



## CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

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**DATE:** October 30, 2024

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

**FROM:** Anthony Zeto, Deputy Director (CTCAC) and Megan Kirkeby, Deputy Director, Housing Policy Development (HCD)

**RE:** Proposed 2025 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.<sup>1</sup> The methodology for the draft 2025 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 Wednesday, November 20, 2024 and can be submitted to [anthony.zeto@treasurer.ca.gov](mailto:anthony.zeto@treasurer.ca.gov) and [Megan.Kirkeby@hcd.ca.gov](mailto:Megan.Kirkeby@hcd.ca.gov) with the subject line: 2025 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 outcomes for low-income families – particularly long-term outcomes for children. As such, the Map is intended to inform efforts to advance the “Affirmatively Furthering Fair Housing” (“AFFH”) objective of increasing access to opportunity.

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.

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<sup>1</sup> The research partners currently include the UC Berkeley Othering & Belonging Institute, the UC Berkeley Terner Center for Housing Innovation, and the California Housing Partnership.

## **Background and Process for Developing the Draft 2025 Opportunity Map**

The Map's methodology was overhauled last year in an effort to increase transparency and legibility when compared to prior versions. Specifically, the methodology adopted a threshold-based scoring system using a more limited set of indicators and also moved identification of high-poverty & segregated areas to a separate layer (as described in the [memo](#) accompanying the draft 2024 map release). As a result, this year's map update did not contemplate major methodology changes.

Instead, the focus of the update process for the draft 2025 Map was reducing instability in annual updates. Some amount of change in indicator scores and map categorization is expected in updates due to incorporation of more recent data which represent real changes on the ground, and the new threshold-based methodology did not introduce any new structural sources of instability. In addition, "grandfathering" clauses in housing funding program regulations and guidelines have helped applicants adjust to map updates over time. However, "noise" in data used in the Map that does not represent real or lasting change – whether due to data reporting error, sampling error, or other sources – present a potential source of instability that should be minimized to the degree practicable. Map instability is thus still an area of general concern, particularly in rural areas where Map categorization shifts year-to-year with greater frequency than in urban and suburban areas.

## **Proposal for the Draft 2025 Opportunity Map**

Exploration into potential sources of instability, and approaches for addressing them, yielded one proposed methodology change for the draft 2025 Map:

Implement a three-year rolling average for education indicators, which include student poverty, reading proficiency, math proficiency, and high school graduation rate.

Internal analysis revealed that the Map's education indicators tend to be the primary drivers of year-to-year changes in resource designations. One measure of instability – the number of tracts/block groups shifting by two or more resource designations from one year to another – provides evidence of the benefits of the proposed approach. Cases of moving two or more resource designations, though rare and marginal, represent a higher degree of year-to-year shifting (instability) that indicates likely influence of noisy underlying data. A three-year rolling average approach would result in 42 fewer tracts/block groups changing by two or more resource designations from 2024-2025 statewide. For rural areas, 15 fewer block groups would shift by two or more resource designations from 2024-2025.

Pandemic-related gaps in the data mean that some education indicators (i.e. test scores) do not have three consecutive years of complete and reliable data available. In these instances, indicators would draw from the three most recent years of available data to create the rolling average.

Other potential approaches for reducing instability were also explored, including controlling for statistically significant change in economic indicators which draw from American Community Survey (ACS) estimates. However, multiple methodological and legibility-related challenges emerged with this approach. Further, the current use of 5-year ACS estimates is a way to capture actual change over time even if there is sampling error involved, and also mirrors the recommended change to the education indicators (i.e., to capture data from the last several years as opposed to a single year). Stability within economic indicators may be an area of focus in future Map updates.