

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

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MEMORANDUM FOR: POTENTIAL APPLICANTS**FROM:** Jennifer Seeger, Deputy Director
Division of State Financial Assistance**SUBJECT: Request for Concept Proposals
Infill Infrastructure Grant – Catalytic Qualifying Infill Areas**

The California Department of Housing and Community Development (Department or HCD) is requesting submittal of Concept Proposals for funding under the Infill Infrastructure Grant Catalytic Qualifying Infill Area program (IIGC).

Awards made under this solicitation will unlock available land for housing development and maximize the state's existing and ongoing investments, all of which will benefit the state's economy and further our housing production and climate resilience efforts.

HCD's mission is to promote safe, affordable homes and strong vibrant communities throughout California. For decades, too little housing has been built near high-quality jobs, transportation, and amenities in communities throughout California. As a result, many Californians must live far from key destinations like employment, healthcare and schools. This lack of connectivity between our homes and important destinations contributes to more time in cars, and more vehicle miles traveled, which has a detrimental impact on our environment.

In response, HCD is focused on efforts to address decades of housing underproduction and the increasing impacts of climate change by making strategic investments that can quickly provide housing at scale and simultaneously catalyze economic development. Encouraging infill housing not only reduces emissions from driving and alleviates the state's housing shortage, but it also improves access to daily destinations and economic opportunity for more Californians.

Many former commercial and underutilized areas have significant potential for developing housing at scale but lack the infrastructure necessary to support higher-density residential development. In addition to vacant infill parcels, IIGC proposals may include industrial or business parks, vacant shopping centers, strip malls, or scattered sites with vacant or underutilized structures.

The below program description and request for Concept Proposals is part of a two-stage application process:

- In **Phase I**, Eligible Applicants will provide a Concept Proposal on a Department-provided form to be made publicly available no later than December 29, 2022. The purpose of the Concept Proposal phase is two-fold: 1) to serve as a “demand survey” to inform the Department about the diversity, scale, needs and challenges of eligible CQIAs, and 2) to describe how the proposed CQIA meets or exceeds threshold criteria and program goals outlined by statute.
- In **Phase II**, the Department will release a Notice of Funding Availability detailing programmatic requirements including specific scoring criteria. All applicants deemed eligible in Phase I will be invited to apply, unless the IIGC program promises to be significantly oversubscribed, as detailed in the below section on Invitations to Apply.

To be considered for potential funding, Catalytic Qualifying Infill Area Concept Proposals must be submitted electronically via the HCD IIGC Application Portal using the Concept Proposal Application and must include all required information as detailed in the Application. A link to the HCD IIGC Application Portal will be available at <https://www.hcd.ca.gov/grants-and-funding/programs-active/infill-infrastructure-grant>

The HCD IIGC Application Portal will open December 29, 2022, and close 4:00 PM Pacific Time on January 31, 2023.

Statutory Authority

The Infill Infrastructure Grant program – Catalytic Qualifying Infill Area (IIGC) implements and interprets Part 12.5 (commencing with Section 53559) of Division 31 of the Health and Safety Code (HSC) amended by AB 157 Chapter 157 Statutes of 2022, which establishes the greater Infill Infrastructure Grant Program of 2019, hereinafter referred to as the Infill Infrastructure Grant program (IIG). Section 53559.1 (c) establishes and defines the new Catalytic Qualifying Infill Area.

Potential applicants are encouraged to review relevant sections of HSC 53559 and 53559.1.

IIGC Overview and Summary of Funds Available

The purpose of the IIGC program is to provide critical infrastructure funding necessary to unlock sites for residential development.

Many former commercial and underutilized areas have great potential for the development of housing but lack the infrastructure necessary to facilitate higher-density

residential development. In addition to vacant infill parcels, IIGC proposals may include industrial or business parks, vacant shopping centers, strip malls, or scattered sites with vacant or underutilized structures.

The IIGC program supports adaptive reuse of these structures or sites by providing financial assistance for Capital Improvement Projects that are an integral part of, or necessary to facilitate the development of housing within Catalytic Qualifying Infill Areas (CQIA). Under the program, grants are available as gap funding for infrastructure improvements necessary for specific residential or mixed-use infill development proposals.

