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DATE: April 2, 2024

TO: California Department of Housing and Community Development ("HCD") Stakeholders

FROM: Tyrone Buckley, Assistant Deputy Director of Fair Housing (HCD)

RE: Response to Comments on the Draft 2024 CTCAC/HCD Neighborhood Change Map

The California Department of Housing and Community Development (HCD) developed the Neighborhood Change Map (Map) to inform efforts to advance affirmatively furthering fair housing (AFFH) objectives in the context of low- and moderate-income communities of color that have experienced substantial demographic and economic change in recent decades. HCD concluded, based on a review of available evidence, that neighborhoods which fit this profile are important places to target interventions to advance the AFFH objectives of promoting integration, reducing segregation, and addressing disproportionate housing needs. This approach is intended to complement efforts to advance the AFFH objective of increasing access to opportunity via policies that reference the CTCAC/HCD Opportunity Map, as well as other current and future efforts to advance the full range of AFFH objectives, which also include transforming racially and ethnically concentrated areas of poverty into areas of opportunity.[1] HCD will work with its research partners to regularly update the Map based on newly available data and research, public comments, and a review of the methodology.[2]

As described in the memo accompanying the release of the draft Neighborhood Change Map, the underlying methodology identifies non-rural tracts that have experienced high levels of racial/ethnic and economic change in recent years. This approach is intended to identify places that have already undergone substantial racial and economic change over a period of time, indicating that they have already experienced and may continue to experience change that has AFFH implications. These are places that present an opportunity to advance the AFFH goal and mandate of fostering integrated living patterns but would likely require additional policy interventions to ensure stability and access for current and future low-income people and communities of color.

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[1] For more information on HCD's approach to advancing AFFH objectives, see: https://www.hcd.ca.gov/planning-and-community-development/affirmatively-furthering-fair-housing.
[2] Research partners currently include representation from Othering & Belonging Institute at UC Berkeley, the Terner Center for Housing Innovation at UC Berkeley, and the California Housing Partnership.

The methodology for this layer relies on a "threshold-based" approach, mirroring the one used to assess opportunity in the 2024 CTCAC/HCD Opportunity Map. Under this approach, there are multiple pathways through which a tract can qualify as experiencing substantial change, including both long-term change and recent change, as compared to a given county-level threshold (i.e., median value). The threshold-based approach is intended to increase transparency by making it possible for stakeholders to easily assess why a neighborhood qualifies as experiencing substantial change as well as why that designation may change over time.

HCD published the draft 2024 Neighborhood Change Map on October 23, 2023, and accepted public comments through November 17, 2023. HCD appreciates the feedback provided through comment letters on the draft 2024 Neighborhood Change Map. After reviewing and considering these comments in consultation with research partners, HCD will proceed to adopt the Map initially released for public comment with five substantive changes. These changes include:

- identifying additional tracts that experienced substantial change over the last decade,
- reducing the rising median rent threshold,
- introducing a home value and income percentile gap metric as a measure of disproportionate housing needs, and
- minor changes to adjust the baseline year under one condition and remove areas with high concentrations of college or graduate students.

These changes are described in more detail below. We also offer responses to specific issues raised in comment letters, which are included as an attachment and are referenced in responses according to the following numerical identification.

Number	Commenter(s)
1	Charlie Sciammas, Council of Community Housing Organizations and Race & Equity in All Planning Coalition
2	Mark Stivers, California Housing Partnership
3	California Community-Based Development Collective (Regina Celestin Williams, SV@Home; Andy Madeira, East Bay Asian Local Development Corporation; Malcolm Yeung, Chinatown Community Development Center; Erich Nakano, Little Tokyo Service Center; Arnulfo Manriquez, Metropolitan Area Advisory Committee on Anti-Poverty; Alejandro Martinez, Coalition for Responsible Community Development; Duane Bay, East Palo Alto Community Alliance and Neighborhood Development Organization; Omar Carrera, Canal Alliance; Chris Iglesias, The Unity Council)
4	Kathleen Mallory, City of Oxnard Community Development Department
5	Fred Allebach, Sonoma Valley Housing Group
6	Gloria V. Ramirez, Realtor
7	Chris Martin, Housing California
8	Peter Papadopoulos, MEDA

