

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

915 CAPITOL MALL, ROOM 485

SACRAMENTO, CA 95814

TELEPHONE: (916) 654-6340

FAX: (916) 654-6033



William J. Pavão
Executive Director

MEMBERS:

Bill Lockyer, Chair
State Treasurer

Ana J. Matosantos, Director
Department of Finance

John Chiang
State Controller

DATE: August 30, 2011
TO: Low Income Housing Tax Credit Stakeholders
FROM: William J. Pavão, Executive Director
RE: Geographic Apportionment

The California Tax Credit Allocation Committee (TCAC) is considering updating the geographic regional apportionments, effective in 2012. The apportionment of federal and state credit among TCAC's geographic regions was most recently revised in 2004 and is listed below (Regulation Section 10315(i)).

<u>Geographic Area</u>	<u>Apportionment</u>
Los Angeles County	33%
Central Region (Fresno, Kern, Kings, Madera, Merced, San Joaquin, Stanislaus, Tulare)	10%
North and East Bay Region (Alameda, Contra Costa, Marin, Napa, Solano, Sonoma)	10%
San Diego County	10%
Inland Empire Region (San Bernardino, Riverside, Imperial)	8%
Orange County	8%
South and West Bay Region (San Mateo, Santa Clara)	6%
Capital and Northern Region (Butte, El Dorado, Placer, Sacramento, Shasta, Sutter, Yuba, Yolo)	6%
Central Coast Region (Monterey, San Luis Obispo, Santa Barbara, Santa Cruz, Ventura)	5%
San Francisco County	4%

This memo outlines the methodology adopted in 2004 (“previous methodology”), provides preliminary data updating the previous apportionment percentages, and facilitates a discussion with stakeholders regarding possible alternatives in updating the current apportionments.

Previous Methodology

Apportionment percentages are based on each region’s percentage of the total state population, measured by county. The base population data source is the most recent California Department of Finance Population Estimates. The previous methodology adjusted each county’s population percentage based on three additional factors: housing cost, poverty, and urbanization. A county’s population is multiplied by the three factors, producing an adjusted county percentage.

In calculating the three factors, each factor’s resulting percentage is rounded to the closest of the following values: 0.5, 0.75, 0.875, 1, 1.25, 1.5, 2 (see below for a sample calculation – please note, in tables below some numbers have been truncated). The effect of these factors is to adjust the county population, with factor ranges from halving (0.5) to doubling (2) effects. Please refer to the Previous Methodology Ranges endnote for additional details regarding these ranges.

County	Population	Housing Cost Factor	Poverty Factor	Urbanization Factor	Aggregate Adjustment Factor	Adjusted County Population	Adjusted State Population	Adjusted County %
Los Angeles	9,902,700	0.875	1.25	1.25	1.36719	13,538,848	41,435,088	32.67%

In comparing the three factors across counties, TCAC translated the raw data into ranges. The ranges express each county’s three factors relative to the statewide averages and standard deviations of the three factors.

The housing cost factor increases the allocation to counties with higher than average multifamily residential construction costs. TCAC translates each county's average dollar per square foot (\$/sf) in tax credit project costs into an expression (a multiplier) that facilitates cross-county comparisons, based on the variation from the state average. Housing costs below the state average have a multiplier of less than 1, while housing costs above the state average have a multiplier of greater than 1 (see excerpt below). For each county, the average \$/sf dataset is calculated similar to the current TCAC eligible basis limit dataset¹. That is, TCAC used historical project-level new construction project costs per total square feet of all structures. TCAC’s own tax credit project database was the most relevant in defining the housing cost factor, with enough data to ensure a statistically meaningful dataset.

County	TCAC Average \$/sf	State Average	Difference	Factor Value
Los Angeles	125.99	144.03	-18.04	0.875

The poverty factor increases allocations to counties with higher poverty rates. To determine the population in poverty for each county, TCAC used 2000 U.S. Census data on the proportion of the population below 200 percent of the federal poverty level. TCAC derived a multiplier to compare the county poverty level with the statewide level.

¹ The \$/sf housing cost factor differs from the eligible basis dataset in that land costs and projects with commercial costs are included.

The urbanization factor accounts for the fact that 20 percent of the total federal credit ceiling is allocated through the rural set-aside, and provides an increased allocation to counties with larger non-rural populations. TCAC compared a county's non-rural population to the statewide non-rural population (source: 2000 U.S. Census) and derived a factor value, or multiplier. Counties with rural populations below the statewide average were multiplied by a factor greater than 1, while those with a larger rural population were reduced by a multiplier of less than 1.

