

## Infill Infrastructure Grant Program: Achievements and Proposed Changes

On June 26, 2019, California Governor Newsom signed the Fiscal Year 2019-2020 State Budget into law, allocating [\\$1.75 billion to increase housing production](#). Twenty-nine percent of these funds—\$500 million—are allocated to the [Infill Infrastructure Grant Program \(IIG\)](#), which provides gap funding for infrastructure improvements critical to residential and mixed-use infill development. Infill development provides broad environmental benefits including reducing sprawl, vehicle miles traveled, and greenhouse gas emissions.<sup>1</sup> At the local level, these approaches increase walkability, provide a sense of place, and reduce exposure to hazardous substances and contamination through cleanup of former industrial sites.<sup>2</sup>

As the Department of Housing and Community Development (HCD) considers updates to the program's guidelines in preparation for this new influx of funding, the California Housing Partnership is pleased to share our analysis of the first five rounds of the IIG program, which reveals important trends in the composition of awards to date and their effectiveness in delivering on the program's goals.

### Background

The IIG program was created by voter approval of [Proposition 1C in 2006](#) as part of a larger package of infrastructure funding measures. Since its first round of funding in 2008, the IIG program has awarded \$750 million to 159 residential and mixed-use developments. These developments created 13,100 new affordable rental homes for low-income Californians, more than 200 ownership homes for low- and moderate-income households, and funded hundreds of infrastructure projects that were necessary preconditions for this housing—from new parks, sidewalks, and transit linkages to water service, sewer, and street improvements. IIG applicants have been funded in three categories: Qualifying Infill Projects (QIPs) for infrastructure needs associated with a single housing development, Qualifying Infill Areas (QIAs) for infrastructure needs supporting multiple housing developments in a larger area, and infrastructure for Multi-Phased Projects (MPPs).<sup>3</sup>

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<sup>1</sup> [Income, Location Efficiency, and VMT: Affordable Housing as a Climate Strategy, The Center for Neighborhood Technology for the California Housing Partnership, December 2015.](#)

<sup>2</sup> United States Environmental Protection Agency, Office of Sustainable Communities Smart Growth Program. February 2014. *Smart Growth and Economic Success: Investing in Infill Development*. Website: <https://www.epa.gov/smartgrowth>

<sup>3</sup> The proposed Round 6 Draft Guidelines have removed the Multi-phased Project application type because according to State HCD, the housing units are less likely to be completed in the required time.

## Achieving Affordability

IIG appears to have met its central goal of facilitating infill development while also creating affordable housing and has substantially exceeded the 15 percent affordability minimums in the [program's guidelines](#) in all three categories. As Table 1 below shows, the proportion of affordable rental units has grown from 81 percent in the first round to 95 percent in Round 5. Further, even as the total amount of funding allocated to each IIG NOFA decreased over time and the maximum grant amount available to each development decreased (\$20 million in Round 1 to \$5 million in Round 5), affordability levels continued to improve:

**TABLE 1: DESCRIPTIVE STATISTICS FROM THE INFILL INFRASTRUCTURE GRANT PROGRAM**

Round	# of Awards	Affordable Rental Units	Total Rental Units	Avg % of Rental Units Affordable (60% AMI)	Share of Affordable Units <=40% AMI	Share of Affordable Units 41-50% AMI	Share of Affordable Units 51-60% AMI	Total Awards
<b>1</b>	<b>41</b>	<b>4,107</b>	<b>7,905</b>	<b>81%</b>	<b>28%</b>	<b>50%</b>	<b>21%</b>	<b>\$284,908,845</b>
IIG - MPP	7	1,004	2,819	45%				\$113,206,914
IIG - QIA	5	817	2,572	43%				\$86,884,350
IIG - QIP	29	2,286	2,514	96%				\$84,817,581
<b>2</b>	<b>39</b>	<b>3,602</b>	<b>5,847</b>	<b>79%</b>	<b>38%</b>	<b>48%</b>	<b>13%</b>	<b>\$301,119,604</b>
IIG - MPP	10	1,539	3,120	60%				\$169,722,332
IIG - QIA	3	217	394	77%				\$36,425,036
IIG - QIP	26	1,846	2,333	87%				\$94,972,236
<b>3</b>	<b>37</b>	<b>2,148</b>	<b>2,207</b>	<b>97%</b>	<b>47%</b>	<b>38%</b>	<b>15%</b>	<b>\$72,422,444</b>
IIG - QIP	19	1,253	1,368	88%	43%	35%	21%	\$41,816,320
<b>5</b>	<b>23</b>	<b>1,990</b>	<b>2,084</b>	<b>95%</b>	<b>51%</b>	<b>24%</b>	<b>25%</b>	<b>\$50,294,035</b>
IIG - QIP	23	1,990	2,084	95%	51%	24%	25%	\$50,294,035
<b>Grand Total</b>	<b>159</b>	<b>13,100</b>	<b>19,411</b>	<b>87%</b>	<b>39%</b>	<b>42%</b>	<b>19%</b>	<b>\$750,561,248</b>

## Changes Coming to Readiness and Affordability?

Given California's severe shortage in affordable homes, the ability to efficiently and quickly produce high-quality and community-serving affordable housing through demonstrated project readiness is an important standard for our public dollars. It is not surprising then that IIG's application selection scoring has evolved over time to increasingly reward project readiness as summarized in Table 2 below:

**TABLE 2: IIG APPLICATION SELECTION CRITERIA**

Selection Criteria	Round 1		Round 2		Rounds 3-5		PROPOSED Round 6	
	# of points	% of points	# of points	% of points	# of points	% of points	# of points	% of points
Project Readiness	30	23%	80	33%	100	40%	44	44%
Affordability	30	23%	60	25%	60	24%	16	16%
Density	20	15%	40	17%	40	16%	16	16%
Transit Access	20	15%	20	8%	20	8%	8	8%
Proximity to Amenities	20	15%	20	8%	20	8%	8	8%
Alignment with Regional Planning	10	8%	20	8%	10	4%	8	8%
Total Points	130	100%	240	100%	250	100%	100	100%

While Table 1 indicates there has not yet been a tradeoff between readiness and affordability, the proposed devaluation of affordability in the recently released [Round 6 Draft Guidelines](#) will likely result in decreased affordability at a time when the state needs more not less. We are still completing our evaluation of the proposed Round 6 Guideline changes and urge all stakeholders to carefully review them and submit comments to HCD via email to [infill@hcd.ca.gov](mailto:infill@hcd.ca.gov) by August 27, 2019.

### **New Statutory Requirement for Local Governments to be Co-Applicants**

This year’s State budget trailer bill [AB 101](#) added language that modified IIG to require that local governments be partners in all IIG applications. Experience has shown that most local governments are reluctant or unable to perform the role of co-applicant due to liability and control issues and that this requirement will result in significant delays or possibly make some IIG applications simply infeasible. At a time when the State is encouraging faster, more efficient production of housing, this change represents a major step backward. A better way of giving local governments a meaningful but more practical role would be to allow them to review and comment on applications, as in the practice of the [Tax Credit Allocation Committee](#) for all 9% Low-income Housing Tax Credit (LIHTC) applications. Concerned parties should e-mail Deputy Cabinet Secretary [Mark Tollefson](#) with a copy to California Housing Partnership CEO [Matt Schwartz](#).

To learn more about the Infill Infrastructure Grant program, [click here](#). For more information about this analysis, please contact [Lindsay Rosenfeld](#), Data & Policy Analyst.