Number	Commenter(s)
9	J.T. Harechmak, NPH
10	Emily Weinstein, City of Oakland Department of Housing & Community Development
11	Oakland Mayor Sheng Thao and Councilmember At-Large Rebecca Kaplan
12	Skylar Spear, Public Advocates; Katie McKeon, Western Center on Law & Poverty; Anya Lawler, California Rural Legal Assistance Foundation; Ugochi Anaebere-Nicholson, The Public Interest Law Project; Jovana Morales Tilgren, Leadership Counsel for Justice and Accountability
13	William Wilcox, San Francisco Mayor's Office of Housing and Community Development
14	Helen Tong-Ishikawa, San Mateo County Department of Housing
15	Thomas Collishaw, Self Help Enterprises
16	Meg Heisler, Tenderloin Neighborhood Development Corporation
17	Zachary Weisenburger, Young Community Developers

Methodology changes to the Neighborhood Change Map
In response to several comment letters proposing specific technical changes to the Neighborhood Change Map methodology, as discussed further below, our research partners analyzed modifications to the methodology. Several of these stakeholder recommendations helped capture additional neighborhoods which would further advance the AFFH objectives of the Map, or which would otherwise help remove neighborhoods which should be considered false positives. In particular, the following proposed changes help to better identify neighborhoods which have experienced or are experiencing the most intense change from an AFFH perspective.

After conducting further analysis, we are proposing several changes to the methodology, including a shift away from the Part 1 and Part 2 framework in the draft Map instead using the term "Pathways" to provide more conceptual clarity. These changes include identifying additional tracts that experienced substantial change over the last decade, reducing the rising median rent threshold, introducing a home value and income percentile gap metric as a measure of disproportionate housing needs, and minor changes including adjusting the baseline year under one condition and removing areas with high concentrations of college or graduate students. These changes are described in more detail below:

1. Inclusion of Pathway 1B, a new addition which identifies low- and moderate-income communities of color that experienced substantial racial/ethnic and economic demographic change between 2013 and 2021. This is categorized under Pathway 1 alongside the existing Pathway 1A (formerly Part 1), which identifies both racial/ethnic and economic demographic change between 2000 and 2021. Pathway 1B requires a tract to exceed the 75th percentile of tracts that experienced positive change countywide, while Pathway 1A remains unchanged with a 50th percentile threshold. The higher threshold for change is used to identify all places that have experienced substantial change while minimizing false negatives.
2. Revision of Pathway 2 (formerly Part 2): change from the requirement that a tract be a historic low- or moderate-income tract in 2000 to the requirement that a tract be a historic low- or moderate-income tract in 2013 to better align with racial/ethnic and economic demographic requirements.
3. Revision of Pathway 2: reduction in the required threshold for rise in median rents between 2013 and 2021 from the 75**th** percentile countywide to the 50**th** percentile.
4. Revision of Pathway 2: inclusion of a new alternate condition to meet the disproportionate housing needs requirement in addition to rising median rents. This condition identifies tracts which have a home value to income percentile gap that exceeds 25 percentage points in 2021.
5. Inclusion of a filter to remove tracts with a college or graduate student population that is equal to or above 25 percent of the tract's total population, to align with the approach used in other state AFFH mapping tools to avoid mis-categorization of neighborhoods with high college and graduate student populations.

