



## CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

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**DATE:** December 8, 2022

**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 the CTCAC/HCD Opportunity Map with Statement of Reasons

This memorandum summarizes proposed changes to the CTCAC/HCD Opportunity Map methodology developed in consultation with a group of independent researchers tasked with updating the map.<sup>1</sup> The methodology document for the draft 2023 map, along with an 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, December 28, 2022 and can be submitted to [Anthony.Zeto@treasurer.ca.gov](mailto:Anthony.Zeto@treasurer.ca.gov) and [Tyrone.Buckley@hcd.ca.gov](mailto:Tyrone.Buckley@hcd.ca.gov) with the subject line: 2023 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 CTCAC/HCD Opportunity Map.

### **A Note on the Opportunity Framework project**

The draft 2023 CTCAC/HCD Opportunity map is provided here for public comment through December 28, 2022. These maps include mainly annual data updates and no methodology

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<sup>1</sup> Research partners currently include 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.

changes. Over the last few years, stakeholder comments on the CTCAC/HCD Opportunity Map methodology have increasingly touched on areas beyond the program for which it was initially applied (i.e., the 9% Low Income Housing Tax Credits competition for large family new construction developments). In 2022, HCD launched a conversation with community groups, developers, and researchers focused on identifying strategies for refining the state’s approach to Affirmatively Furthering Fair Housing (“AFFH”), including methods for accurately and objectively identifying locations for place-based investment. HCD will continue this conversation with stakeholders in 2023, which could inform next year’s map update, but will likely result in recommendations for broader programmatic changes.

## **DATA UPDATES**

Each year, the indicator measurements in the Educational and Economic domains are typically updated with the most recent data released by the California Department of Education (“DOE”) and the American Community Survey (“ACS”), respectively. However, due to pandemic-related data collection challenges, not all indicators in the 2023 map are based on the most recent source of data available. For instance, the 2023 map continues to rely on 2019 ACS 5-year data for the poverty, adult education, employment, and median home value indicators within the Economic domain and the Poverty and Racial Segregation filter. This is because the 2020 ACS included one-third fewer interviews than the previous year, which impacted data quality. The 2023 map also relies on 2018-2019 math and reading score data, given that less than one-quarter of schools reported math and reading scores in the DOE 2020-2021 dataset, compared to 90 percent in 2018-2019 (and no data are available for 2019-2020). The high school graduate rate, student poverty rate, and job proximity indicators were all updated with the most recent data available.

The 2020 Census data use new tract and block group boundaries that do not conform to the boundaries used for other variables. For instance, the most current Longitudinal Employer-Household Dynamics Origin-Destination Employment Statistics (“LEHD-LODES”) data, from 2019, is still enumerated to 2010 blocks. This means that transitioning to the most recent census boundaries would require cross-walking the 2019 data to 2020 geographies, introducing noise into the data. CTCAC and HCD recommend delaying incorporation of 2020 Census boundaries until next year, when all data should be available using contemporaneous geographies.

We also recommend switching to using the 2019 ACS 5-year data for the racial segregation portion of the Poverty and Racial Segregation filter, instead of using either the 2010 decennial census data (which was used in prior versions of the map) or the 2020 decennial census data. There are two reasons for this change. First, the purpose of using more recent data is to capture potential changes in the racial and ethnic composition of neighborhoods since 2010. Second, the 2020 Census employs a new approach to protecting privacy for small geographies and small demographic groups, which introduces noise that is consequential for the High Poverty and Segregation filter. We examined the effects of the differential privacy method and found significant differences between population counts when the "fuzzy-ing" algorithm was applied, differences that increased markedly for populations of smaller size. For this reason, we are not confident in the use of 2020 decennial data for identifying racially segregated areas. As data quality will likely continue to be an issue with the 2020 decennial census, we believe making the switch to ACS 5-year represents the best option for the segregation filter.

## METHODOLOGY CHANGES

The draft 2023 CTCAC/HCD Opportunity Map includes no methodology changes from the 2022 map. However, we did explore a few areas that did not lead to proposed methodology changes. These issues may be considered in future discussions and are described below.

