

STATE OF CALIFORNIA  
**Budget Change Proposal - Cover Sheet**  
 DF-46 (REV 08/15)

Fiscal Year 2016-17	Business Unit 2240	Department Housing and Community Development	Priority No. 5
Budget Request Name 2240-005-BCP-DP-2016-GB		Program 1665/1670	Subprogram N/A

Budget Request Description

Proposition 1C Adjustments

Budget Request Summary

This request makes the following adjustments to Proposition 1C local assistance budget authority:

- Provide a new appropriation of \$20 million in the Infill Infrastructure Grant Program in order to re-award disencumbered funds.
- Provide a \$4.5 million augmentation for Housing Related Parks Program projects.
- Provide an extension of liquidation period for projects funded by the Transit-Oriented Development Implementation Fund and the Regional Planning, Housing, and Infill Incentive Account.

Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed
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Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO	Date
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For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the Department of Technology, or previously by the Department of Finance.

FSR       SPR      Project No.      Date:

If proposal affects another department, does other department concur with proposal?  Yes       No  
*Attach comments of affected department, signed and dated by the department director or designee.*

Prepared By Mark Loden <i>Mark Loden</i>	Date <del>8/12/2015</del> 12/31/2015	Reviewed By Dave O'Toole <i>Dave O'Toole</i>	Date 12-31-15 <del>8/12/2015</del>
Department Director Susan Riggs <i>Susan Riggs</i>	Date 12/31/2015	Agency Secretary <i>[Signature]</i>	Date 1-5-16

**Department of Finance Use Only**

Additional Review:  Capital Outlay     ITCU     FSCU     OSAE     CALSTARS     Dept. of Technology

BCP Type:       Policy       Workload Budget per Government Code 13308.05

PPBA <i>[Signature]</i>	Date submitted to the Legislature 1/7/16
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## BCP Fiscal Detail Sheet

BCP Title: Proposition 1C Adjustments

DP Name: 2240-005-BCP-DP-2016-GB

### Budget Request Summary

	FY16					
	CY	BY	BY+1	BY+2*	BY+3*	BY+4*
Operating Expenses and Equipment						
54XX - Special Items of Expense	0	24,500	0	0	0	0
<b>Total Operating Expenses and Equipment</b>	<b>\$0</b>	<b>\$24,500</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Total Budget Request</b>	<b>\$0</b>	<b>\$24,500</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### Fund Summary

Fund Source - Local Assistance						
6069 - Regional Planning, Housing, and	0	20,000	0	0	0	0
6071 - Housing Urban-Suburban-and-Rural	0	4,500	0	0	0	0
<b>Total Local Assistance Expenditures</b>	<b>\$0</b>	<b>\$24,500</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Total All Funds</b>	<b>\$0</b>	<b>\$24,500</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### Program Summary

Program Funding						
1665 - Financial Assistance Program	0	20,000	0	0	0	0
1670 - Housing Policy Development	0	4,500	0	0	0	0
<b>Total All Programs</b>	<b>\$0</b>	<b>\$24,500</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## Analysis of Problem

### A. Budget Request Summary

In order to complete the local assistance phase of the Housing and Emergency Shelter Trust Fund Act of 2006 (Proposition 1C) bonds, the Department of Housing and Community Development (HCD) requests the following:

- An appropriation of \$20 million in disencumbered IIG funds to provide awards for new projects (Attachment A).
- A \$4.5 million increase to the Housing Related Parks Program (HRPP) appropriation.
- Extension of the liquidation period for existing Infill Infrastructure Grant (IIG) awards, including California Recycle Underutilized Sites (CALReUSE) awards, until June 30, 2020, and the Transit Oriented Development (TOD) awards until June 30, 2019 (Attachment B).

#### ***Business Problem***

Budget Act appropriations are needed to award disencumbered or reallocated funds for IIG and HRPP since they are not continuously appropriated. Additionally, infill developments are complex, multiyear projects that sometimes encounter unforeseen project delays and without an extension of the liquidation period, these projects would be cancelled or delayed until new funding is found.

