



The statewide coalition of nonprofit housing developers, homeless services organizations and other housing advocates.

BOARD of DIRECTORS

President
Tom Scott
San Diego Housing Federation

First Vice President
Jonathan Hunter
Corporation for Supportive Housing

Second Vice President
Dora Leong Gallo
A Community of Friends, Representing Enterprise Community Partners

Secretary
Judith Bell
PolicyLink

Treasurer
Dave Ferrier
Community Housing Improvement Program, representing California Coalition for Rural Housing

Neelura Bell
Local Initiatives Support Corporation

Hannah Cohen
Community Options

Elissa Dennis
Community Economics, Inc.

Hector Fernandez
Rural Community Assistance Corporation

Emily Gordon
Service Employees International Union, United Healthcare Workers-West

Tim O'Connell
Century Housing Corporation

Geeta Rao
Non-Profit Housing Association of Northern California

Matt Schwartz
California Housing Partnership Corporation

Mona Tawatao
Legal Services of Northern California

Paul Zimmerman
Southern California Association of Non-Profit Housing

801 12th Street, Suite 512
Sacramento, CA 95814

916-447-0503 Phone
916-447-1900 Fax
www.housingca.org

January 11, 2008

Lynn Jacobs, Director
Chris Westlake, Deputy Director
Department of Housing and Community Development
1800 3rd Street
Sacramento, CA 95814

Dear Director Jacobs and Deputy Director Westlake:

On behalf of Housing California, I am pleased to provide comments on your first draft guidelines for the Infill Incentive Grant Program. This letter summarizes our key points. As requested, I have also enclosed detailed comments on the form provided by your department.

Housing California is the statewide coalition of nonprofit home developers, homeless service organizations, and other local and regional housing advocacy groups. We co-directed the Yes on Proposition 13C campaign and played a major role in crafting the implementing legislation for this program.

Overall, we strongly support the guidelines' balance of affordability, efficient land use, readiness, and other important criteria. Voters and legislators have expressed their preference for using scarce state dollars to incentivize development that the private market otherwise does not build. Your guidelines largely reflect that intent.

Below I outline our specific suggestions related to ensuring the funds are available for a range of project sizes, parking needs are addressed, and the scoring and grant limits reflect the state's long-stated goal of achieving deep affordability.

Project Size

We are aware of other groups' efforts to restrict the program to large developments with minimal affordability. The legislature rejected the proponents' attempt to limit competition in this manner, and we urge you to do the same. Communities all over the state have various size infill parcels

- Continued -

available near transit, job centers, and other amenities. Home development on such parcels clearly accomplishes the legislature's goal of limiting sprawl (See April 10, 2007, analysis of Senator Perata's SB 46).

A minimum project size requirement (or scoring change that favors larger development) would ignore the significant positive benefits that smaller developments can have on a surrounding area. Therefore, we urge you to maintain no limit on project size.

Additionally, your proposed minimum grant amount will knock out of competition otherwise very worthy infill developments. We recognize, however, that you do not want to incur the costs of administering very small grants. Therefore, we recommend a minimum grant amount of \$250,000. This is a significant sum for a below-market-rate development and will have a measurable impact on those developments' viability.

Affordability

Awarding 30 points out of 130 for the depth of a project or area's affordability strikes the right balance between this extremely important goal and other priorities outlined in the law. We urge you to maintain this point scale.

However, for projects, the point allocation within the 30 points should be adjusted to be proportional. The number of points awarded for a moderate income home is the same as for a very-low income home. As in the "infill area" scoring, these points should be scaled up based on deeper affordability. To maintain proportionality, we recommend .5 points be given for each very-low-income home.

Lastly as it relates to affordability, we recommend a modification of the suggested per-home grant limits to increase the differential between the grant amount for market-rate homes and below-market homes. The differential should reflect the lower rents (and lower debt service) that below-market-rate homes can support.

Parking

The draft guidelines allow parking to be funded **only** if it is part of a transit station development. The statute, however, does not contain this limitation (See Health and Safety Code Section 53545.12(a) (3)).

Parking requirements are one of the biggest infrastructure expenses for residential development in urban infill areas. On infill sites where space is limited and higher densities are sought, parking requirements often result in taller developments (with

parking on the ground floor) or underground parking. Both options are more expensive than the surface parking that is viable on greenfield sites. To accomplish the program's goal of addressing the most significant barriers to infill development, we recommend you make parking an eligible cost.

To address concerns about too much funding flowing to this use, you could place a funding limit of one parking space per unit.

Phased developments

We are also aware of various proposals on how to categorize and rate larger multi-phased developments. We would be very concerned about designating them as "projects" and creating different readiness standards for them than for other "projects." This approach would create an uneven playing field between projects that are fully entitled and funded (except for the infrastructure) and projects whose actual construction is less certain. Categorizing larger multi-phased developments as "areas" seems more appropriate, given the varied timeframes for development of each phase.

Thank you for taking our suggestions into consideration. We are excited about this program and eager to help make it successful.