The Department is issuing this Request for Concept Proposals to achieve the following goals:

1. Prequalify prospective applicants for the IIGC Notice of Funding Availability (NOFA) which the Department anticipates releasing no later than February 2023. The IIGC Phase II application process is open only to eligible applicants who receive an invitation from the Department in response to their submitted Concept Proposals. Failure to participate in the Concept Proposal process will preclude an applicant from further participation.
2. Assess the funding needs for this IIGC solicitation. The Department may consider an increase to per-unit grant funding amounts for IIGC funding based upon information in the Concept Proposals. Eligible applicants who submit Concept Proposals in response to this Request for Concept Proposals, but who are not invited to apply under the NOFA, may be eligible to apply for subsequent rounds should funding be made available.
3. The Department anticipates that data collected through the submissions in response to this Request for Concept Proposals will inform further design of the program including scope and size of proposed projects, assessment of infrastructure needs and streamlining opportunities for residential development.

In total the Department has approximately \$105 million available in fiscal year 2022-23. These funds will be allocated as follows (approximately):

- \$90 million for Large Jurisdictions
- \$15 million for Small Jurisdictions¹

A list of Small Jurisdiction and Large Jurisdiction counties is included as Appendix A.

¹ *Small Jurisdiction is defined as a county with a population of less than 250,000 as of January 1, 2019, or any city within that county per Health and Safety Code Section 53559.1 (g).*

Grant funds will be made available as gap funding for infrastructure and Adaptive Reuse² improvements necessary for specific residential or mixed-use infill developments. Sites and parcels that make up CQIAs must have been either previously developed or be largely surrounded by sites developed with Urban Uses. “Urban Uses” means any residential, commercial, industrial, public institutional, transit or transportation passenger facility, retail use, or any combination of those uses.

Eligible improvements include, but are not limited to, development of parks or open space, water, sewer or other utility service improvements, streets, roads, parking structures, transit linkages, transit shelters, traffic mitigation features, site preparation or demolition, sidewalks, streetscape improvements and construction and Rehabilitation³ expenses relating to repurposing non-residential buildings for residential uses. A complete list of Eligible Uses is provided in Appendix B.

It is estimated that funds will be disbursed based on the following proposed minimum and maximum award amounts; however, the Department may adjust these numbers based upon Concept Proposals submitted. The actual grant amount will be calculated based upon the information submitted in the Full Application. Final funding minimums and maximums will be announced in the Notice of Funding Availability. The Department may consider increasing per unit amounts based on the overall infrastructure needs of CQIAs as proposed.

Proposed Funding Minimum and Maximum Award Amounts			
Catalytic Qualifying Infill Area	Large Jurisdictions	Minimum	\$15 million
		Maximum	\$45 million
	Small Jurisdictions	Minimum	\$5 million
		Maximum	\$15 million

The maximum grant amount shall be determined by the total number of housing units proposed within the identified CQIA, the bedroom count of these units, and the density and affordability of the housing proposed to be developed as identified below:

Proposed IIGC Grant Amount Calculation (Amounts are represented on a per unit basis)					
Income Level & Tenure	0-Bdrm	1-Bdrm	2-Bdrm	3-Bdrm	4-Bdrm
200% FMR ⁴ or exceeds CALHFA Sales Prices	\$4,000	\$8,000	\$11,900	\$15,900	\$19,900
Program Unrestricted ⁵	\$26,500	\$30,500	\$35,400	\$43,700	\$47,700
Moderate Income Owner	\$30,500	\$34,400	\$41,100	\$49,000	\$52,900
Low Income Owner	\$34,400	\$38,400	\$46,300	\$54,200	\$59,600
60% AMI Rental	\$34,400	\$38,400	\$46,300	\$54,200	\$59,600
50% AMI Rental	\$39,800	\$45,000	\$51,600	\$62,100	\$66,200
30% AMI Rental	\$46,300	\$49,000	\$55,600	\$71,500	\$75,400

The total eligible grant amount shall be based upon the lesser of the amount necessary to fund the Capital Improvement Project or the maximum amount permitted by the final IIGC Grant Amount Calculation and Net Density Adjustment Factor tables to be published with the Phase II Invitation to Apply, whichever is less.

