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DATE: October 23, 2023

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

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

RE: Proposed Changes to 2024 CTCAC/HCD Opportunity Map

This memo summarizes proposed changes to the CTCAC/HCD Opportunity Map (“Map”) methodology developed in consultation with the CTCAC and HCD research partners.¹ The methodology for the draft 2024 Map, along with a frequently asked questions (“FAQ”) document, online mapping tool, summary table, and shapefile are available on the CTCAC website at <http://www.treasurer.ca.gov/ctcac/opportunity.asp>. The deadline for providing feedback to CTCAC and HCD on proposed changes is 5:00 pm on Friday, November 17, 2023 and can be submitted to anthony.zeto@treasurer.ca.gov and Tyrone.Buckley@hcd.ca.gov with the subject line: 2024 Opportunity Map.

CTCAC and the California Debt Limit Allocation Committee (“CDLAC”) currently provide scoring and threshold basis limit increase benefits to qualified projects located in designated census tracts or census block groups on the Map.

Background and Process for Developing the Draft 2024 Opportunity Map

The Map identifies areas in every region of the state whose characteristics have been shown by research to be associated with positive economic, educational, and health

¹ The research partners currently include the Othering & Belonging Institute at UC Berkeley, the Turner Center for Housing Innovation at UC Berkeley, and the California Housing Partnership.

outcomes for low-income families – particularly long-term outcomes for children.² As such, the Map is intended to inform efforts to advance the “Affirmatively Furthering Fair Housing” (“AFFH”) objective of increasing access to opportunity.

In 2023, the CTCAC and HCD research partners explored several topics in response to previous stakeholder comments on the Map, including:

- The indicators and underlying data for the environmental, educational, and economic domains
- The overall structure of the indexing methodology and the relative contributions of each indicator to the scoring and categorization of neighborhoods
- How the segregation and poverty methodology interacts with measures of opportunity
- Neighborhood-level data sources for violent crime and/or gun violence
- Methods to ensure rural areas assessed in the Map include population centers
- Accounting for college and graduate students in the poverty indicator

Proposal for the Draft 2024 Opportunity Map

The results of these assessments informed recommendations for the 2024 Map, described below, which are more structural in nature when compared to prior annual updates, and which largely center around a proposed alternative approach for assessing and categorizing neighborhoods. An internal review found that these changes accurately capture neighborhood-level opportunity and do not result in significant changes when compared to prior versions of the Map, but that the Map is improved by increased transparency and legibility:

Opportunity. We propose transitioning the methodology for assigning neighborhood resource categories from the current index-based approach to a “threshold-based” approach that counts the number of indicators for each tract and rural block group that are above and below a given regional threshold (i.e., median value). This approach is intended to increase transparency by making it possible for stakeholders to easily assess why a neighborhood falls into a given resource category as well as why that designation may change over time. Specifically, the recommended threshold-based methodology uses the following approach:

- Eight of the nine economic and educational indicators used in prior versions of Map will remain, with the exception of job proximity. We propose removing the job proximity indicator for multiple reasons, including its low explanatory power as revealed in a factor analysis (for additional background, see the methodology documentation); and

² The mapping methodology is narrowly tailored towards upward mobility for children of low-income families. Although the methodology includes indicators relevant to other populations, some indicators associated with positive outcomes for those populations may not be included.

- Revamp the environmental domain to better reflect the impact of point source pollution on community-level opportunity. In prior versions of the Map, 13 CalEnviroScreen (CES) indicators were used to construct the Maps’s environmental domain. The revised approach proposes using just four CES variables that measure proximity to, and concentration of, point sources of pollution to create a single environmental burden indicator. This indicator will be used to identify the census tracts that rank as having the highest (top 5 percent) regional concentration of nearby environmental burdens. The opportunity score for these tracts will be reduced, operationalizing the concept that local environmental burden can be a drag on community-level opportunity. This approach was developed through extensive analysis of CalEnviroScreen data, recommendations from experts, and review of field practice; additional details are available in the methodology documentation.

Each neighborhood is assigned a score based on how many of its indicator values fall above the regional median and whether it is in a high environmental burden geography. For the eight economic and educational indicators, one point is added to the overall score for each indicator that falls above the regional median. For the environmental hazard indicator, a neighborhood is deducted one point if it ranks in the top 5 percent of regional environmental burden. Categories are then assigned based upon the final score: neighborhoods with a score of 9 or 8 are classified as “Highest Resource”; 7 or 6 as “High Resource”; 5 or 4 as “Moderate Resource”, and a score of 3 or lower as “Low Resource.”

Rather than predetermining a fixed share of 40 percent of neighborhoods falling within the Highest and High Resource categories, as with prior versions of the Map, the threshold approach is adaptive to how place-based opportunity and resources are distributed within each region. However, the threshold approach produces similar results, with 46 percent of neighborhoods falling into these categories statewide; this share varies modestly across regions, ranging from 43 percent to 48 percent in urban (non-rural) regions and 53 percent in rural areas, resulting in roughly the same proportion of neighborhoods eligible for incentives in funding programs.

High-Poverty & Segregation. We propose transitioning the identification of high-poverty and segregated places from a component of the opportunity mapping methodology to a separate overlay. In contrast to the prior approach, which does not assign an opportunity score to places that meet the high-poverty and segregated definition, the proposed approach allows each tract and rural block group to also be assessed with respect to opportunity. The purpose of this approach is to more transparently communicate the underlying opportunity-related characteristics of neighborhoods which meet this definition.

Population Density Floor. We propose increasing the population density floor in an effort to exclude the most sparsely populated rural block groups from being assigned to a resource category. CTCAC, HCD, and the research partners have received feedback over the years expressing concern that some areas categorized as High Resource and

Highest Resource in rural parts of the state are mostly unsuitable for affordable housing development for reasons such as being not zoned for residential development (e.g., they are open space, agricultural or grazing land), and having low population. We reexamined the population density floor in response to these concerns and found that while the prior population density floor ensured that meaningful populations were present within some portion of every rural block group, some larger rural block groups had very diffused settlement patterns and were predominately open space. For this reason, the population density floor has been increased from 15 people/square mile and total population less than 500 to 25 people/square mile and total population less than 750. Rural block groups newly excluded under this definition are typically the largest in the state in terms of land area (top 10 percent statewide), and tend to be predominately open space. The new definition will help to ensure that rural block groups least suitable for affordable housing development do not receive a resource designation, and that higher resource rural areas eligible for incentives are more aligned with existing development patterns.

Other updates. In addition to the proposed structural changes to the Map described above, several minor methodology changes and data updates are included in the proposed 2024 Map:

- Census boundaries for tracts and block groups are updated to 2020 boundaries, where prior versions of the Map used 2010 boundaries.
- The poverty indicator now adjusts for the presence of college and graduate students with incomes below the poverty line in the same way as in the high-poverty and segregation layer.
- All indicator measurements other than environmental hazards have been updated with the most recently available data provided by the California Department of Education and the American Community Survey.

Mapping Interface. To further increase transparency, the mapping layers are presented in a new online interface where users can toggle the opportunity and segregation & poverty layers on and off, and where clicking on a tract or rural block group presents the user with underlying indicator values and relevant thresholds that lead to the area's categorization in a given layer (e.g., High Resource in the opportunity layer).