Date of Hearing: July 16, 2025

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT
Matt Haney, Chair
SB 772 (Cabaldon) – As Amended July 8, 2025

SENATE VOTE: 34-0

SUBJECT: Infill Infrastructure Grant Program of 2019: applications: eligibility

SUMMARY: Lowers the affordability requirements to receive funding from the Infill Infrastructure Grant (IIG) Program and makes other changes to the program. Specifically, **this bill**:

1) Changes the definition of "qualifying infill project" areas for the purposes of the IIG program to include parcels that are adjacent to parcels that have previously been developed in addition to ones with existing development.

2) Adds to the list of priorities that the Department of Housing and Community Development (HCD) considers in ranking applicants for IIG funding for both "qualifying infill area" and "catalytic qualifying infill area" to include walkability to essential services or businesses.

3) Changes the information that eligible applicants must submit to HCD in the application request for both "qualifying infill projects" and "catalytic qualifying infill" funding from a requirement to submit permits and a certification that the project is shovel-ready to building permits.

4) Adds to the definition of "qualifying infill area" a contiguous area that is located within an urban area that qualifies as a site under AB 2011 (Wicks), Chapter 647, Statutes of 2022.

5) Lowers the affordability requirements for a project in a "qualifying infill area," or "catalytic qualifying infill area" in the following way:

   a) Reduces the area median income (AMI) a project must include in a development from 15% of affordable units at 60% of AMI to 15% at 80% of AMI;

   b) Allows a project that is using the by-right, streamlined process under SB 35 (Wiener), Chapter 366, Statutes of 2017 to qualify for funding if they include at a minimum 10% of the affordable units at 50% of AMI (very low-income); and

   c) Allows a project that is using the by-right, streamlined process under AB 2011 (Wicks), Chapter 647, Statutes of 2022 to qualify for funding if they include a minimum of either 8% of units at 50% of AMI and 5% of units at 30% of AMI (extremely low-income), or 15% of units at 80% of AMI.

6) Expands the areas where a "qualifying infill project," "qualifying infill area," or "catalytic qualifying infill area" can qualify for funding to include sites that are eligible for AB 2011 (Wicks), Chapter 647, Statutes of 2022.

7) Changes the definition of capital improvement projects that may be funded under the IIG as follows:

a) Replaces "streets and roads" as a use to streets or roads that are publicly maintained and open to the use of the public for purposes of vehicular travel and that will serve as a connector within a qualifying infill project or qualifying infill area; and

b) Add the use of funds for "nature-based solutions" that are proven to reduce the risk from climate change-driven natural disasters and risks like wildfire, flooding, heat, and sea level rise. For purposes of this paragraph, "nature-based solutions" means sustainable planning, design, environmental management, and engineering practices that weave natural features or processes into the built environment to promote adaptation and resilience.

8) Allows a city, county, or city and county to apply for a "qualified infill area" or a "catalyst qualifying infill area" without having a developer as a co-applicant.

9) Adds a definition of a "major transit stop" that includes existing and planned stops in the regional transportation plan.

10) Changes the definition of an "urbanized area" to an urbanized area as defined by the United States Census Bureau rather than for sites in unincorporated areas that the site is 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.

11) Adds a definition of "walkability" to mean the parcels or parcel where the development will occur is within one mile of six or more of any of the following amenities:

a) A supermarket or grocery store;

b) A public park;

c) A community center;

d) A pharmacy or drugstore;

e) A medical clinic or hospital;

f) A public library; or

g) A school that maintains a kindergarten or any of grades 1 to 12, inclusive.

EXISTING LAW:

1) Defines a "capital improvement project" to mean the construction, rehabilitation, demolition, relocation, preservation, acquisition, or other physical improvement of a capital asset, that is an integral part of, or necessary to facilitate the development of, a qualifying infill project or qualifying infill area. Capital improvement projects include, but are not limited to, those related to the following:

a) The creation, development, or rehabilitation of parks or open space;

b) Water, sewer, or other utility service improvements;

c) Streets, roads, or transit linkages or facilities, including, but not limited to, related access plazas or pathways, bus or transit shelters, or facilities that support pedestrian or bicycle transit;

d) Facilities that support pedestrian or bicycle transit;

e) Traffic mitigation;

f) Sidewalk or streetscape improvements, including, but not limited to, the reconstruction or resurfacing of sidewalks and streets or the installation of lighting, signage, or other related amenities;

g) Adaptive reuse; and

h) Site preparation or demolition related to the capital improvement project or planned housing development used in calculating the eligible grant amount.