Based on the proposed minimum award amounts and per unit grant calculation amounts outlined above, a Large Jurisdiction must demonstrate capacity for not less than 300 Units and Small Jurisdictions must demonstrate capacity for not less than 100 Units to qualify for funding.

Catalytic Qualifying Infill Area Program Timeline

A complete CQIA Concept Proposal, on Department forms, must be submitted to the Department via the HCD Application Portal according to the timeline on the following page:

Release of Concept Proposal Solicitation (Phase I)	November 30, 2022
Webinar / Q&A	December 2022
HCD IIGC Portal Opens	December 29, 2022
Concept Proposals Due (Portal Closes)	January 31, 2023
IIGC NOFA Released	February 2023
Invitations to Apply Released (Phase II)	February 2023
Applications Due	March 2023
Awards	June/July 2023

² "Adaptive Reuse" means the repurposing of building structures for residential purposes, such as former office use, commercial use, or business parks. When referring to building structures, adaptive reuse means retrofitting and repurposing of existing buildings that create new residential rental units, and expressly excludes a project that involves rehabilitation of any construction affecting existing residential units that are, or have been, recently occupied.

³ "Rehabilitation" is defined in line with Section 50096 of the HSC, and includes improvements and repairs made to a residential structure acquired for the purpose of preserving its affordability.

⁴ 200% Fair Market Rent (FMR) Unit: A 200 percent FMR Unit is a rental unit with a proposed monthly rent, which is equal to or greater than 200 percent of its county's FMR as defined by HUD.

⁵ IIG Unrestricted: An unrestricted unit for the purposes of calculating grant amounts in IIG is any unit not restricted at the other levels identified in guidelines Appendix A Defined Terms, but also not meeting any of the above definitions.

*Increase based on December Consumer Price Index per U.S. Bureau of Labor Statistics (BLS).

https://data.bls.gov/pdq/SurveyOutputServlet?data_tool=dropmap&series_id=CUUR0400SA0,CUU

Concept Proposal Requirements:

I. The CQIA Concept Proposal must certify the following statutorily required eligibility criteria:

- (a) The Applicant must be eligible. An Eligible Applicant is defined as a city, county, city and county, or public housing authority that has jurisdiction over a CQIA. A metropolitan planning organization may participate as a co-applicant.
- (b) The CQIA must be located in a city, county, or city and county in which the general plan of the city, county, or city and county has an adopted housing element that the Department has determined to be in compliance or will be found to be in compliance by the Department, pursuant to Section 65585 of the Government Code by the anticipated award date.
- (c) Identification of an eligible CQIA that meets all of the following:
 - (1) A contiguous area or multiple noncontiguous parcels located within an Urbanized Area⁶. For Large Jurisdictions, the contiguous area or noncontiguous parcels have been previously developed, or at least 75 percent of the perimeter of each parcel or area adjoins parcels that are developed or have been previously developed with Urban Uses. For Small Jurisdictions, the perimeter requirements shall be at least 50 percent of the perimeter of each parcel or area. For purposes of this paragraph, perimeters bordering navigable bodies of water and parks shall not be included in the perimeter calculation.
 - (2) No parcel within or adjoining the designated CQIA is classified as agricultural or natural working land according to the California Department of Conservation's Farmland Mapping and Monitoring Program (FMMP) Tool.
 - (3) The contiguous area or multiple noncontiguous parcels are located in an area designated for mixed-use or residential development pursuant to one of the following:
 - A general plan adopted pursuant to Section 65300 of the Government Code.
 - A sustainable communities strategy adopted pursuant to Section 65080 of the Government Code.

⁶ "Urbanized area" means an incorporated city. For sites in unincorporated areas, the site must be within a designated urban service area that is designated in the local general plan for urban development and is served by the public sewer and water.