The new proposed draft definition for the Neighborhood Change Map is presented below with changes **bolded.**

- Pathway 1: Substantial Racial/Ethnic and Economic Demographic Change
    - Pathway 1A: Historic LMI and POC tract in 2000 that experienced both racial/ethnic *and* economic demographic change equal to or above the 50th percentile countywide between 2000-2021
    - **Pathway 1B: Historic LMI and POC tract in 2013 that experienced both racial/ethnic *and* economic demographic change equal to or above the 75th percentile countywide between 2013-2021**
- Pathway 2: Recent Racial/Ethnic and Economic Demographic Change in Proximity to Substantial Change Tracts, with Markers of Disproportionate Housing Needs
    - Within ½-mile of a Pathway 1A tract; and
    - Historic LMI tract in 2013 that experienced economic demographic change equal to or above the 50th percentile countywide *or* historic POC tract in 2013 that experienced racial/ethnic demographic change equal to or above the 50th percentile countywide between 2013-2021; and

o **Historic LMI tract in 2013** that experienced a rise in median rents equal to or above the **50th percentile** countywide between 2013-2021 *or* **a tract with a home value/income percentile gap above 25 percentage points in 2021**[3]

Under this definition, 505 tracts are flagged (5.5% of tracts statewide), an increase of 152 tracts from the draft definition, with three tracts removed by the proposed **college/graduate student filter**. Most of the added tracts are in Los Angeles County, San Diego County, and several Bay Area counties. This amended definition incorporates several suggestions provided by commenters, including in the following subject areas: *Incorporate home values or other metrics of disproportionate housing needs; Increase flexibility of demographic change requirements in the Map; Identify early-stage neighborhood change;* and *Reduce thresholds for rapidly rising rents.*

Purpose of the Neighborhood Change Map and its potential policy application
(Comments: 1, 2, 3, 4, 6, 7, 8, 9, 11, 12, 16, 17)
Several comments related to the purpose of the Map and its potential policy application. These comments primarily fell into three categories: 1) concern that the Map does not advance the full range of AFFH objectives (the map's purpose is described below); 2) concern that the Map only addresses access to opportunity; and 3) concerns about the potential for negative AFFH outcomes from the Map's use in policy and programs, including increasing patterns of segregation and reduced access to opportunity.

On the first concern, we wish to emphasize that the Neighborhood Change Map is not intended to advance the full range of AFFH objectives – which, although all related to the core problem of residential segregation, are myriad and dependent on neighborhood context and population. In this case, the Map is targeted towards the specific objectives of replacing patterns of segregation with "truly integrated and balanced living patterns" and addressing disproportionate housing needs (including displacement risk) in the context of low- and moderate-income communities of color experiencing substantial change.[4] Other strategies are needed to advance other AFFH objectives, such as transforming racially or ethnically concentrated areas of poverty into areas of opportunity – in which affordable housing can play an important role but is far from the only strategy needed.

HCD has led an exploratory process called the Opportunity Framework project that began earlier last year to further develop the state's approach to the full range of AFFH

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[3] The home value/income percentile gap helps to better capture currently ongoing and likely imminent neighborhood change. It is based on a recently proposed novel metric that appears to be successful at capturing future income increases years prior to existing tools. For more, see bunten, devin michelle, Preis, B., & Aron-Dine, S. (2023). "Re-measuring gentrification." Urban Studies. https://doi.org/10.1177/00420980231173846.
[4] For more information, see: https://www.hcd.ca.gov/planning-and-community-development/affirmatively-furthering-fair-housing.

objectives and topics that have been less fully explored, in consultation with state agencies, researchers, developers, community groups, and other stakeholders. This Neighborhood Change Map is one of multiple forthcoming outcomes of this process. Additional policy proposals that emerged out of this process will be released over the coming months, and the Opportunity Framework is expected to continue into 2024. If you would like to learn more about this work, you can email affhguidance@hcd.ca.gov to indicate your interest.

On the second concern that the Map only addresses the AFFH objective of access to opportunity, while previous material related to the draft Neighborhood Change Map references increases in neighborhood opportunity, this is not one of the main objectives of the Map and is therefore not directly measured by the Map. This map is responsive to a deep body of academic literature which shows that racial and economic integration, for which this Map serves as a proxy, is associated with better outcomes for residents of all ages.[5] In addition, the literature on gentrification and neighborhood change has found that existing residents of a neighborhood undergoing change may experience economic benefits as well as continued access to social networks and neighborhood capital,[6] though the picture is mixed as residents may also experience adverse effects such as political and cultural displacement.[7] References to increasing opportunity will be omitted in future documents related to the Neighborhood Change Map, and CTCAC and HCD apologize for any confusion the previous language may have caused.