2) Defines a "catalytic qualifying infill area" to mean a contiguous area or multiple noncontiguous parcels located within an urbanized area that meet all of the following requirements:

a) The contiguous area or noncontiguous parcels have been previously developed, or at least 75% of the perimeter of each parcel or area adjoins parcels that are developed or have been previously developed with urban uses, with specified perimeter requirements for small jurisdiction applicants;

b) No parcel within or adjoining the area is classified as agricultural or natural and working lands; and

c) The area or areas constitute a large catalytic investment in land that will accommodate a mix of uses, including affordable or mixed-income housing.

3) Defines "qualifying infill area" to mean a contiguous area located within an urbanized area that meets either of the following criteria:

a) A contiguous area located within an urbanized area that has been previously developed, or where at least 75% of the perimeter of the area adjoins parcels that are developed with urban uses, and in which at least one development application has been approved or is pending approval for a residential or mixed-use residential project that meets the definition of a qualifying infill project;

b) The area contains sites included on the inventory of land suitable and available for residential development in the housing element of the applicable city or county general plan and at least 50% of the perimeter of the area shall adjoin parcels that are developed with urban uses; or

c) The capital improvement project for which funding is requested is necessary, as documented by an environmental review or some other adopted planning document, to make the area suitable and available for residential development, or to allow the area to accommodate housing for additional income levels, and the area otherwise meets the

requirements for inclusion on the inventory of land suitable and available for residential development in the housing element of the applicable city or county general plan and at least 50% of the perimeter of the area adjoins parcels that are developed with urban uses.

4) Defines "qualifying infill project" to mean a residential or mixed-use residential project located within an urbanized area on a site that has been previously developed, or on a vacant site where at least 50% of the perimeter of the site adjoins parcels that are developed with urban uses.

5) Establishes the IIG of 2019 at HCD to provide capital improvement projects that are an integral part of, or necessary to facilitate the development of, a qualifying infill project, qualifying infill area, or catalytic qualifying infill area.

6) Requires HCD to administer a competitive grants process for larger jurisdictions and an over-the counter, non-competitive grants process for smaller jurisdictions.

7) Requires HCD to do all of the following for grants for qualifying infill projects:

   a) Administer funding through the Multi-family Housing Program (MHP); and

   b) Award funds to residential or mixed-use residential projects located within an urbanized area on a site that has been previously developed, or on a vacant site where at least 75% of the perimeter of the site adjoins parcels that are developed.

8) Requires HCD in its review of capital improvement project grants in infill qualifying areas to review and rank applications based on the following:

   a) Project readiness, which shall include all of the following:

      i) A demonstration that the area development can complete environmental review and secure necessary entitlements from the local jurisdiction within a reasonable period of time following the submission of a grant application; and

      ii) A demonstration that the eligible applicant can secure sufficient funding commitments derived from sources other than this part for the timely development of a qualifying infill area.

   b) The depth and duration of the affordability of the housing proposed for a qualifying infill area;

   c) The extent to which the average residential densities on the parcels to be developed exceed the density standards contained in the housing element;

   d) The qualifying infill area's inclusion of, or proximity or accessibility to, a transit station or major transit stop;

   e) The proximity of housing to parks, employment or retail centers, schools, or social services;

f) The qualifying infill area location's consistency with an adopted sustainable communities strategy, alternative planning strategy, or other adopted regional growth plan intended to foster efficient land use;

g) For qualifying infill areas, in awarding funds under the program, the department shall provide additional points or preference to projects located in jurisdictions that are designated prohousing; and

h) Ensure a reasonable geographic distribution of funds.

9) Provides that for a qualifying infill project located in the unincorporated area of the county HCD shall allow an applicant to meet the requirement to provide documentation of all approval necessary entitlement and permits, and a certification from the applicant that the project is shovel-ready, by submitting a letter of intent from a willing affordable housing developer that has previously completed at least one comparable housing project, certifying that the developer is willing to submit an application to the county for approval by the county of a qualifying infill project within the area in the event that the county receives an award of funding for an qualifying infill area (Health and Safety Code Section (HSC) 53559 *et seq*.)

