

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT  
DIVISION OF FINANCIAL ASSISTANCE****Infill Infrastructure Grant Program**

1800 Third Street, Suite 460  
P. O. Box 952054  
Sacramento, CA 94252-2054  
(916) 324-1555  
FAX (916) 324-1461



August 6, 2010

**TO:** All Interested Parties

**FROM:** Eugene Lee   
Section Chief, Infill Infrastructure Grant and TOD Housing Programs

**SUBJECT:** Guideline Change for Low-Income Housing Tax Credit Projects  
Infill Infrastructure Grant Program (IIG)

This memo announces changes to the Infill Infrastructure Grant Program (IIG) guidelines (Rev. 1/30/09). The changes detailed in this memo specifically apply to Qualifying Infill Projects (QIPs) receiving low-income housing tax credits (LIHTC) funded from IIG NOFAs Round 1 and Round 2.

The Department is amending the IIG Guidelines to clarify and expand the use of an existing provision which allows IIG grants to be made in the form of a loan in LIHTC projects. Several IIG projects receiving LIHTCs have evidenced the need to specify additional terms and conditions in order to satisfy LIHTC requirements. The amendments provide clearer, uniform direction when using IIG funds in LIHTC housing projects.

The changes would:

- Allow the loan lender of the IIG funds to be the IIG Recipient, as defined, rather than limited to a locality, redevelopment agency, or public housing authority;
- Permit the loan to be secured by a deed of trust, either recorded or unrecorded, if necessary. Alternatively, there may be cases when the loan is not reflected in the form of a deed of trust, but in a loan agreement only. The amendment continues to allow this flexibility; and
- Clarify loan repayment conditions when the IIG project is also funded by other HCD programs.

Thank you for your interest and participation in the IIG Program. We trust this information is helpful and further promotes the successful integration of the IIG Program with LIHTCs and housing affordability in the State.

You may contact the IIG Program by emailing us at [infill@hcd.ca.gov](mailto:infill@hcd.ca.gov) or call (916) 324-1555 if you have any questions.

## Infill Infrastructure Grant Program Guideline (Rev. 1/30/09) Amendment

Section 305(f) is hereby amended as follows (new text is underlined):

- (f) ~~Where the Recipient entity includes a Locality, redevelopment agency or housing authority, and the Qualifying Infill Project is receiving low income housing tax credits, the Recipient may provide Program funds to the developer of the Qualifying Infill Project in the form of a zero (0) percent, deferred payment loan, with a term of at least 30 years for home ownership developments, or a term of at least 55 years for rental developments. No periodic payments shall be required under the loan. The loan may be secured by a deed of trust which may be recorded with the local county recorder's office. Provided, however, the beneficiary of the loan shall not under any circumstances exercise any remedy, including, without limitation, foreclosure, under the deed of trust without the prior written consent of the Department, in its sole and absolute discretion. The loan may not be sold, assigned, assumed, conveyed or transferred to any third party without prior written Department approval in its sole and absolute discretion. For Projects assisted by other Department funding programs, repayment of the loan between the Recipient and the developer shall be limited to (1) no repayments to the Recipient until the maturity date or (2) repayment only from "distributions" from the project within the meaning of Title 25, California Code of Regulations Section 8301(h). The Recipient shall be responsible for all aspects of establishing and servicing the loan. The provisions governing the loan shall be entirely consistent with these Guidelines and all documents required by the Department with respect to the use and disbursement of Program funds. All documents governing the loan between the public agency lender Recipient and the developer borrower shall contain all the terms and conditions set forth in this subdivision and shall be subject to the review and approval of the Department prior to making the loan. This subdivision shall apply to any Qualified Infill Project receiving low income housing tax credits regardless of the date of the Program award.~~