



November 26, 2007

Michael Papanian  
Executive Director  
California Pollution Control Financing Authority  
915 Capitol Mall, Suite 457  
Sacramento, CA 95814

**Re: Comments on CalReUSE Draft Regulations**

Dear Director Papanian,

On behalf of the California Housing Consortium/CHC Institute, I am writing to provide formal comments and constructive input on the draft regulations for the PROP 1C Brownfield Remediation/CalReUSE Program. We are very enthusiastic that these programs will serve as an ideal pairing with the Infill Development Set-Aside being administered by the Department of Housing and Community Development (HCD) to substantially reduce the impediments to reusing promising sites near jobs and transit in addressing our critical need for mixed-income, multi-family housing.

As you may know, after co-directing passage of the \$2.85 billion PROP 1C housing bond last year, CHC has worked with the state's legislative leadership to pass the enabling legislation for unprecedented incentive programs under PROP 1C to spur infill and transit-oriented development, housing-related infrastructure and parks, as well as various innovative housing initiatives. As a statewide non-profit 'big tent' housing advocacy organization representing the private, public, and non-profit sectors, CHC has sponsored member roundtable forums in Southern and Northern California in order to solicit feedback on 'draft' guidelines for both the TOD and Infill Development set-asides.

The purpose of this letter is to articulate (5) general principles that according to our diverse membership are critical to ensuring that this precious funding can be utilized most effectively with the corresponding Infill Development Set-Aside:

1. **Spur Mixed-Income Housing Development** – CHC worked diligently with legislative leadership on translating ballot language – which had no affordability provision – to create the required enabling legislation for this program; the establishment of a minimum affordability threshold of 15% in the legislation underscores the fact that this is an 'inclusionary housing' program as distinct from a traditional 'affordable housing program'.

By contrast, the affordable requirements of the draft CalReUSE currently do nothing to spur mixed-income housing development on transformative brownfield sites that are frequently found in economically depressed communities. Guidelines currently being created for the HCD-administered Infill Development Set-Aside contemplate ranking criteria incentives for mixed-income scenarios and the CalReUSE program should be complementary to this emphasis.

Applicants that meet the affordability threshold should be eligible for grants from both the Infill Set-Aside as well as the CalReUSE brownfield pots in order to catalyze the development of mixed-income housing on underutilized sites rather than simply creating additional gap financing for 100% affordable rental or ownership housing.

2. **Target All Brownfields Sites** – the overarching focus of the program should be to put brownfield sites back in use; sites with responsible parties, Superfund sites and former federal land (including military sites) should not be precluded from applying for funding under the CalReUSE

set-aside. The intent of the enabling legislation was to revitalize existing communities through the redevelopment of sites that due to the toxic contamination of a former non-residential use have been left fallow. Transforming blighted areas into productive economic use and viable residential communities is precisely the opportunity intended for this unprecedented funding.

3. **Address Financial Impediment to Brownfield Development** – many sites near jobs and transit are available throughout California that but for the cost of contamination clean-up and infrastructure investment could be transformed into vibrant residential communities; the intent of the nascent HCD-administered Infill Development and Transit-Oriented Development Set-Asides is to reduce the barriers to taking advantage of these unique opportunities to address the State's dire housing need; initial proposals under the CalReUSE program to make brownfield clean-up funding available at interest rates pegged to LIBOR +2% is antithetical to the notion of incentivizing the redevelopment of contaminated sites.

Housing developers or joint-ventures consisting of a housing developer and a local public entity should be encouraged to access precious grant funding through the infill set-aside in order to support the creation of housing-related infrastructure (including demolition, site preparation, water-sewer-utilities) – and the economic incentive of hazmat clean-up funding under the CalReUSE program should therefore be either a grant or a below-market rate loan.

4. **Use with Other HCD Funding** – similarly, given that the source of the CalReUSE funding is the same PROP 1C Infill Set-Aside, the Department ought to be generating guidelines that truly facilitate the use of hazmat dollars with other housing-related infrastructure dollars. In the course of lengthy public feedback on both the TOD and Infill Set-Asides, HCD staff agreed that housing developers or joint-venture applicants should also be able to make use of tax exempt bond, tax credit, MHP, CalHOME, and other traditional affordable housing programs. There should be no prohibition on mixing funding or preferences for particular mixes– particularly if such a mix of funding enhances affordability.
5. **Projects vs. Areas** – finally, even though the enabling legislation does not specifically described separate funding pots for applicants engaged in large-scale 'area' plans versus 'project-specific' applications, CHC's members have made clear to HCD their belief that no less than 2/3's of this (and the companion Infill Set-Aside) funding should be devoted to specific housing 'projects'.

The intention of this legislation is to demonstrate to the voters of California that catalytic funding can result in a marked increase in housing developed near transit and jobs – long-range planning, while important, cannot deliver the impact that projects can right now.

Again, thank you for the opportunity to provide these comments. Should you have any questions or need clarification on any of our points, please do not hesitate to contact me at 415.677.4436 or [jloustau@calhsng.org](mailto:jloustau@calhsng.org). Thank you.

Sincerely,



Jeff Loustau  
Executive Director

Cc: Senate President pro tem Don Perata  
Assembly Speaker Fabian Nunez  
Senate Transportation and Housing Chair Alan Lowenthal  
Dale Bonner, Secretary – Business, Transportation, and Housing Agency  
Lynn Jacobs, Director – Housing and Community Development  
CHC Policy Leadership Task Force