10) Requires the Office of Land Use and Climate Innovation, before July 1, 2026, and at least once every three years thereafter, to consult with other state agencies to issue the following guidance:

a) A methodology for determining the amounts that are required to be contributed to the Transit-Oriented Development (TOD) Implementation Fund to mitigate the environmental impacts associated with vehicle miles traveled;

b) A definition of location-efficient areas that reflects a reasonable nexus between the location of the transportation impact of the project and the location of the vehicle miles traveled-efficient affordable housing or related infrastructure project, which shall consider the location-efficient area's consistency with an adopted sustainable communities strategy, alternative planning strategy, or other adopted regional growth plan intended to foster efficient land use;

c) A process for validating a project's vehicle miles traveled funding contribution, which shall be designed to provide certainty to the lead agency and project applicant that the contribution satisfies applicable mitigation requirements for significant transportation impacts; and

d) A methodology for estimating the anticipated reduction in vehicle miles traveled associated with affordable housing or related infrastructure projects funded pursuant to subdivision This methodology may consider existing methodologies, but shall be tailored to the specific purposes of the TOD Implementation Fund, including accounting for relevant factors influencing vehicle miles traveled reduction, including proximity to transit, job access, walkability, and the level of affordability, and the length of the affordability period, of the affordable housing or related infrastructure project. (HSC 53568)

11) Establishes the Housing Accountability Act (HAA), which, among other provisions, provides specified housing development projects with protections under the HAA if the local government fails to make a determination that a project is exempt from the California Environmental Quality Act. This includes projects that are within one-half mile of a bus station or ferry terminal and within one to two miles from six or more of the following amenities:

    a) A supermarket or grocery store;

    b) A public park;

    c) A community center;

    d) A pharmacy or drugstore;

    e) A medical clinic or hospital;

    f) A public library; or

    g) A school that maintains a kindergarten or any grades 1 to 12, inclusive. (Government Code Section 65589.5.1)

FISCAL EFFECT: Unknown.

COMMENTS:

Author's Statement: According to the author, "Many former commercial and underutilized areas have significant potential for the development of housing at scale but lack the public infrastructure necessary to support higher-density residential development. The Bridge District is a perfect example of smart growth. It is a waterfront urban mixed-use development located along the western side of the Sacramento River. A former industrial area, it is now a vibrant community easily accessible to downtown Sacramento via the Tower Bridge, with the potential to eventually support 5,210 new homes and 7,290,000 square feet of commercial development. The Bridge District required vision and state and local investments. Reforms to the IIG Program have the potential to catalyze investment in underutilized lands, such as vacant shopping centers or strip malls, to support the development of housing with infrastructure that has been upgraded to accommodate growth. Aiding local governments to transform cities into denser, more livable communities will also mitigate against the impacts of climate change. The bill would also authorize the IIG Program to fund green infrastructure improvements, such as landscape features that can help mitigate flooding risks."

IIG: The original IIG program, now commonly known as IIG of 2007, was established pursuant to Proposition 6, the Housing and Emergency Shelter Trust Fund Act of 2006. It received additional funds through Proposition 1, the Veterans and Affordable Housing Bond Act of 2018. In 2019, the Legislature allocated $500 million General Fund monies to IIG and updated the program; the new version of the program is commonly known as IIG of 2019.

IIG of 2019 promotes infill housing development by providing financial assistance for capital improvement projects that are an integral part of, or necessary to facilitate the development of, affordable and mixed income housing. Under IIG of 2019, grants are available in the form of

gap funding for infrastructure, factory-built housing components, and adaptive reuse necessary for specific residential or mixed-use infill developments. Eligible costs include, but are not limited to, the creation, development, or rehabilitation of parks or open space; water, sewer, or other utility service improvements (including internet and electric vehicle infrastructure); streets; roads; transit station structured parking; transit linkages or facilities; facilities that support pedestrian or bicycle transit; traffic mitigation, sidewalk, or streetscape improvements; factory-built housing components; adaptive reuse; and site preparation or demolition.