Sincerely,

Julie M. Snyder
Policy Director

**Infill Infrastructure Grant Program
Guideline Comments**

Organization: Housing California
 Preparer Name: Julie Snyder, Policy Director
 Date: January 11, 2008

ARTICLE 1: General

	Subdivision (a, b, c, etc.)	Paragraph (1, 2, 3, etc.)	Comment
Section 300: Purpose and Scope			No comments
Section 301: Program Description			To make this program compatible with tax credits, we recommend the grant also be available as a deferred payment, 0% interest loan.
Section 302: Definitions	g		No comments

ARTICLE 2: Program Requirements

	Subdivision (a, b, c, etc.)	Paragraph (1, 2, 3, etc.)	Comment
Section 303: Eligible Projects	a	3A	Based on our conversations with Jolena, we understand that this section is intended to apply to multi-phased developments where the developer applies funding for phase "x" and also plans to seek funding for <u>future</u> phases. The section would allow the homes that are counted toward the 15% BMR minimum for each phase to be "front-loaded," i.e. all built in phase x. We have no objection to front-loading, as

			<p>long as the scoring system does not double-count the BMR homes. For example, the applicant should not receive any points toward affordability in the subsequent phases. Alternatively, the denominator (for determining the percent of homes that are below-market) should be the total of the homes proposed for phase x and all current phases for which an application will be submitted.</p> <p>We do not think it would be good policy, however, for a developer to be able to count below-market-rate homes that were built in a phase preceding that for which funding is sought, i.e. If the developer seeks funding for phase x, but the homes were built in phase w. Presumably, if the homes are already built, the infrastructure is not integral or necessary for their development.</p>
	a	3	The guidelines should provide that an applicant cannot claim credit under this program for units that it is obligated to produce as replacement housing under state redevelopment law.
Section 304: Eligible Costs	b		For the 20 percent of the grant amount allowed for other capital asset costs, it would be helpful for the department to provide guidance on how these costs would be evaluated and how you would determine if the proposed Capital Improvement Project is in furtherance with the goals and intent of the program.
	a	4	Parking requirements are one of the biggest infrastructure expenses for residential development, especially on infill sites where space is limited and higher densities are sought. The statute recognizes this and does not limit which parking structures can be funded (Health and Safety Code Section 53545.12(a) (3)). We recommend all residential parking be an eligible cost. To address concerns about too much funding flowing to this use, the department could place a funding limit of one parking space per unit.
Section 305: Grant Terms	Cover memo		<u>Per-home grant limits:</u> The lower the rents charged in a development, the lower the debt that development can incur. Therefore, we recommend a greater differential

and Limits			between the grant amount for market-rate homes and below-market homes.
	b		The minimum grant amount will knock out of competition otherwise very worthy infill developments. Recognizing that HCD does not want to incur the costs of administering very small grants, we recommend a minimum grant amount of \$250,000 . This is a significant sum for a below-market-rate development and will have a measurable impact on those developments' viability.
	c		Why is the standard "reasonably necessary" instead of "integral?" Also, if market-rate home sale prices rise between the time of the application and the sale of the homes, will the applicant be allowed to charge a higher sale price for market-rate units than indicated in the application?

ARTICLE 3: Application Procedures

	Subdivision (a, b, c, etc.)	Paragraph (1, 2, 3, etc.)	Comment
Section 306: Application Process	d		This section is confusing. The list of counties could be rearranged to read (1) awards to projects in Southern California; (2) awards to projects in the Central Valley; and (3) awards to projects located in Northern California (all of those counties not specified in the previous paragraphs.)
Section 307: Application Threshold Requirements			No comments
Section 308: Application Selection	f		Because some areas of the state have not formally adopted a regional blueprint plan, we recommend you clarify that an appropriate regional entity can certify that a proposed project is consistent with other regional smart growth visioning efforts. In

Criteria for Qualifying Infill Projects			the Bay Area, for example, the Association of Bay Area Governments and the Metropolitan Transportation Commission jointly administer the ongoing FOCUS process, which is designed to achieve the goals of the formal state-funded blueprint plans.
	b		The point scale is not proportional. The number of points awarded for a moderate income home is the same as for a very-low income home. As in the “infill area” scoring, these points should be scaled up based on deeper affordability. We recommend .5 points be given for each very-low-income home.

Section 309: Application Selection Criteria for Qualifying Infill Areas	(b)	2	To be in proportion with the rest of the scale, should “.75” be “.5” instead?
	b	NEW (7)	This section contains only a deed-restriction time frame for ownership units. It should also require that rental development be subject to a deed-restriction for at least 55 years.

ARTICLE 4: Program Operations

	Subdivision (a, b, c, etc.)	Paragraph (1, 2, 3, etc.)	Comment
Section 310:			No comments
Section 311:			No comments
Section 312:			No comments

Section 313:			No comments
Section 314:			No comments
Cover memo			Split between areas and projects: The proposed split seems reasonable, for the reasons cited in the memo.