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[5] For example, on economic benefits see: Chetty, R., Jackson, M.O., Kuchler, T. et al. (2022). "Social capital II: determinants of economic connectedness." Nature 608, 122–134. https://doi.org/10.1038/s41586-022-04997-3;
On educational benefits, see: The Century Foundation. (2019). "The Benefits of Socioeconomically and Racially Integrated Schools and Classrooms" The Century Foundation. https://tcf.org/content/facts/the-benefits-of-socioeconomically-and-racially-integrated-schools-and-classrooms/;
On health benefits, see: Wang G., Schwartz G.L., Kershaw K.N., McGowan C., Kim M.H., Hamad R. (2022). "The association of residential racial segregation with health among U.S. children: A nationwide longitudinal study." SSM Popul Health. 19:101250. https://doi.org/10.1016/j.ssmph.2022.101250; Riley, W. (2017). "Integrated Neighborhoods Are Good for Your Health." National Institutes of Health. https://obssr.od.nih.gov/news-and-events/news/director-voice/integrated-neighborhoods-are-good-your-health.
[6] For example, see: Brummet, Q., & Reed, D. (2019). "The effects of gentrification on the well-being and opportunity of original resident adults and children." Federal Reserve Bank of Philadelphia. https://doi.org/10.21799/frbp.wp.2019.30; Dragan, K., Ellen, I. G., & Glied, S. (2020). "Does gentrification displace poor children and their families? New evidence from Medicaid data in New York City." Regional Science and Urban Economics, 83, 103481. https://doi.org/10.1016/j.regsciurbeco.2019.103481.
[7] For example, see: Hyra, D. (2014). "The back-to-the-city movement: Neighbourhood Redevelopment and processes of political and cultural displacement." Urban Studies, 52(10), 1753–1773. https://doi.org/10.1177/0042098014539403.

On the third concern about potential negative AFFH outcomes from the Map's use in policy in programs, it first bears noting that the areas identified in this map are of particular concern from an AFFH perspective. As noted in the memo for the Neighborhood Change Map released on October 23, 2023, HCD and its research partners conducted a literature review on the relationship between neighborhood change and AFFH objectives. The findings from this review support the idea that, without policy intervention, substantial amounts of non-Hispanic white and high-income households moving into low- and moderate-income communities of color present a risk of exacerbating AFFH-related challenges (e.g., displacement, exclusion, and contributions to new patterns of segregation). However, the research also supported the idea that, with policy intervention (e.g., the construction and preservation of affordable housing), this type of demographic change could provide an opportunity to advance AFFH objectives (promoting integration and addressing disproportionate housing needs). An internal review of the Neighborhood Change Map found that tracts identified as experiencing significant change have experienced both racial and economic integration at levels far higher than seen in other neighborhoods across the state, suggesting that housing interventions may help stabilize these neighborhoods for existing residents and facilitate access for new low-income or POC residents, thereby helping foster racial and economic integration. HCD concluded that neighborhoods which fit this profile would be important places to target interventions to advance specific AFFH objectives, as a complement to the approach of increasing access to higher resource neighborhoods via policies that reference the CTCAC/HCD Opportunity Map.

We acknowledge that some commenters have concerns regarding potential conflicts or relative prioritization in policy and programs between the distinct AFFH objectives underlying the Neighborhood Change Map and the Opportunity Map – specifically, that the Map may further patterns of segregation and unequal access to opportunity by incentivizing development of affordable housing in Low or Moderate Resource areas. For reference, the majority of tracts identified as experiencing substantial change in the Neighborhood Change Map are classified as Low to Moderate Resource in the Opportunity Map. We acknowledge the concern and agree that the Neighborhood Change Map should complement rather than undermine needed progress in increasing access to opportunity via use of the Opportunity Map. HCD and other agencies will monitor the policy usage of the Neighborhood Change Map to ensure an appropriate balance is struck between access to opportunity and other AFFH objectives and provide recommendations or make changes as necessary. HCD will also monitor the use of the Map in other policy contexts, including the Regional Housing Needs Allocation (RHNA) process, to ensure the Map is being properly utilized. Otherwise, the way the Neighborhood Change Map is incorporated into affordable housing funding programs, including how it is balanced with policies in these programs which reference the Opportunity Map, is forthcoming and will be announced at a later date.