- A specific plan adopted pursuant to Section 65450 of the Government Code.
 - A Workforce Housing Opportunity Zone established pursuant to Section 65620 of the Government Code.
 - A Housing Sustainability District established pursuant to Section 66201 of the Government Code.
- (4) Certification that the applicant has site control or other mechanism of authority to complete the proposed Capital Improvement Project(s) within the proposed CQIA.

II. Catalytic Qualifying Infill Area Housing Requirements – the applicant must further demonstrate the following:

- (a) No less than 15 percent of the total projected housing within the CQIA will be Affordable Units.⁷
- (b) Average residential densities on the parcels to be developed that are equal to or greater than the following densities (GOV 65583.2 (c)(3)(B)), except that a project located in a Rural Area as defined in Section 50199.21 shall include average residential densities on the parcels to be developed of at least 10 units per acre.⁸
- (c) Housing sites are free from severe adverse environmental conditions, such as the presence of toxic waste that is economically infeasible to remove or cannot be mitigated.

III. The CQIA Concept Proposal must include narrative responses addressing each of the following:

⁷ "Affordable Unit" means a Unit that is made available at an affordable rent, as defined in HSC Section 50053, to a household earning no more than 60 percent of the Area Median Income or at an affordable housing cost, as defined in HSC Section 50052.5, to a household earning no more than 120 percent of the Area Median Income. Rental units shall be subject to a recorded Covenant ensuring affordability for a duration of at least 55 years. Ownership units shall initially be sold to and occupied by a qualified household and shall be subject to a recorded Covenant that includes either a resale restriction for at least 30 years or equity sharing upon resale.

⁸ Government Code Section 65583.2(c)(3)(B) requires the following densities:

- For an incorporated city within a nonmetropolitan county and for a nonmetropolitan county that has a micropolitan area: sites allowing at least 15 units per acre.
- For an unincorporated area in a nonmetropolitan county not included in clause (1): sites allowing at least 10 units per acre.
- For a suburban jurisdiction: sites allowing at least 20 units per acre.
- For a jurisdiction in a metropolitan county: sites allowing at least 30 units per acre.

- (a) An identification of the parcel(s) within the boundaries of the proposed CQIA including:
 - (1) size
 - (2) current or planned land use
 - (3) current or planned zoning
 - (4) current ownership
 - (5) description of existing structures and whether existing structures will be adapted for residential or other uses or demolished
 - (6) description of surrounding land uses

Images, if illustrative, may be submitted with narrative.

Please note, CQIAs can be a single site, multiple contiguous parcels or scattered sites within a single jurisdiction's authority.

- (b) Description and estimated cost of the proposed Capital Improvement Project(s). Please refer to Appendix B for threshold requirements and eligible uses of IIGC program grant funds. The Capital Improvement Project must constitute a large catalytic investment to unlock land to accommodate a mix of uses, including affordable and mixed-income housing.
- (c) Description of how the applicant jurisdiction will, or has ensured streamlined entitlement processes and fast-tracked progress for future housing development within the CQIA including, but not limited to, planned or existing ordinances that facilitate the reuse of non-residential building for residential uses.
- (d) Information, to the extent known, on the proposed project schedule for the proposed Capital Improvement Project to demonstrate readiness, including:
 - (1) Estimated date(s) for key elements of Capital Improvement Project completion
 - (2) Identification of necessary environmental clearances to commence construction of the Capital Improvement Project and status of said clearances.
 - (3) Date(s) for final entitlements and planning approvals received or anticipated, allowing for commencement of construction of the Capital Improvement Project
 - (4) Date(s) for financial commitments for housing in the CQIA used in the calculation of the maximum IIG award
 - (5) Estimated construction and permanent financing closing dates of housing development(s) within the CQIA, if known.
 - (6) Other key milestone dates for the Capital Improvement Project(s) and housing proposed in the CQIA.
 - (7) Contingencies and risks that could alter or delay proposed timeline