IIG of 2019 has a competitive program for larger, urban jurisdictions and a non-competitive, over-the counter program for small jurisdictions. The IIG program provides funding for infill projects, infill areas, and catalytic areas. Infill projects are required to include a minimum of 15% of the units affordable to households at or below 60% of AMI. Infill areas are not required to have a specific number of affordable housing units, but must have at least one development that qualifies as an infill project. Qualifying infill areas are evaluated based on project readiness, proximity to transit and other amenities, level of residential density on parcels in the area, if an area is in a sustainable communities plan, and if the jurisdiction has a pro-housing designation from HCD. For the competitive program, applications are weighted based on the amount of affordable housing in a project and a jurisdiction must apply with a developer. Small jurisdictions in unincorporated areas are not required to have a developer as a co-applicant.

The catalytic program does not require a minimum affordability level, but areas are weighted based on the number of housing units that could be produced in addition to other factors. These are areas that constitute a large catalytic investment in land that will accommodate a mix of uses, including affordable or mixed-income housing. These areas can have contiguous or non-contiguous parcels.

Walkability: The IIG program is intended to fund dense, infill housing close to transit. While the statute does require a consideration of proximity to existing or planned parks, employment or retail centers, schools, or services, this bill adds definition from Housing Accountability Act (HHA) for walkability that requires a development to be within one mile of six listed entities.

Affordability: IIG of 2019 requires that infill projects include a minimum of 15% of the units at 60% of AMI. This bill would reduce the affordability requirement in two ways: 1) it would increase the allowable AMI for the existing 15% requirement to 80% of AMI; and 2) it would allow a development that is utilizing streamlining under SB 35 (Wiener) to qualify for funding if they include at a minimum of 10% of the units at 50% of AMI, or if a development used AB 2011 (Wicks) they could qualify for funding if they include either 8% at 50% of AMI and 5% at 30% of AMI or 15% for 80% of AMI. A developer utilizing SB 35 or AB 2011 is not subject to review under the California Environmental Quality Act (CEQA) and is eligible for a density bonus which creates significant benefits to a developer – those benefits support the inclusion of a small percentage of affordable housing. The amount of affordable housing required to qualify for SB 35 has been reduced from 20% at 80% of AMI to 10% at 50% of AMI. This change was sought by developers who argued that 20% was too high and would require subsidy to achieve. The lower percentage of 10% at 50% of AMI also allows a developer to access additional density under Density Bonus Law, increasing the number of market rate units allowed over the density allowed in a jurisdiction to further support the inclusion of 10% of the units at an affordable rate. Both AB 2011 and SB 35 are land use tools to expedite housing production and the goal – unlike the IIG program – is for the inclusion of these benefits to support the construction of mixed-

income housing that specifically does not require the state to provide additional subsidy through its extremely limited pool of housing construction funding.

Concerns: This bill makes other changes that may undermine the goals of the IIG program. The infill area and catalytic application requires an applicant to show proof that a development is permitted and has obtained its entitlements. This bill would change that to a requirement to show proof of building permits, which comes later in the post-entitlement process and may not be available at the point when a local government is applying for funds for infrastructure to attract a developer.

To qualify for funding for a qualifying infill area, an area must include sites included in the housing element or as documented by an environmental review or some other adopted planning document, to make the area suitable and available for residential development. This bill would add to this list that a capital improvement project requesting funding may meet the standards of AB 2011 (Wicks), as adopted by a planning document, to make the area suitable and available for residential development. The reasoning behind adding this option is fundamentally flawed. AB 2011 rezones commercial corridors and makes housing an allowable use at a minimum density and with a minimum amount of affordable housing. These sites likely will not be in a planning document as they are not part of the local jurisdiction's housing element and likely are not part of any land use plan for housing development.

Arguments in Support: According to the bill's sponsor, Prosperity California, "The Infill Infrastructure Grant Program (IIG) is an effective but oversubscribed program funding the upgrades to water, sewer, and transit access that make new housing possible. By updating the program and increasing funding, we can ensure more climate-smart housing is built while protecting Californians from the impacts of climate-driven natural disasters. SB 772 will:

- Require the California Department of Housing and Community Development (HCD) to include future transit stops that have been planned for by local and regional government when considering project eligibility;

- Require HCD to look at a development's walkability to essential services and businesses, such as grocery stores and medical clinics, when ranking which project to fund;

- Expand the type of projects that can be funded by including nature-based solutions that promote climate adaptation and resilience for new housing."