Focus on non-Hispanic white in-movers (Comments: 1, 3, 8, 9, 12, 14, 16, 17)
Multiple comments provided either conceptual objections to the inclusion of non-Hispanic white in-movers as a metric for demographic change, or technical suggestions to remove or reduce the influence of this metric on the Map.

First, we acknowledge that some definitions of "gentrification," as noted by commenters, do not consider race or ethnicity. While the Neighborhood Change Map has conceptual overlap with gentrification and may thus identify some neighborhoods experiencing gentrification (depending on the definition, as there is lack of consistency in the literature and policy), it does not intend to be a gentrification map. Instead, it is intended to identify specific types of neighborhood change most relevant to AFFH objectives. For these reasons, we purposefully avoid using the term gentrification to describe the findings of the map. Racial/ethnic change is of central importance to the AFFH objectives of promoting integration, reducing segregation, and addressing disproportionate housing needs, which is why we use it in the Neighborhood Change Map methodology.

Further, this Map is concerned with capturing those neighborhoods that have undergone or are undergoing the most intense or substantial demographic change, and not necessarily all neighborhoods that have experienced some degree of change. We recognize that this approach will not capture certain neighborhoods experiencing change or forms of disproportionate housing needs, including places with some level of displacement risk or less intense forms of racial/ethnic and economic change. However, by narrowing the selection criteria to those areas facing the most intense change, we can more precisely target policy interventions to areas most relevant to advancing AFFH objectives.

Finally, we focus on non-Hispanic white in-movers due to the particular history of racially discriminatory housing policy that has favored non-Hispanic white Californians. While high-income in-movers of any race/ethnicity may indeed contribute to demographic change in a neighborhood, California's particular racialized history of exclusion necessitates a primary focus on the non-Hispanic white population in any approach which seeks to advance AFFH objectives and racial justice more generally. Further, research does not support the idea of adding any other specific racial/ethnic groups as in-movers in this particular context, and we found little to no precedent in AFFH law and policy to support this approach.

Further, part of the conceptual justification for prioritizing neighborhoods experiencing demographic change in HCD's approach to AFFH is that the potential for integration in changing neighborhoods is threatened by increasing instability within such areas. Current academic literature on the potential for integration in neighborhoods undergoing demographic change has typically focused on non-Hispanic white in-movers and has had limited focus on the AFFH implications of in-movers of other races/ethnicities.

Expansion of buffer areas (Comments: 1, 8, 10, 16, 17)
Several comments provided technical recommendations to expand the buffer area around tracts experiencing substantial change. The draft Neighborhood Change Map uses a ½-mile buffer to identify places that have recently undergone meaningful demographic change and may continue to do so due to proximity to already substantially changing tracts, and that exhibit other markers of disproportionate housing needs.

Although tract boundaries may not perfectly represent neighborhoods as those on the ground understand and experience them, tracts are the best available proxies for neighborhoods and are used extensively in research and policy. In addition, margins of error for block group-level data are often too high to make these estimates usable (each tract contains an average of approximately three block groups). In an effort to recognize the fluid boundaries of neighborhoods and the spillover effects of demographic change across neighborhoods, and following precedent established in academic literature, the Neighborhood Change Map includes a ½-mile buffer.[8]

Recommendations in public comments related to the size of buffers fell into three categories: 1) classify a tract as experiencing substantial change if it is surrounded by tracts that met the definition; 2) classify a tract as experiencing substantial change if it is adjacent to a tract that meets the definition and itself meets certain demographic or resource level conditions; and 3) increase the buffer area in urban settings.

On the first point, extending the buffer based solely on adjacency to demographic change and not on the underlying demographic or market conditions of that specific tract does not address the AFFH objectives which underlie the Map's methodology and intended use. If a tract has not experienced recent meaningful demographic change, even if it is surrounded by tracts that have experienced substantial demographic change, this tract is unlikely to experience substantial demographic change in the near term and thus is not a suitable place to advance the AFFH objectives of this Map.