- (e) Estimated number of housing developments, number of total housing units, number of affordable housing units, and depths of affordability within the proposed CQIA as well as proposed residential densities, if known. If exact number of housing units is unknown at the time of the submittal of the Concept Proposal, the applicant may include an anticipated range of units.
 - (1) Identification of housing developments proposed on state owned excess sites and other publicly owned land, if any, within the CQIA. A list of available excess state-owned properties is available on the Department's [website](#).
- (f) A description of transit operations, including locations of transit stations and stops, type and frequency of service, located within proximity to the proposed housing within the CQIA.
- (g) A description of existing or planned amenities like shopping, schools, and job centers near within or in proximity to the CQIA.
- (h) A description of strategies to mitigate displacement of any existing residents and businesses within the identified CQIA.
- (i) A description of meaningful outreach and engagement utilized in the design of the CQIA in the local community.
- (j) Identification of streamlined program-level California Environmental Quality Act analysis and certification efforts that will expedite environmental reviews for the proposed housing within the C.
- (k) Description of how the CQIA and Capital Improvement Project will have a catalytic impact within the community and explanation of any potential challenges for use or access of IIGC funding, or risks to completion of the CQIA project vision.

Invitations to Apply

The Department will review Concept Proposals to determine program eligibility. Applicants with Concept Proposals that meet general eligibility requirements will be invited to submit Full Applications. However, to the extent the Department receives Concept Proposals in excess of 250 percent of available funds, invitations to apply will be prioritized based on projects that can demonstrate shovel readiness of the proposed Capital Improvement Project.

Concept Proposals invited to submit a Full Application will be evaluated based on their ability to demonstrate exemplary consistency with program goals and will be prioritized in the award selection process. Please note, that Concept Proposals not receiving invitations to apply for the 2022-23 NOFA may be eligible to apply for funding under a 2023-24 NOFA cycle should funds be available.

HCD will invite qualified applicants to submit Full Applications according to the timeline provided above. An Eligible Applicant who is invited to apply must submit a Full Application which is substantially consistent with the Concept Proposal. Proposal components identified in HSC 53559(f)(1)(B) identified as ranking criteria may not be significantly modified in the Full Application unless the modification would result in a higher score (e.g., a higher number of affordable units, greater depth of affordability, higher net densities). In no instance shall a Full Application include fewer number of housing units than described in the Concept Proposal.

Appeals

No appeals of the Department's decision on invitations to apply will be accepted.

Negative Points and Disencumbrance Policies

The Department's [Negative Points Policy](#) (Administrative Notice Number 2022-01) and [Disencumbrance Policy](#) (Administrative Notice Number 2022-02), dated March 30, 2022 and published on the Department's [website](#), are hereby incorporated by this reference as if set forth in full herein, and shall apply with equal force as all other provisions set forth herein.

If the Sponsor/Recipient/Applicant is subject to a negative points assessment based on the criteria outlined in the Department's [Negative Points Policy](#) or is determined to be ineligible for funding, HCD shall notify the Sponsor/Recipient/Applicant in writing during the application review period.

Questions and Assistance

To receive information on workshops and other updates, please [subscribe](#) to the Department's listserv. For questions or to arrange a 20 minute consultation with the IIGC team, please contact infill@hcd.ca.gov.

Appendix A

Small and Large Jurisdictions

SMALL JURISDICTIONS

Defined as a county with a population of less than 250,000 as of January 1, 2019, or any city within that county per Health and Safety Code Section 53559.1 (g).

Alpine	Kings	San Benito
Amador	Lake	Shasta
Butte	Lassen	Sierra
Calaveras	Madera	Siskiyou
Colusa	Mariposa	Sutter
Del Norte	Mendocino	Tehama
El Dorado	Modoc	Trinity
Glenn	Mono	Tuolumne
Humboldt	Napa	Yolo
Imperial	Nevada	Yuba
Inyo	Plumas	

LARGE JURISDICTIONS

Includes any county listed below as well as any city located within these counties.