#### ***Source of Problem***

HCD has disencumbered funds from IIG awards and funds previously set aside for program administration in the HRPP that are now available for additional awards. Additionally, although HCD initially awarded all Proposition 1C funds during the economic crisis, some project sponsors delayed their projects due to worsening market conditions and now need additional time for completion.

#### ***Proposed Solution***

HCD proposes to re-award \$20 million from IIG disencumbrances and increase local assistance funding for the HRPP by \$4.5 million due to reallocation of funds from administration. HCD further proposes to extend the liquidation period of the IIG (including CALReUSE) and TOD appropriations to June 30, 2020, and June 30, 2019, respectively, to provide developers sufficient time to complete construction of the projects (see Attachment C for project listing) and provide funding certainty to grantees and other investors.

### B. Background/History

In 2006, California voters approved Proposition 1C, authorizing the largest state housing bond in the state's history. In addition to providing continuously appropriated funding for various programs, the bond provided funds for the following programs under annual appropriations:

- IIG program. Proposition 1C authorized \$850 million for the IIG program. The program uses competitive grants to fund infrastructure improvements to facilitate new housing developments in residential or mixed-use infill projects.

The CALReUSE program is a grant and loan program administered by the California Pollution Control Financing Authority (Authority) that finances brownfield cleanup to promote infill residential and mixed-use development, consistent with regional and local land use plans. Chapter 179, Statutes of 2007 (SB 86), allocated \$60 million of IIG funds to the CALReUSE program. While many projects are complete, some require an extension of fund availability.

- TOD Program. Proposition 1C authorized \$300 million for the TOD Program to award loans for development and construction of housing projects or grants for infrastructure necessary for the development of higher-density housing in close proximity of transit stations.
- HRPP. Proposition 1C authorized \$200 million for the HRPP to award grants for the creation, development, or rehabilitation of community or neighborhood parks to cities, counties, and cities and counties with deficient parks or deficient park acreage. Localities receive funds based on their

## Analysis of Problem

efforts to approve new housing units affordable to low or very low-income households, including infill units. In addition to the lack of adequate infrastructure, the absence of parks near housing is often cited as a barrier to development. While recent park bonds have allowed for the acquisition of new property and the provision of new parks, there is still a high demand for additional funds for parks, particularly in disadvantaged neighborhoods.

HCD awards loans and grants for these programs through a competitive process that involves advertising that funds are available, accepting and reviewing applications that meet minimum standards, and ranking projects in priority order. HCD provides funding to projects based on the amount of funding available according to the scores assigned during the rating and ranking process.

### C. State Level Considerations

HCD's primary mission is to expand the amount of safe and affordable housing opportunities in California, where the state faces a growing shortage of affordable homes for low-income households. One of the most difficult project financing challenges is obtaining upfront funding for housing project infrastructure. HCD's programs address this challenge by acting as a catalyst to attract other funding sources that create the necessary financial resources to make projects feasible.

### D. Justification

**The IIG program has \$20 million in project disencumbrances.** Consistent with Proposition 1C, the best use of these funds is to make new awards.

**The HRPP has analyzed the program administration needs and determined that additional funds are available for award.** Surplus funding of \$4.5 million is now available to include in a final round of awards for the program. Previous requests authorized a 2016-17 appropriation of \$27.5 million; HCD requests an increase of \$4.5 million in budget authority, for a total of \$32 million for HRPP.

**Some existing projects require a liquidation period extension and are at risk of delay or cancellation if that period is not extended.** IIG and TOD projects are in or nearing the construction phase and without this time extension private lenders are more hesitant to close on construction loans with project developers. Accordingly, the following appropriations require liquidation date extensions:

<u>FY</u>	<u>Liquidation Date</u>	<u>Appropriation</u>	<u>Program</u>	<u>New Liquidation Date</u>
2007	6/30/2017	6069-601	IIG	6/30/2020
2007	6/30/2017	6069-101	IIG	6/30/2020
2008	6/30/2017	6069-101	IIG	6/30/2020
2009	6/30/2017	6069-101	IIG	6/30/2020
2007	6/30/2017	9736-601	TOD	6/30/2019
2007	6/30/2017	9736-101	TOD	6/30/2019
2008	6/30/2017	9736-101	TOD	6/30/2019
2009	6/30/2017	9736-101	TOD	6/30/2019