Arguments in Opposition: None on file.

Committee Amendments: The following amendments address issues raised in the analysis.

1) Restore this language:

(E) (i) Except as provided by clause (ii), documentation of ~~all~~ *approval of* necessary entitlement and ~~permits, and a certification from the applicant that the project is shovel-ready.~~ *building permits.*

2) Delete this language:

(iii) The capital improvement project for which funding is requested is necessary, as adopted by a planning document, to make the area suitable and available for residential development pursuant to Chapter 4.1 (commencing with Section 65912.100) of Division 1 of Title 7 of the Government Code.

3) Restore this language:

(v) (I) Except as provided by subclause (II), documentation of all necessary entitlement and ~~permits, and a certification from the applicant that the capital improvement project is shovel-ready.~~ *building permits.*

4) Delete the changes to this section:

(2) The project meets one of the following:

~~(2)~~ *(A)* ~~Include~~ *Includes* not less than 15 percent of affordable units, as follows:

~~(A)~~ *(i)* For projects that contain both rental and ownership units, units of either or both product types may be included in the calculation of the affordability criteria.

~~(B)~~ *(ii)* ~~(i)~~ *(I)* To the extent included in a project grant application, for the purpose of calculating the percentage of affordable units, the department may consider the entire master development in which the development seeking grant funding is included.

~~(ii)~~ *(II)* Where applicable, an applicant may include a replacement housing plan to ensure that dwelling units housing persons and families of low or moderate income are not removed from the low- and moderate-income housing market. Residential units to be replaced shall not be counted toward meeting the affordability threshold required for eligibility for funding under this section.

~~(C)~~ *(iii)* For the purposes of this ~~subdivision,~~ *subparagraph,* "affordable unit" means a unit that is made available at an affordable rent, as defined in Section 50053, to a household earning no more than ~~60~~ *80* percent of the area median income or at an affordable housing cost, as defined in 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 that ensures affordability for 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.

(B) If the project is a by-right site and is in compliance with Section 65913.4 of the Government Code, or Chapter 4.1 (commencing with Section 65912.100) of Division 1 of Title 7 of the Government Code, the project meets the affordability requirements outlined in those sections, as applicable.

***Related Legislation*:**

SB 341 (Becker, Chapter 777, Statutes of 2023) makes a number of changes to state housing programs, including specifying that additional points or preference from a prohousing designation shall be awarded only for the qualifying infill area portion of IIG of 2007, and adding the qualifying infill area and catalytic qualifying infill area portions of IIG of 2019 as one

of the specified state programs for which additional points or preference is awarded due to a prohousing designation.

AB 140 (Committee on Budget, Chapter 111, Statutes of 2021) provided for statutory changes necessary to implement the housing and homelessness provisions of the Budget Act of 2021. Included provisions authorizing HCD to expend $250 million pursuant to IIG of 2019, with $160 million directed to selected capital improvements for large jurisdictions and $90 million directed to over-the-counter grants for capital improvements for projects for small jurisdictions.

AB 101 (Committee on Budget, Chapter 159, Statutes of 2019) provided for statutory changes necessary to enact the housing and homelessness-related provisions of the Budget Act of 2019. Included provisions authorizing HCD to expend $500 million in grants to fund infrastructure improvements including water, sewer, other utility improvements, streets, roads, other transit linkages, sidewalks, and other streetscape improvements for eligible cities and counties. Included a 15% affordability requirement.

REGISTERED SUPPORT / OPPOSITION:

Support

Abundant Housing L.A.
California Forward
California YIMBY
Center for Biological Diversity
Central Valley Urban Institute
Council of Infill Builders
Endangered Habitats League
Enterprise Community Partners, INC.
Epic - Environmental Protection Information Center
Greenbelt Alliance
Housing Action Coalition
LandWatch Monterey County
League of California Women Voters
LISC San Diego
Livable Communities Initiative
New Way Homes
Planning and Conservation League
Prosperity California
Seamless Bay Area
Sequoia Riverlands Trust
Sierra Business Council
Streets for All
Transform
Wildlands Network
YIMBY Action

Opposition

None on file.

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