the Consistency with Regional Plans section for Qualifying Infill Areas to ensure projects located in regions not requiring a

sustainable communities strategy will receive points for supporting a regional plan that includes policies and programs to reduce greenhouse gas emissions.

Section 310(f)(1)(C): Updates point categories within the Consistency with Regional Plans section for Qualifying Infill Areas to ensure projects in which not less than 50 percent of the land area is within transit priority areas or priority development areas will receive points.

Section 311. Legal Documents

Section 311: Updates the description of the Department's Standard Agreement process.

Section 312. Reporting Requirements

Section 312: Updates reporting requirements to allow the Department to monitor the construction of the Capital Improvement Project as well as the affordability and occupancy of the housing developments. Additionally, the updates allow the Department to audit and perform site visits of Recipients and Projects consistent with other Department programs to more effectively administer the Program.

Section 315. Large, Multi-phased Project Modifications

Section 315: Update section to remove Large, Multi-phased Projects application type where the project and housing units are less likely to complete in the required time.