**Infrastructure costs in infill areas and development of housing in proximity to transit stations are comparatively more expensive, time consuming, and challenging to attract investment.** Funding sources for housing infrastructure in previously developed and neglected neighborhoods and urban areas are not readily available. Similarly, developing housing within close proximity to transit stations is expensive and financing costs through traditional lenders makes it difficult for developers to include affordable housing for low-income persons. The IIG and TOD programs provide low-cost funds that facilitate the construction of housing, create jobs, and promote greater housing affordability.

**The CALReUSE Program administered by the Authority needs a liquidation date extension for the 2007 appropriation (2240-101-6069) to facilitate up to \$60 million in awards for brownfield cleanup projects.** In 2007, HCD and the Authority entered into an agreement to encumber the funds in HCD's

## Analysis of Problem

budget that now requires a liquidation date extension to June 30, 2020. (See Attachment D for a partial list of projects potentially requiring liquidation period extensions.)

### E. Outcomes and Accountability

The proposed solution allows for the expenditure of disencumbered funds and will further HCD's goal of providing affordable housing to Californians, while stimulating economic activity. Additionally, the extension to liquidate funds will allow HCD flexibility to work with current IIG and TOD grantees to ensure projects currently underway are completed. Projects will be monitored closely by HCD project staff and grantees not making timely progress towards completion will be evaluated for continuation.

### F. Analysis of All Feasible Alternatives

**Alternative 1.** Approve a \$20 million Budget Act appropriation for the IIG program (Attachment A), a \$4.5 million increase in budget authority for the HRPP, and extend the liquidation period of various IIG (including CALReUSE) and TOD appropriations to June 30, 2020, and June 30, 2019, respectively (Attachment B).

**Pros:**

- Awards surplus funding to incentivize and provide infrastructure for the construction of affordable housing.
- Provides developers with sufficient time to complete the construction process and avoid cancellation of viable projects.

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**Cons:**

- Some projects may take advantage of the two-year extension and delay construction work.
- Other projects and potential awardees will not have the opportunity to compete for funding new projects that would otherwise be eligible for newly-available funds.

**Alternative 2.** Do not extend the liquidation period for the current awards in IIG and TOD or authorize budget authority increases.

**Pros:**

- Projects that would otherwise finish later may be incentivized to complete expeditiously.
- Projects and potential grantees will have the opportunity to compete for new funding.

**Cons:**

- Project developers may not secure needed financing as lenders may consider the current liquidation deadline as an unacceptable risk given project schedule duration to completion.
- Opportunities to create housing industry jobs and promote infill development to achieve the economic and environmental benefits of strategic growth and affordable housing will be lost.

### G. Implementation Plan

HCD will issue new awards for IIG and HRPP no later than June 30, 2017, and extend the liquidation period for IIG and TOD agreements as needed.

### H. Supplemental Information

The following attachments are included in this BCP package:

- Attachment A – Proposed Budget Bill Language for IIG
- Attachment B – Proposed Budget Bill Language for Liquidation Date Extensions
- Attachment C – TOD and IIG Projects
- Attachment D – CALReUSE Remediation Program – Potential Projects Affected

## I. Recommendation

**Alternative 1.** Approve a \$20 million Budget Act appropriation for the IIG Program, a \$4.5 million increase in budget authority for the HRPP, and extend the liquidation period for IIG (including CALReUSE) and TOD awards until June 30, 2020, and June 30, 2019, respectively.

Proposition 1C Adjustments  
Budget Bill Language

2240-101-6069—For local assistance, Department of  
Housing and Community Development, payable from  
the Regional Planning, Housing, and Infill Incentive  
Account, Housing and Emergency Shelter Trust Fund  
of 2006 .....20,000,000

Schedule:

1. 1665-Financial Assistance Program.....20,000,000

Provision:

2. Notwithstanding Section 16304.1 of the Government  
Code, funds appropriated in this item shall be available  
for liquidation of encumbrances until June 30, 2021.  
The Director of Finance may authorize an extension of  
the liquidation period if it is determined that an  
extension is needed to facilitate a project's completion.  
An approval may be authorized not sooner than 30  
days after notification is provided in writing to the  
Chairperson of the Joint Legislative Budget Committee  
and the chairpersons of the committees in each house  
of the Legislature that consider appropriations.