Sample Calculation of Previous Methodology including Updated Figures: Los Angeles County

<u>LOS ANGELES</u>	<u>PREVIOUS</u>	<u>UPDATED</u>
County Population	9,902,700	9,858,989
State Population	34,320,150	36,607,651
Unadjusted % of Total Population	28.85%	26.93%
Housing Cost Factor*	0.875	1.000
Poverty Factor*	1.250	1.250
Urbanization Factor*	1.250	1.250
Aggregate Adjustment Factor**	1.36719	1.56250
Adjusted County Population	13,538,848	15,404,670
Adjusted State Population	41,435,088	43,114,570
Adjusted %**	32.67%	35.73%

*Housing Cost: As Los Angeles County had lower construction costs than the state average (\$125.99 vs. \$144.03), a factor value of 0.875 was applied. Poverty: The County was above the state average for poverty (0.40 compared to state average 0.33), resulting in a factor value of 1.25. Urbanization: The County's non-rural population was greater than the state average (0.99 compared to state average 0.94) and resulted in a factor value of 1.25.

**The Aggregate Adjustment Factor is the product of the three factors (0.875 x 1.25 x 1.25 = 1.36719). A county's Adjusted % may be less than the Unadjusted % even with an Aggregate Adjustment Factor of greater than 1 if the Adjusted State Population increased by more than the Adjusted County Population.

Updating the Previous Methodology

TCAC staff has updated the geographic apportionment's underlying dataset and displayed the resulting regional allocations on page 6 of this memo. Using 2010 U.S. Census data and other updated data, TCAC staff is considering proposed changes to TCAC Regulation Section 10315(i) for 2012.

Currently, 2010 Census data is not available for all of the three factors. The 2010 Census data tables are being released on a rolling schedule projected to continue through 2013. TCAC staff has used the U.S. Census Bureau's American Community Surveys as an interim data source. However, no updated Census Bureau data currently exists for a county-level rural population. As a result, the urbanization factor remains unchanged in the presented update. Please note, the preliminary updated calculations included in this document may be revised as additional updated data becomes available.

Although the existing geographic apportionments are whole percentages (e.g., Los Angeles: 33%), the updated figures included in this memo are displayed to an additional decimal place (e.g., Los Angeles: 35.7%). This is consistent with regional apportionment percentages used by TCAC prior to the 2004 version. In reviewing the percentage changes between the previous methodology and the updated

figures, stakeholders should consider as an example, a 2% increase in geographic apportionment is the credit equivalent in many regions to the funding of one additional project.

TCAC is also considering the addition of an 11th region: The City of Los Angeles. Stakeholders are encouraged to provide comments on the previous system and potential alternate methodologies. See below for additional detailed calculations. TCAC staff will be available to discuss the proposed update to the geographic apportionment at various regional conferences held this fall, as well as at scheduled public hearings on proposed 2012 regulation changes. Additional geographic apportionment documents are available on the TCAC website: <http://www.treasurer.ca.gov/ctcac/tax.asp>. Please contact Gina Ferguson at gferguson@treasurer.ca.gov with questions.

Geographic Apportionment Figures by County and Region

Please see documentation on the TCAC website for complete table notations.

10 Regions - Original / Current

Data: DOF July 2002 Population Estimates
 2000 Census Percentage of Population Living in Urban Areas (Normalized Standard Deviations)
 1999-Present TCAC Initial & Final New Construction Housing Costs in \$/SF (Normalized Standard Deviations)
 2000 Census Percentage of Population Earning Less than 2x Poverty Line (Normalized Standard Deviations)