*Gun Violence:* We have long sought to account for proximity to violent crime in the CTCAC/HCD Opportunity Map methodology due to the strength of the literature demonstrating its association with negative outcomes, particularly among children.<sup>2</sup> However, lack of publicly available neighborhood-level data with coverage across the state has prevented this indicator's inclusion in the map. Last year, we identified a new source of data on shootings which was explored in more detail in 2022. However, this analysis revealed that the gun violence dataset includes a small fraction of total violent crime incidents reported in the FBI Uniform Crime Report, indicating it may not be a good representation of violent crime in California. More exploration is needed to determine if there is a way to accurately incorporate violent crime data in the CTCAC/HCD Opportunity Map.

*Transit Proximity:* The CTCAC/HCD Opportunity Map is increasingly being applied to funding programs beyond which it was originally designed, which do not all incentivize transit to the same degree as the CTCAC regulations. For this reason, we have considered adding transit data to the map in recent years. In 2022, we identified a new source of statewide transit data that would be easier to incorporate than sources considered in past years. However, we have decided to not incorporate transit proximity into the 2023 CTCAC/HCD Opportunity Map for a few reasons:

1. State housing programs use a variety of standards for what constitutes high-quality transit, and these definitions do not align with the definition of high-quality transit incorporated into the new statewide dataset. For instance, the transit dataset only considers transit stops to be high-quality if they have service intervals of 15 minutes or less, whereas some housing programs give points for projects near stops with 30-minute service intervals. Further, state housing programs sometimes provide exceptions or substitutions for rural areas, while the statewide dataset uses one consistent definition for high-quality transit across the state. More exploration would be needed to determine the best methodology for incorporating the transit data in the map and how its incorporation would affect these program applications.
2. All state housing programs that currently use the CTCAC/HCD Opportunity Map incentivize transit proximity and give points to projects near high-quality transit stops. Accordingly, incorporating transit data in the CTCAC/HCD Opportunity Map risks over incentivizing transit proximity.

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<sup>2</sup>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-Espinosa. (2017). "The Effect of Violent Crime on Economic Mobility." *Journal of Urban Economics* 102: 22-33.

3. Little empirical research has directly studied the link between transit proximity and economic opportunity, and the existing research has typically focused on the narrow relationship between transit access and near-term economic outcomes such as employment and earnings for adults, rather than—for example—on long-term outcomes for children. Further, the effects of public transit access on employment outcomes of low-income groups have mostly been found to be very limited, and much less substantial than the effects of car ownership.

Theoretically, while living near transit can enable efficient regional mobility, transit proximity may not lead to better economic outcomes for low-income households if public transportation costs are prohibitive or if transit does not take people to where they need to go. For instance, while transit may connect people to a greater quantity of jobs, transit stops are generally less likely to be located in high-income areas where high-performing and well-resourced schools and strong professional networks, which are critical to upward mobility – tend to be concentrated. In addition, existing transit datasets do not include information on factors such as transit cost, quality, and safety, which may determine the extent to which transit promotes opportunity for low-income households. Further, research suggests that car ownership is more strongly associated with upward economic mobility for low-income households, particularly in places where transit networks are underdeveloped. Nevertheless, we will continue to monitor research in this area and may consider adding transit data in future years if a stronger connection is identified.

*Instability of mapping category designations in rural areas:* We also explored the instability of mapping category designations in rural areas, finding that rural block groups are substantially more likely to shift categories from year to year than non-rural (urban) tracts, including into and out of the “insufficient data” category. Increased sampling error was a known trade-off when the switch was made several years ago to assessing resources and opportunity in rural areas at the block group level, rather than at the tract level, in order to reduce the potential of masking variation of resources within large rural tracts. Unfortunately, we have not yet identified an alternative method that reduces error associated with ACS-derived indicators without increasing the scale of assessment. We will continue to explore whether a greater balance can be achieved between the need to minimize sampling error while also ensuring that the map’s proxy for neighborhoods in rural areas is reasonable.