**Extension of Liquidation Periods  
Housing and Infill Incentive Account (Fund 6069)  
Transit Oriented Development (Fund 9736)**

2240-490—Reappropriation, Department of Housing and Community Development. Notwithstanding Section 16304.1 of the Government Code, the funds appropriated in the following citations shall be available for liquidation of encumbrances as specified. The Department of Finance may authorize an extension of the liquidation period if it is determined that an extension is needed to facilitate a project's completion. An approval may be authorized not sooner than 30 days after notification is provided in writing to the Chairperson of the Joint Legislative Budget Committee and the chairpersons of the committees in each house of the Legislature that consider appropriations.

6069—Regional Planning, Housing, and Infill Incentive Account, Housing and Emergency Shelter Trust Fund of 2006

- (1) Item 2240-101-6069, Budget Act of 2007 (Chs. 171 and 172, Stats. 2007), as re-appropriated by Item 2240-492, Budget Act of 2010 (Ch. 712, Stats. 2010), as re-appropriated by Health and Safety Code 53565 added by Section 2 of Chapter 26, Statutes of 2013, until June 30, 2020.
- (2) 2240-101-6069, Budget Act of 2008 (Chs. 268 and 269, Stats. 2008), as re-appropriated by Item 2240-490 of the Budget Act of 2009 (Ch. 1, 2009-10 3<sup>rd</sup> Ex. Sess., as revised by Ch. 1, 2009-10 4<sup>th</sup> Ex. Sess.), as re-appropriated by Item 2240-492, Budget Act of 2010 (Ch. 712, Stats. 2010), as re-appropriated by Health and Safety Code 53565 added by Section 2 of Chapter 26, Statutes of 2013, until June 30, 2020.
- (3) 2240-101-6069, Budget Act of 2009 (Ch. 1, 2009-10 3<sup>rd</sup> Ex. Sess., as revised by Ch. 1, 2009-10 4<sup>th</sup> Ex. Sess.), as re-appropriated by Item 2240-492, Budget Act of 2010 (Ch. 712, Stats. 2010), as re-appropriated by Health and Safety Code 53565 added by Section 2 of Chapter 26, Statutes of 2013, until June 30, 2020.
- (4) Subdivision (a) of Section 1 of Chapter 39 of the Statutes of 2008, as re-appropriated by Item 2240-492, Budget Act of 2010 (Ch. 712, Stats. 2010), as re-appropriated by Health and Safety Code 53565 added by Section 2 of Chapter 26, Statutes of 2013, until June 30, 2020.

9736—Transit-Oriented Development Implementation Fund

- (1) Item 2240-101-9736, Budget Act of 2007 (Chs. 171 and 172, Stats. 2007), as re-appropriated by Item 2240-492, Budget Act of 2010 (Ch. 712, Stats. 2010), as re-appropriated by Health and Safety Code 53545.15 added by Section 1 of Chapter 26, Statutes of 2013, until June 30, 2019.
- (2) Item 2240-101-9736, Budget Act of 2008 (Chs. 268 and 269, Stats. 2008), as re-appropriated by Item 2240-490 of the Budget Act of 2009 (Ch. 1, 2009-10 3rd Ex. Sess., as revised by Ch. 1, 2009-10 4th Ex. Sess.), as re-appropriated by Item 2240-492, Budget Act of 2010 (Ch. 712, Stats. 2010), as re-appropriated by Health and Safety Code 53545.15 added by Section 1 of Chapter 26, Statutes of 2013, until June 30, 2019.
- (3) Item 2240-101-9736, Budget Act of 2009 (Ch. 1, 2009-10 3rd Ex. Sess., as revised by Ch. 1, 2009-10 4th Ex. Sess.), as re-appropriated by Item 2240-492, Budget Act of 2010 (Ch. 712, Stats. 2010), as re-appropriated by Health and Safety Code 53545.15 added by Section 1 of Chapter 26, Statutes of 2013, until June 30, 2019.
- (4) Subdivision (b) of Section 1 of Chapter 39 of the Statutes of 2008, as re-appropriated by Item 2240-492, Budget Act of 2010 (Ch. 712, Stats. 2010), as re-appropriated by Health and Safety Code 53545.15 added by Section 1 of Chapter 26, Statutes of 2013, until June 30, 2019.