On the second point, Pathway 2 of the draft Neighborhood Change Map already allows a tract that is within ½-mile of a tract experiencing long-term change to meet either the racial/ethnic or income change requirements to classify. If a tract has not experienced both substantial racial/ethnic and income demographic change over the long-term, it is unlikely to fully address the Map's AFFH objectives. Finally, opportunity is not directly considered in this Map as it does not directly relate to the Map's AFFH objectives.

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[8] Spillover effects refers to the indirect impacts that tract-level demographic change can have on neighboring tracts, which can help better identify marginal demographic change in ways that rigid census tract boundaries are unable to capture. For more on the impact of neighborhood spillover effects, see: Aaronson, Daniel. (2001). "Neighborhood Dynamics." Journal of Urban Economics. 49. 1-31.
https://doi.org/10.1006/juec.2000.2181.

On the third point, analysis from our research partners on a 1-mile buffer in dense, urban environments showed there was little to no change in the number of tracts classified in such places (e.g., in San Francisco). Spillover effects are greatly reduced at this distance, and it is unlikely that demographic change in a particular neighborhood would extend much further than ½-mile.[9]

Include home values or other metrics of disproportionate housing needs
(Comments: 1, 3, 12, 16, 17)
Multiple comments suggested including metrics of disproportionate housing needs beyond rising rents, including rising home values or prices. The Neighborhood Change Map includes a measure of disproportionate housing needs – in this case rapidly rising rents, which may disproportionately affect low-income households of color – specifically in the context of places that have experienced some meaningful change in proximity to places that have experienced substantial and sustained change. This measure is utilized in order to identify where further change is likely to happen in a way that would be of particular concern to HCD from an AFFH perspective. Rapidly increasing rents in the context of neighborhood change are used as the metric of disproportionate housing needs as renters are most vulnerable to continued change, and rising rents are associated with both displacement and diminished residential mobility, which is particularly concerning from an AFFH perspective.[10]

However, we recognize that neighborhood change and disproportionate housing needs can also impact homeowners, especially lower-income homeowners, and homeowners of color. We also recognize that home values or prices can help signal ongoing displacement pressures or disproportionate housing needs.[11] Since we agreed with the comment letters that addressed this additional dimension of housing needs, our research partners reviewed the literature on neighborhood change to identify a metric that could appropriately incorporate home values into the Map. As a result of this review, we propose including the gap between the home value and income percentiles of a neighborhood as an additional metric within Pathway 2 of the Neighborhood Change Map. This metric has been shown in recent research to be a reliable indicator for continued and future growth in neighborhood income.[12]

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[9] For example, research on community revitalization efforts in low-income neighborhoods show impacts start to decay even before ½-miles, see: Galster, G., Tatian, P. & Accordino, J. (2006) "Targeting investments for neighborhood revitalization," Journal of the American Planning Association, 72, pp. 457–474. https://doi.org/10.1080/01944360608976766.

[10] HUD (2018). "Displacement of Lower-Income Families in Urban Areas Report." Office of Policy Development and Research. Available at: https://www.huduser.gov/portal/sites/default/files/pdf/displacementreport.pdf.

[11] Home values are derived from American Community Survey (ACS) estimates, which are self-reported. On a discussion of how property values are "expectations-based" and act as a signal, see: bunten, devin michelle, Preis, B., & Aron-Dine, S. (2023). "Re-measuring gentrification." Urban Studies. https://doi.org/10.1177/00420980231173846.

[12] Ibid.

Increase flexibility of demographic change requirements in the Map (Comments: 1, 8, 16, 17)

Multiple comments related to increasing the flexibility of the Neighborhood Change Map definitions, including removing the requirement for both racial/ethnic and income demographic change in the long-term. For the related topic on use of non-Hispanic white in-movers in the methodology, see the *Focus on non-Hispanic white in-movers* section above.