Region	Counties	Population	Population, Housing, Poverty and Urbanization	Apportionment
Los Angeles				33.00%
	Los Angeles	<u>28.85%</u>	<u>32.67%</u>	
		28.85%	32.67%	
Central Valley				10.00%
	Fresno	2.43%	3.09%	
	Kern	2.03%	1.93%	
	Kings	0.39%	0.37%	
	Madera	0.38%	0.31%	
	Merced	0.65%	0.82%	
	San Joaquin	1.76%	1.60%	
	Stanislaus	1.39%	0.94%	
	Tulare	<u>1.11%</u>	<u>1.41%</u>	
		10.16%	10.48%	
North and East Bay Area				10.00%
	Alameda	4.34%	4.21%	
	Contra Costa	2.88%	3.35%	
	Marin	0.73%	0.33%	
	Napa	0.38%	0.26%	
	Solano	1.19%	1.16%	
	Sonoma	<u>1.37%</u>	<u>0.93%</u>	
		10.88%	10.23%	
San Diego				10.00%
	San Diego	<u>8.55%</u>	<u>9.68%</u>	
		8.55%	9.68%	
Inland Empire				8.00%
	Imperial (El Centro)	0.12%	0.17%	
	Riverside	4.89%	3.54%	
	San Bernardino	<u>5.28%</u>	<u>4.78%</u>	
		10.28%	8.49%	
Orange				8.00%
	Orange	<u>8.61%</u>	<u>7.80%</u>	
		8.61%	7.80%	
South and West Bay Area				6.00%
	San Mateo	2.08%	1.62%	
	Santa Clara	<u>5.01%</u>	<u>3.89%</u>	
		7.09%	5.50%	
Capital Area and Northern California				6.00%
	Butte	0.61%	0.58%	
	El Dorado	0.48%	0.20%	
	Placer	0.79%	0.21%	
	Sacramento	3.78%	3.43%	
	Shasta	0.50%	0.34%	
	Sutter	0.24%	0.19%	
	Yolo	0.52%	0.41%	
	Yuba	<u>0.18%</u>	<u>0.20%</u>	
		7.10%	5.55%	
Coastal California				5.00%
	Monterey	1.20%	1.09%	
	San Luis Obispo	0.74%	0.59%	
	Santa Barbara	1.19%	1.23%	
	Santa Cruz	0.75%	0.72%	
	Ventura	<u>2.29%</u>	<u>1.78%</u>	
		6.17%	5.40%	
San Francisco				4.00%
	San Francisco	<u>2.30%</u>	<u>4.17%</u>	
		2.30%	4.17%	
		100.00%	100.00%	100.00%

10 Regions - Preliminary Update

Data: POPULATION: California Department of Finance Population Estimates January 1, 2011 (E-1)
 HOUSING COST: 2006-2011 R1 TCAC Initial & Final 9% New Construction Housing Costs in \$/SF (Normalized Standard Deviations)
 POVERTY: 2007-2009 American Community Survey 3-Year Estimates: Table S1701 ²
 URBANIZATION: 2000 Census Percentage of Population Living in Urban Areas (Normalized Standard Deviations) ³

Region	Counties	Population*	Population adjusted for:	Proposed
Los Angeles County				35.7%
	Los Angeles	<u>26.93%</u> 26.9%	<u>35.73%</u> 35.73%	
Central Region				10.5%
	Fresno	2.57%	2.15%	
	Kern	2.31%	2.26%	
	Kings	0.42%	0.41%	
	Madera	0.42%	0.30%	
	Merced	0.70%	0.69%	
	San Joaquin	1.89%	1.75%	
	Stanislaus	1.41%	1.31%	
	Tulare	<u>1.22%</u> 10.9%	<u>1.59%</u> 10.45%	
North and East Bay Region				9.8%
	Alameda	4.16%	4.13%	
	Contra Costa	2.88%	2.87%	
	Marin	0.70%	0.52%	
	Napa	0.38%	0.26%	
	Solano	1.13%	1.13%	
	Sonoma	<u>1.33%</u> 10.6%	<u>0.93%</u> 9.84%	
San Diego County				7.9%
	San Diego	<u>8.52%</u> 8.5%	<u>7.91%</u> 7.91%	
Inland Empire Region				9.8%
	Imperial	0.48%	0.63%	
	Riverside	6.06%	3.94%	
	San Bernardino	<u>5.61%</u> 12.1%	<u>5.21%</u> 9.77%	
Orange County				6.6%
	Orange	<u>8.28%</u> 8.3%	<u>6.59%</u> 6.59%	
South and West Bay Region				3.7%
	San Mateo	1.98%	1.05%	
	Santa Clara	<u>4.91%</u> 6.9%	<u>2.61%</u> 3.66%	
Capital and Northern Region				6.6%
	Butte	0.60%	0.67%	
	El Dorado	0.50%	0.16%	
	Placer	0.96%	0.38%	
	Sacramento	3.90%	4.14%	
	Shasta	0.49%	0.34%	
	Sutter	0.26%	0.24%	
	Yolo	0.55%	0.51%	
	Yuba	<u>0.20%</u> 7.5%	<u>0.14%</u> 6.59%	
Central Coast Region				5.9%
	Monterey	1.14%	1.06%	
	San Luis Obispo	0.74%	0.60%	
	Santa Barbara	1.16%	1.54%	
	Santa Cruz	0.72%	0.47%	
	Ventura	<u>2.26%</u> 6.0%	<u>2.25%</u> 5.93%	
San Francisco County				3.5%
	San Francisco	<u>2.22%</u> 2.2%	<u>3.53%</u> 3.53%	
		100.00%	100.00%	100.00%