Transit Oriented Development and  
Infill Infrastructure Grant Projects

Transit Oriented Development Projects -- Round 1

Project Name	Award Amount	Amount Disbursed	Amount Remaining	Risk of Not Meeting 6/30/17 Disbursement Deadline	Funding Uses	Under Constr.	Est. Constr. Completion %	Non-HCD Project Funding	Total Project Funding	Comments
MacArthur Park B	\$ 7,705,055.00	\$ -	\$ 7,705,055.00	Impossible to meet deadline	Housing Loan	No	0%	\$ 25,085,416	\$ 32,790,471	Construction has yet to begin on this phase due to construction delays and cost overruns resulting from the need to relocate the entrance to the Red Line transit station located on site. The developer secured AHSC Program funds to fill the financial gap.
Uniontown Blossom	\$ 1,574,128.00	\$ -	\$ 1,574,128.00	Low	Infrastructure Costs	yes	40%	\$ 81,876,435	\$ 96,856,635	Original Sponsor defaulted causing construction delays. A new market rate developer is successfully completing the construction.
Coliseum BART	\$ 8,485,000.00	\$ -	\$ 8,485,000.00	High	Infrastructure & Housing Costs	yes	60%	\$ 9,101,466	\$ 17,586,466	Work is underway. Funds have not yet been disbursed. Project is planning to be completed and disbursed by 6/30/17. Project has little room for error to meet the 6/30/17 disbursement deadline.
MacArthur Park A & B	\$ 725,000.00	\$ 392,441.00	\$ 332,559.00	High	Infrastructure & Housing Costs	No	0%	\$ 32,065,471	\$ 32,790,471	Construction has yet to begin on Phase B due to construction delays and cost overruns resulting from the need to relocate the entrance to the Red Line transit station located on site. The developer secured AHSC Program funds to fill the financial gap.
Union City	\$ 7,637,102.00	\$ -	\$ 7,637,102.00	High	Infrastructure & Housing Costs	yes	100%	\$ 7,841,065	\$ 15,478,167	TOD grant close to being disbursed. Waiting to amend the IIG Grant Standard and Disbursement Agreements, before disbursing the TOD grant. City paid for infrastructure work in the interim.

Transit Oriented Development Projects -- Round 2

Project Name	Award Amount	Amount Disbursed	Amount Remaining	Risk of Not Meeting 6/30/17 Disbursement Deadline	Funding Uses	Under Constr.	Est. Constr. Completion %	Non-HCD Project Funding	Total Project Funding	Comments
South Hayward RT	\$ 15,101,383.00	\$ -	\$ 15,101,383.00	High	Infrastructure & Housing Costs	yes	30%	\$ 31,670,798	\$ 52,670,798	The original market rate developer could not obtain financing and ultimately sold their interests to another developer capable of obtaining financing and the project is well under construction.