We would like to reiterate that the Neighborhood Change Map is focused on identifying low-income communities of color that have experienced the most intense or substantial change – not necessarily all neighborhoods experiencing some degree of change – to target policy interventions more precisely to places with the most potential to advance AFFH objectives.

Pathway 1A and Pathway 1B of the draft definition are the most direct measurements of the kinds of change of most concern to the Map, as articulated in the previous paragraph. Increasing the flexibility within these pathways dilutes the Map's ability to capture the most intense and AFFH-relevant kinds of change. Our research partners reviewed a scenario with flexible conditions for Pathway 1A and found that increasing flexibility to include either racial/ethnic or economic demographic change captures an inappropriately large number of neighborhoods, including a significant number of false positives, which would dilute the effectiveness of the Map in addressing AFFH objectives.[13]

In the draft Map, the definition for tracts experiencing recent change (Pathway 2) is already flexible if they meet the adjacency and disproportionate needs requirements. For example, a tract within ½-mile of an area that meets Pathway 1A of the definition that has experienced rapidly rising rents and either recent non-Hispanic white share increase or recent high-income share increase will qualify. Pathway 2 of the draft Map includes flexible conditions as these areas include markers of ongoing and continued change. Further, as discussed above, the newly proposed draft Map additionally qualifies tracts that have experienced intense demographic change in the recent term in Pathway 1B, regardless of their adjacency to tracts identified by Pathway 1A.

In an effort to identify more places that have experienced substantial change while minimizing false negatives, we are proposing to include Pathway 1B (as discussed above). Under this pathway, a low- and moderate-income POC tract in 2013 can classify as experiencing substantial recent change without meeting the proximity requirement if it experienced both racial/ethnic and economic demographic change equal to or above the 75th percentile countywide between 2013-2021. Our research

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[13] "False positives" generally refer to results that are incorrectly classified as positive. In this case, it refers to neighborhoods that experienced little to no demographic and/or economic change but may be captured under a particular definition of neighborhood change.

partners determined that this threshold results in an equivalent magnitude of demographic change as is captured in Pathway 1A. This pathway will help ensure that neighborhoods distant from places experiencing long-term change that began experiencing substantial change in recent years will still be captured by the Map.

Include/remove specific neighborhoods (Comments: 1, 4, 8, 9, 10, 13, 14, 16, 17)
Several comments pointed to specific neighborhoods that were experiencing change but may not meet all the conditions required in the Neighborhood Change Map. Other comments asked that specific neighborhoods not be included in the Map.

Neighborhoods identified by commenters as experiencing change but not captured in the Map are an understandable point of frustration. However, to ensure transparency and fairness for communities across the state, the Map should not deviate from a discernible methodology. We recognize that not all neighborhoods experiencing change will be captured in the Map, and that the Map only captures a particular kind of change. This is not to discount the experiences of individuals and organizations based in neighborhoods that are not identified, but rather to create a uniform approach to identifying neighborhoods across the state which have experienced substantial change in a manner that is of concern through an AFFH perspective.

The online mapping interface provides specific data points to describe why a tract may or may not qualify as experiencing substantial change. If a tract meets baseline conditions (low- and moderate-income neighborhood and POC neighborhood) but not the change conditions (influx of high-income and non-Hispanic white households), then the tract will not qualify. If you have questions about a specific tract, please continue to reach out to HCD and we will be happy to discuss further.

Identify early-stage neighborhood change (Comments: 3, 9, 10, 12, 14)
Multiple comments pointed out that the Map does not adequately capture early-stage "gentrification" or neighborhood change. One commenter requested that HCD identify multiple stages of neighborhood change.

As previously noted, the Neighborhood Change Map is intended to identify places that have already undergone substantial racial and economic change with AFFH implications over a meaningful period of time – either one or two decades, depending on the Pathway. This approach helps ensure that these neighborhoods have already experienced and may continue to experience this kind of change. We only consider potential future change in Pathway 2 in the context of places that have already undergone some amount of meaningful change, and which have housing market pressures that signal ongoing change. These neighborhoods are in danger of becoming inaccessible to low-income households and households of color in the absence of policy intervention. Therefore, an early-stage "gentrification" metric would not meet the purpose of this tool.