Additional Calculations: Detailed Factor Calculations

<u>LOS ANGELES</u>	<u>PREVIOUS</u>	<u>UPDATED</u>
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Housing Cost Factor	0.875	1.000
Poverty Factor	1.250	1.250
Urbanization Factor	1.250	1.250
Aggregate Adjustment Factor	1.36719	1.56250
Adjusted County Population	13,538,848	15,404,670
Adjusted State Population	41,435,088	43,114,570
Adjusted %	32.67%	35.73%
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<u>Housing Cost Factor</u>		
County Average \$/SF	\$125.99	\$270.21
State Average \$/SF	\$144.03	\$261.78
Amount County Average is Above/Below State Average	-\$18.04	\$8.43
Total State Standard Deviation for \$/SF Housing Costs	\$56.03	\$107.17
Percent Difference Between -\$18.04 and \$56.03 ("County Variation")	-0.32197	0.07870
Applicable Housing Cost Factor Value	0.875	1.000
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<u>Poverty Factor</u>		
County Population Percentage at or below 2X Poverty Line	0.40	0.37
State Population Percentage at or below 2X Poverty Line	0.33	0.34
Amount County Percentage is Above/Below State Percentage	0.07	0.03
Total State Standard Deviation for 2X Poverty Line	0.10	0.09
Percent Difference Between 0.07 and 0.10 ("County Variation")	0.70009	0.35408
Applicable Poverty Factor Value	1.25	1.25
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<u>Urbanization Factor</u>		
County Urban Population	9,451,949	9,451,949
Percentage of County Urban Population	0.99	0.99
Percentage of State Urban Population	0.94	0.94
Amount County Percentage is Above/Below State Percentage	0.05	0.05
Total State Standard Deviation for Urban Population	0.29	0.29
Percent Difference Between 0.05 and 0.29 ("County Variation")	0.16610	0.16610
Applicable Urbanization Factor Value	1.25	1.25

Previous Methodology Ranges

The range determinations of the housing cost factor values are as follows:

- If the County Variation is greater than or equal to 1.25, the factor value is 2.0
- If the County Variation is greater than or equal to 0.75 and less than 1.25, the factor value is 1.5
- If the County Variation is greater than or equal to 0.25 and less than 0.75, the factor value is 1.25
- If the County Variation is greater than or equal to -0.25 and less than 0.25, the factor value is 1.0
- If the County Variation is greater than or equal to -0.75 and less than -0.25, the factor value is 0.875
- If the County Variation is greater than or equal to -1.25 and less than -0.75, the factor value is 0.75
- If the County Variation is greater than -1.25, the factor value is 0.5

The poverty and urbanization factor ranges differ somewhat from the above. Please refer to supplemental files available on the TCAC website for this information.

The table below provides information on the lowest and highest counties within each factor range:

FACTOR RANGES							
	0.5	0.75	0.875	1.0	1.25	1.5	2.0
HOUSING STATE AVERAGE: \$261.78							
Lowest	-- None	\$176.32 Madera	\$184.38 Kings	\$234.95 Butte	\$288.63 San Bernard.	-- None	\$439.40 Marin
Highest	-- None	\$178.50 Yuba	\$222.36 Riverside	\$282.47 San Diego	\$311.13 Alameda	-- None	\$594.52 San Francisco
POVERTY STATE AVERAGE: 0.3412							
Lowest	0.1648 Marin	0.2197 Contra Costa	0.2836 San Luis Ob.	0.3220 Sacramento	0.3716 Sutter	0.4083 Butte	0.5014 Tulare
Highest	0.2067 Santa Clara	0.2661 San Francisco	0.3054 Santa Cruz	0.3593 San Bernard.	0.3810 Stanislaus	0.4709 Merced	0.5019 Imperial
URBANIZATION STATE AVERAGE: 0.9446							
Lowest	-- None	0.6304 El Dorado	0.8106 Tulare	-- None	0.9516 Santa Barbara	-- None	-- None
Highest	-- None	0.7883 Placer	0.9436 San Bernard.	-- None	1.0000 San Francisco	-- None	-- None

Note: Rural counties are excluded from the above data compilation.