Transit Oriented Development and  
Infill Infrastructure Grant Projects

Infill Infrastructure Grant Projects – Round 1

Project Name	Award Amount	Amount Disbursed	Amount Remaining	Risk of Not Meeting 6/30/17 Disbursement Deadline	Funding Uses	Under Constr.	Est. Constr. Completion %	Non-HCD Project Funding	Total Project Funding	Comments
Figueroa Corridor	\$ 30,000,000.00	\$ 7,617,581.46	\$ 22,382,418.54	High	Street improvements along the Figueroa Corridor and other infrastructure supporting the housing	Yes	33%	\$ 10,000,000	\$ 40,000,000	Project was delayed due to dissolution of the RDA's. The grant was transferred to the LA DOT and is now progressing but may have difficulty meeting deadline.
Anchor Creek	\$ 20,961,940.00	\$ -	\$ 20,961,940.00	High	Parking Structures, sewer, water and storm drains, curbs gutters and sidewalks with associated landscape and amenities	No	0%	\$ 39,769,860	\$ 60,731,880	Project financing has caused delays. Master developer has partnered with a new housing developer, Chelsea Investment, and is close to securing financing.
San Leandro Crossings	\$ 11,711,240.00	\$ 2,872,215.38	\$ 8,839,024.62	Medium	Infrastructure Costs	Yes	35%	\$ 64,152,988	\$ 84,595,508	Project was completely revised and scaled down, thereby improving feasibility and lowering risk. Project is well under construction.
Monte Transit	\$ 14,827,400.00	\$ 7,602,927.03	\$ 7,224,472.97	Low	Street improvements, greenbelts & parks, sewer line extension, streetscape improvements, site remediation & demolition, subterranean parking	Yes	50%	\$ 89,021,243	\$ 103,949,196	After initial delays with developer selection and RDA dissolution, project is progressing steadily. Affordable housing will be completed Fall 2015.
Uphill Blossom	\$ 9,422,480.00	\$ 8,480,232.00	\$ 942,248.00	Low	Infrastructure Costs	Yes	40%	\$ 81,876,435	\$ 96,856,635	Original Sponsor defaulted causing construction delays. A new market rate developer is successfully completing the construction.

Transit Oriented Development and  
Infill Infrastructure Grant Projects

Infill Infrastructure Grant Projects -- Round 2

Project Name	Award Amount	Amount Disbursed	Amount Remaining	Risk of Not Meeting 6/30/17 Disbursement Deadline	Funding Uses	Under Constr.	Est. Constr. Completion %	Non-HCD Project Funding	Total Project Funding	Comments
North San Pedro	\$ 24,160,400.00	\$ 3,349,676.29	\$ 20,810,723.71	High	Affordable podium parking and street improvements	No	0%	\$ 151,193,804	\$ 175,354,204	Groundbreaking scheduled for September 2015.
South Hayward ART	\$ 16,389,520.00	\$ 6,215,408.99	\$ 10,174,111.01	Medium	Infrastructure & Housing Costs	yes	30%	\$ 31,670,798	\$ 48,060,318	The original market rate developer could not obtain financing and ultimately sold their interests to another developer capable of obtaining financing and the project is well under construction.
Wentworth View	\$ 30,000,000.00	\$ 18,044,090.31	\$ 11,955,909.69	Medium	Utilities upgrade to include new sewer, water, storm drain and dry utility, street improvements & new construction, parks & streetscape	yes	60%	\$ 172,731,529	\$ 202,731,529	No major delays experienced or expected. Size of project could possibly be inhibitor to timely completion.
Ballpark Village	\$ 24,690,880.00	\$ 4,667,976.00	\$ 20,022,904.00	High	Parking Garage	yes	15%	\$ 259,284,898	\$ 283,975,778	Project delays resulted from need to bring in market rate developer. Infrastructure work is progressing but may not be completed in time for existing deadline compliance.
Union City Station	\$ 15,038,880.00	\$ -	\$ 15,038,880.00	High	Infrastructure & Housing Costs	yes	100%	\$ 5,084,120	\$ 20,123,000	Infrastructure work has been completed. Delays in disbursement due to the need for a market rate developer to be added to the project. City paid for completed work in the interim.
Crenshaw Mid-City Corridor	\$ 14,677,920.00	\$ 2,778,352.00	\$ 11,899,568.00	High	Street improvements along the Crenshaw Corridor and other infrastructure supporting the housing	yes	25%	\$ 5,000,000	\$ 19,677,920	Project was delayed due to dissolution of the RDA's. The grant was transferred to the HCIDLA and is now progressing but may have difficulty meeting deadline.
International City	\$ 10,433,280.00	\$ 9,163,766.50	\$ 1,269,513.50	Low	Infrastructure & Housing Costs	yes	100%	\$ 34,370,720	\$ 44,804,000	Project is under construction and nearing completion of disbursement of grant funds.