Alameda	Placer	Santa Barbara
Contra Costa	Riverside	Santa Clara
Fresno	Sacramento	Santa Cruz
Kern	San Bernardino	Solano
Los Angeles	San Diego	Sonoma
Marin	San Francisco	Stanislaus
Merced	San Joaquin	Tulare
Monterey	San Luis Obispo	Ventura
Orange	San Mateo	

Appendix B Capital Improvement Project Definition and Eligible Uses
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(a) Capital Improvement Project means the construction, rehabilitation, demolition, relocation, preservation, acquisition, or other physical improvement of a capital asset, as defined in Section 16727 (a) of the Government Code, that is an integral part of, or necessary to facilitate the development of housing within a CQIA.

(b) The applicant must demonstrate that the Capital Improvement Project is an integral part of, or necessary to facilitate the development of the CQIA identified in the application.

(c) Capital Improvement Project sites are free from severe adverse environmental conditions, such as the presence of toxic waste that is economically infeasible to remove or cannot be mitigated.

(d) Capital Improvement Projects comply with site control requirements as set forth at UMR Sections 8303 and 8316 with the additional requirements that the Applicant shall demonstrate that the Developer of proposed housing with an on-site Capital Improvement Project for which the Applicant is applying for grant funding, will have site control at the time of Full Application and shall maintain site control throughout the term of the Award.

(e) Funds shall be used only for approved eligible costs that are incurred on the Capital Improvement Projects as set forth below.

(f) Capital Improvement Project costs must be reasonable and necessary. Costs must be reasonable compared to similar infrastructure projects of modest design in the general area of the Capital Improvement Projects.

(g) Eligible costs include the construction, Rehabilitation, demolition, relocation, preservation, acquisition, or other physical improvements of the following:

(1) The creation, development, or rehabilitation of parks or open space.

(2) Water, sewer, or, internet, and other utility service improvements, including relocation of such improvements.

(3) Streets, roads, and bridges.

(4) Transit linkages or facilities, including, but not limited to, related access plazas or pathways, and bus or transit shelters.

(5) Facilities that support pedestrian or bicycle transit, including bike lanes, crosswalk improvements, and pedestrian scaled lighting.

(6) Traffic mitigation improvements, including roundabouts, turn lanes, or raised islands.

(7) Sidewalk or streetscape improvements, including, but not limited to, the construction or resurfacing of sidewalks and streets or the installation of lighting, signage, or other related amenities.

(8) Adaptive Reuse building construction and Rehabilitation expenses necessary to facilitate the repurposing of existing non-residential buildings for residential uses.

(9) Site preparation or demolition related to the Capital Improvement Project or housing utilized in the calculation of maximum IIG grant funds.

(10) Purchase of modular or manufactured housing units

(11) Structured Parking, including:

(A) Structured Parking spaces that are required replacement of Transit Station parking spaces (including replacement required by a transit agency), or public Structured Parking required as a condition of approval for the housing utilized in the calculation of maximum IIGC grant funds within one-half mile of a Major Transit Stop or Transit Station, not to exceed \$50,000 per space.

(B) Residential Structured Parking and mechanical parking lifts. The minimum residential per unit parking spaces in Structured Parking, as required by local land-use entitlement approval, not to exceed one parking space per residential unit, and not to exceed \$50,000 per permitted space.

(12) Required environmental remediation necessary for the development of the Capital Improvement Projects or housing utilized in the calculation of maximum IIGC grant funds, where the total cost of the remediation and regulatory oversight does not exceed 50 percent of the Program grant amount.

(13) Soft costs such as those incidentally but directly related to construction or other pre-development components including, but not limited to, planning, engineering, construction management, architectural, and other design work, required mitigation expenses such as mitigation design or testing, appraisals, legal expenses, and necessary easements. Soft costs shall not exceed 15 percent of costs associated with the funding request for the Capital Improvement Project.

(14) Impact fees required by local ordinance are eligible for Program funding only if used for the identified Capital Improvement Projects. Funded impact fees may not exceed 5 percent of the Program Award.

(h) The following costs are not eligible for Program funding:

(1) Developer fees or profit.

(2) Costs of new housing or mixed-use structure construction and Rehabilitation not including Adaptive Reuse, or modular or manufactured housing costs as described above.

(3) Soft costs related to ineligible costs.

(4) In-lieu fees for local inclusionary programs.