SENATE THIRD READING
SB 772 (Cabaldon)
As Amended August 13, 2026
Majority vote

SUMMARY

Makes changes to the Infill Infrastructure Grant (IIG) Program.

Major Provisions

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:

    a) Walkability to essential services or businesses; and

    b) On-demand transit services that provide or support new, restored, or expanded routes

3) Adds to the definition of "qualifying infill area" a capital improvement project for which funding is request is necessary and integral to make and are suitable for development under AB 2011 (Wicks), Chapter 647, Statutes of 2022.

4) 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 or SB 35 (Wiener), Chapter 366, Statues of 2017.

5) 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 infrastructure solutions" that reduce the risk of climate change-driven natural disasters like wildfire, flooding, heat, and sea-level rise, or provide other social benefits.

6) 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.

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

8) 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.

9) 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 one to 12, inclusive;

   h) Food bank;

   i) A licensed childcare facility as identified by the State Department of Social Services;

   j) A community or recreation center accessible to the general public;

   k) A bank or credit union;

   l) A post office; and

   m) A laundry service.

10) Adds a definition of "on-demand transit service" to include shuttles, vans, circulators, paratransit services, and private sector transit solutions commonly referred to as microunits that are operated or contracted by a public entity. Requires the transit service to serve the general public and be demand responsible and capable of serving multiple riders simultaneously not only a single rider service. Defined "demand responsive" to mean a route or frequency of service is dispatched in real time based on customer demand.

11) Adds a definition of "shovel-ready" to mean that the project has a letter or other document evidencing to the satisfaction of the department a commitment of funds or a reservation of funds by a project-funding source for construction or permanent financing include but not limited to the following:

    a) Private financing from a lender other than a mortgage broker, the applicant or an entity with an identity of interest win the applicant, unless the applicant is a lending institution actively and regularly engaged in residential lending;

    b) Deferred-payment financing, residential receipts payment financing, residential receipts payments financing, grants, and subsidies from public agencies;

c) Funds awarded by another department program;

d) A land donation in fee for no other consideration that is supported by an appraisal or purchase and sale agreement or a local fee waiver resulting in quantifiable cost savings; and

e) Owner equity contributions or developer funds.

COMMENTS

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 Area Median Income (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, walkability this bill requires a development to be within one mile of six listed entities.

Shovel-ready: To qualify for the IIG program, applicants must provide documentation that the project is shovel-ready. The statute does not define what qualifies as shovel ready which according to the sponsors has led to confusion and an inconsistent application of the standard. This bill adds a list of documentation that an applicant can provide to satisfy this requirement.

AB 2011 (Wicks) and SB 35 (Wiener) sites: AB 2011 streamlines the approval process for certain housing developments along commercial corridors and in commercial zones, while ensuring labor standards for construction workers and facilitating the development of affordable housing units. The law allows for by-right approval of mixed-income and 100% affordable housing projects on sites currently zoned for office, retail, or parking uses, provided they meet specific affordability, labor, and environmental criteria. This means qualifying projects can bypass certain discretionary local approvals, such as conditional use permits, making it easier and faster to build housing. In 2017, SB 35 (Wiener) created a by-right approval process for infill projects with two or more residential units in localities that have failed to produce sufficient housing to meet their Regional Housing Needs Assessment (RHNA). To access the by-right process, the project must meet a number of requirements, including that the development includes a percentage of affordable housing units, meets specified labor standards, is not on an environmentally sensitive site, and would not result in the demolition of existing housing. Localities are allowed to provide design review, and are allowed to apply their own objective development standards, but they must approve the development project in specified timeframes. The IIG program does not currently allow SB 35 and AB 2011 sites to qualify, this bill would allow sites that meet the standards of both bills to qualify for funding. They would need to meet the other standards of the program including affordability standards, proximity to transit, walkability, or access to on-demand transit services.

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."

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:

1) 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;

2) 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;

3) 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.

FISCAL COMMENTS

According to the Assembly Committee on Appropriations:

1) Ongoing General Fund cost pressures to provide funding to the IIG Program to accommodate the expanded allowable projects under the bill. The IIG Program is oversubscribed and the 2026 budget act does not provide an allocation for additional grants. SB 417 (Limon), Chapter 16, Statutes of 2026, the Veterans and Affordable Housing Bond Act of 2026, which includes $500 million for the IIG Program is a potential funding source, should it pass at the November 3, 2026 statewide general election.

2) HCD estimates minor and absorbable costs to make minor modifications to the IIG Program guidelines, application materials, and application review tools. Because program guidelines are generally updated with every funding round, HCD indicates the workload created by this bill can be absorbed by current staffing levels.

VOTES

SENATE FLOOR: 34-0-6
YES: Allen, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Hurtado, Jones, Laird, Limón, McGuire, McNerney, Menjivar, Niello, Ochoa Bogh, Pérez, Richardson, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener
ABS, ABST OR NV: Alvarado-Gil, Cervantes, Grove, Padilla, Reyes, Rubio

ASM HOUSING AND COMMUNITY DEVELOPMENT: 12-0-0
YES: Haney, Patterson, Ávila Farías, Caloza, Garcia, Kalra, Lee, Quirk-Silva, Ta, Tangipa, Wicks, Wilson

ASM APPROPRIATIONS: 11-0-4
YES: Wicks, Arambula, Calderon, Caloza, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache
ABS, ABST OR NV: Hoover, Dixon, Ta, Tangipa

UPDATED

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