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DATE: November 4, 2021

TO: California Tax Credit Allocation Committee (TCAC) and California Department of Housing and Community Development (HCD) Stakeholders

FROM: Anthony Zeto, Deputy Director (TCAC) and Tyrone Buckley, Assistant Deputy Director of Fair Housing (HCD)

RE: Proposed Changes to the TCAC/HCD Opportunity Map with Statement of Reasons

This memo summarizes proposed changes to the TCAC/HCD Opportunity Map methodology developed in consultation with the California Fair Housing Task Force ("Task Force"), a group of independent researchers tasked with creating and updating the map.¹ The methodology document for the draft 2022 map, along with an online mapping tool, summary table, and shapefile are available on the TCAC website at <http://www.treasurer.ca.gov/ctcac/opportunity.asp>. The deadline for providing feedback to TCAC and HCD on proposed changes is 5:00 pm on Wednesday, November 18, 2021 and can be submitted to Anthony.Zeto@treasurer.ca.gov and Tyrone.Buckley@hcd.ca.gov with the subject line: 2022 Opportunity Map.

TCAC and the California Debt Limit Allocation Committee (CDLAC) currently provide scoring and threshold basis limit increase benefits to qualified projects located in a census tract or census block group designated on the TCAC/HCD Opportunity Map as Highest or High Resource.

A Note on the Expanded Application of Opportunity Mapping

The draft 2022 TCAC/HCD Opportunity map is provided here for public comment through November 18, 2021. These maps include mainly annual data updates and limited methodology changes. The TCAC/HCD Opportunity Map is increasingly being referenced for uses beyond the program for which it was initially applied (i.e., the competition for 9% Low Income Housing Tax Credits for large family new construction developments). In the first quarter of 2022, HCD plans to lead a broader conversation

¹ The California Fair Housing Task Force currently includes representation from Othering & Belonging Institute at UC Berkeley, the Turner Center for Housing Innovation at UC Berkeley, the California Housing Partnership, and the UCLA Luskin School.

with other state agencies, researchers, developers, community groups, and other stakeholders to assess and refine the state's approach to Affirmatively Furthering Fair Housing (AFFH) across multiple policy areas, including housing funding programs. Mapping methodologies may factor into this conversation in multiple ways, such as in ensuring mapping approaches are appropriately tailored to policy goals, contexts, and populations; and in informing standards for comprehensive community development as part of the state's approach to AFFH. As such, these and other issues related to the state's broader approach to AFFH could be considered as part of next year's update which would impact the 2023 TCAC/HCD Opportunity Map. HCD will provide additional information on how to engage in this conversation in the coming months. If you would like to learn more about this work, you can email affhguidance@hed.ca.gov to indicate your interest.

METHODOLOGY CHANGES

The draft 2022 TCAC/HCD Opportunity Map includes two proposed methodology changes from the 2021 map.

One change is to add a new indicator and adjust the way some indicators in the Environmental domain are calculated in order to maintain alignment with CalEnviroScreen (CES), which was recently updated to version 4.0. Data, and indicators from CES 3.0 are included in the draft 2022 map since data from CES 4.0 was released in mid-October, to be included in this version of the map. Data from CES 4.0 will be included in the final map adopted by TCAC in December.

The other change is to remove the Moderate Resource (Rapidly Changing) category from the map. The intended purpose of this category was to identify Moderate Resource tracts where a subset of indicators showed significant changes in a positive direction, suggesting these areas were poised to move into the High or Highest Resource categories. Task Force analysis determined that it was not effective at predicting future changes and category shifts. Some of the issues are due to the way the rapidly changing area methodology interacts with the relative snapshot nature and fixed category shares of the overall opportunity map methodology. More discussion is needed as part of next year's map update about the rapidly changing area methodology in the context of the overall construction of the TCAC/HCD Opportunity Map.

DATA UPDATES

The TCAC/HCD Opportunity Map should reflect the most recent available data and evidence. As in previous annual map updates, all indicator measurements in the Educational and Economic domains have been updated with more recent data released by the California Department of Education and the American Community Survey, respectively.