The Map is not designed to identify early stages of neighborhood change, capture very recent change, or predict future change in the absence of meaningful degrees of racial and economic change that has already happened over a sustained period (as described above). Utilizing shorter timelines or attempting to project future change in the early stages of neighborhood transformation would provide less reliable results than the current approach, especially since we do not currently have the tools to accurately predict future change. Furthermore, longer-term timeframes are more appropriate considering the long timelines associated with affordable housing development and will help to ensure that any such projects will reliably address AFFH objectives related to neighborhood change.

However, we recognize that the current draft Map is not as sensitive to more recent shifts in neighborhood demographics in the context of areas that have experienced meaningful demographic changes over the last decade. Since we agreed with the comment letters that called for increased attention to more recent meaningful demographic changes, we propose including the two following changes to improve this sensitivity (as discussed above):

1. Addition of the home value/income percentile gap as a measure of disproportionate housing needs, which has shown to be indicative of increases in neighborhood income through Pathway 2; and
2. A new avenue for a tract to qualify if it has experienced both substantial racial/ethnic and economic demographic change between 2013-2021, regardless of proximity or indicators of disproportionate housing needs through Pathway 1B.

Reduce thresholds for rapidly rising rents (Comments: 3, 12)
Some comments requested that the 75th percentile threshold for rising median rents be reduced, as low-income families may experience displacement pressure even before this threshold is reached. The threshold was initially set to the 75th percentile to capture the most intense rises in median rent. However, since we agreed with the comment letters that that low-income renters may be particularly sensitive to rent increases, we analyzed the effect of lowering the threshold for rent increases to the 50th percentile and found that it captured neighborhoods that had meaningful rent increases, even with the lower threshold as previously discussed. This adjustment to the methodology also has the advantage of maintaining consistency between how the tool measures rent increases and demographic change, as measures of both racial/ethnic and economic demographic change in Pathway 1A and Pathway 2 utilize a 50th percentile threshold.

Rural areas (Comments: 5, 12, 15)
Some comments discussed the importance of neighborhood change in rural areas, and concerns about potential complications that may arise for rural issues. We acknowledge that rural communities – especially mid-size cities or towns within rural areas – also experience demographic change and face disproportionate housing needs, including displacement risk.

However, the Map does not focus on rural areas because of both technical limitations and conceptual limitations to its application in rural areas. Technical limitations include the accuracy of data provided in block group geographies, which are most appropriate for rural areas. There are conceptual limitations to the application of the Map in rural areas because the research that informed the creation of the draft Map generally focuses on urban areas. While rural places can experience substantial change, this process can look different from what is seen in non-rural areas. The Map was designed to address known AFFH potential as covered in existing research and was thus not built to account for the differences in rural neighborhood change. As part of future updates, HCD and its research partners will monitor whether any new research emerges that would support incorporation of rural areas in the Neighborhood Change Map.

Additional public input (Comments: 5, 7, 12, 16, 17)
Several comments suggested that HCD should provide additional time and space for public input on the Neighborhood Change Map prior to its use in a policy setting, or otherwise continue to solicit feedback from stakeholders, including community-based development organizations.

We would like to reiterate that HCD conducted public engagement prior to the release of the draft Map and will continue to do so as the Map is refined in upcoming years. For example, a virtual webinar to kick off the Opportunity Framework – of which the Neighborhood Change Map was one outcome – was held on June 7, 2023. HCD also launched a public survey to collect feedback on the state's AFFH approach, which closed July 21, 2023. We also held a virtual public information session on the Map that was open to all on November 7, 2023 – where we also solicited stakeholder feedback on the draft methodology and mapping interface, ahead of the public comment deadline of November 17, 2023. This feedback was used to directly inform the proposed changes to the Map discussed in this memo.

We plan to gradually phase in the Map and will continue to refine the Map based on feedback from stakeholders and consultation with our research partners. We encourage all stakeholders, including community-based development organizations, to continue to gather and share feedback on the Map as we refine it in upcoming years.