One exception is the use of 2020 Census data. Although estimates of race and ethnicity are now available from the 2020 Census, the Task Force recommends delaying the incorporation of the data into the High Poverty and Segregation filter in the 2022 TCAC/HCD Opportunity Map for two reasons:

1. The 2020 Census data use new tract and block group boundaries that do not conform to the boundaries used for all other variables. Adjusting the data to normalize to the 2010 boundaries used elsewhere in the map would introduce some level of "noise" to the estimates; and

2. The 2020 Census employs a new approach to protecting privacy for small geographies and small demographic groups, which itself introduces noise to the estimates that could be consequential for the High Poverty and Segregation filter, especially when paired with the boundary considerations noted above.

For these reasons, the Task Force recommends delaying incorporation of 2020 Census data and boundaries until next year, when all data will be available using contemporaneous geographies and after further evaluating the impact of the Census Bureau’s privacy protocols.

AREAS EXPLORED WHICH DID NOT LEAD TO PROPOSED METHODOLOGY CHANGES

Areas explored as part of this year’s map update that did not lead to proposed methodology changes for the draft 2022 TCAC/HCD Opportunity Map, but which may be considered in future discussions, are described below.

Fire Hazard Areas: The Task Force assessed fire hazard risk in response to public comments and found that higher resource areas are somewhat more likely than lower resource areas to be categorized by the California Department of Forestry and Fire Protection (CAL FIRE) as having “very high fire hazard severity.” However, no methodological changes related to fire hazards are proposed in 2022 for multiple reasons. First, there is already a regulatory and legal framework in place which address the issue of fire hazards, including defensible space standards, building codes, and local governments’ general plans, and real estate disclosures.² Second, CAL FIRE is planning to overhaul its fire hazard risk methodology, meaning the current maps—which were last updated between 2007 and 2011— and will soon be obsolete. Although there are reasonable arguments for and against considering fire hazards in the mapping methodology or in program policies, it would be premature to make a consequential change in the mapping methodology at this time related to fire hazard areas. A more appropriate next step would be to have a step-back conversation about how state housing funding programs should address the full range of environmental hazards, which include but are not limited to fire hazards.

Gun Violence: The Task Force has long sought to account for proximity to violent crime in the TCAC/HCD Opportunity Map methodology due to the strength of the literature demonstrating its association with negative outcomes, particularly among children.³ Lack of publicly available neighborhood-level data with coverage across the state has prevented this indicator’s inclusion in map. This year, the Task Force explored a new source of data on shootings, raising the possibility that the mapping methodology could account for an important measure of violent crime. Unfortunately, it is still unclear whether the source has enough coverage and accuracy to be used in the map, and more exploration is needed in order to determine whether it is feasible and appropriate for the TCAC/HCD Opportunity Map.

Transit Proximity: The Task Force assessed the feasibility of accounting for proximity to high-frequency transit in the mapping methodology in response to use of the map in contexts where such proximity is not otherwise accounted for or incentivized to the same degree as in the TCAC regulations, whose competitive architecture (e.g., points incentivizing proximity to transit and other

² For more information on this legal and regulatory framework, see the CAL FIRE website:

<https://osfm.fire.ca.gov/divisions/wildfire-planning-engineering/wildfire-prevention-engineering/fire-hazard-severity-zones/>

³ See, for example: Sharkey, Patrick, Amy Ellen Schwartz, Ingrid Gould Ellen, and Johanna Laco. (2014). “High stakes in the classroom, high stakes on the street: The effects of community violence on students’ standardized test performance.” *Sociological Science*. 1: 199-220; and Sharkey, Patrick and Gerard Torrats-Espinos. (2017). “The Effect of Violent Crime on Economic Mobility.” *Journal of Urban Economics* 102: 22-33.

amenities) influenced the original selection of indicators in the TCAC/HCD Opportunity Map methodology. The Task Force determined that data was available to create a transit proximity layer that could be incorporated to the map and updated periodically, but that creating and updating this layer would require substantial effort. More discussion is needed to determine if this effort would be warranted in the context of a broader step-back conversation about the use and purpose of the map in different policy contexts, including whether and how transit factors into competitive funding application processes.