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DATE: January 11, 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: Response to Comments on the Draft 2023 CTCAC/HCD Opportunity Map

CTCAC, HCD, and now the California Debt Limit Allocation Committee ("CDLAC") use the CTCAC/HCD Opportunity Map to inform policies aimed at increasing access to opportunity-rich areas for residents of affordable housing financed with Low Income Housing Tax Credits and other state funding programs, in light of historical concentrations of this housing in areas characterized by limited resources, high poverty rates, and racial segregation. CTCAC and HCD work with the group of independent researchers tasked with updating the map each year based on newly available data and research, public comments, and a review of the methodology[1].

CTCAC and HCD published draft 2023 CTCAC/HCD Opportunity Map on December 8, 2022 and accepted public comments through December 28, 2022. CTCAC and HCD appreciate the feedback provided through comment letters on the draft 2023 CTCAC/HCD Opportunity Map. After reviewing and considering these comments in consultation with research partners, CTCAC

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[1] Research partners currently include representation from Othering & Belonging Institute at UC Berkeley, the Terner Center for Housing Innovation at UC Berkeley, the California Housing Partnership, and the UCLA Luskin School.

and HCD will proceed to adopt the map initially released for public comment last month. We also offer the responses below to specific issues raised in comment letters.

Reaffirming the purpose of the CTCAC/HCD Opportunity Map and the policies that reference it.

Administration of affordable housing funding programs in California is subject to the full range of Affirmatively Furthering Fair Housing ("AFFH") objectives.[2] The purpose of the Opportunity Map is to advance two specific AFFH objectives – increasing access to opportunity and replacing patterns of segregation with "truly integrated and balanced living patterns"[3] – which comprise some but not all objectives outlined in AFFH law and guidance. To advance these objectives, the mapping methodology is designed to do two things: 1) identify neighborhoods in each region of the state whose characteristics have been shown through research to be associated with positive outcomes such as upward economic mobility, educational attainment, and better health – particularly for children; and 2) identify areas that are both racially residentially segregated and high poverty.

CTCAC, CDLAC, and HCD funding programs determine the location of thousands of new affordable rental homes each year – and thus help shape the landscape of housing location options for low-income families across the state. The map is used to guide policies which seek to rebalance the state's portfolio of affordable housing in alignment with these AFFH goals, primarily through incentivizing more developments for low-income families to be created in each region's resource-rich neighborhoods. Prior analysis concluded that relatively few state-subsidized affordable homes are in the state's highest resource areas, and that these homes are relatively overrepresented in neighborhoods characterized by fewer resources, higher poverty rates, and racial segregation.[4] Moving forward, the goal is to increase the share of affordable homes available to low-income residents in resource-rich neighborhoods, while continuing to invest in all neighborhoods, recognizing the ubiquity of the housing affordability crisis and the need to advance other AFFH and state housing goals. As such, the opportunity map is not designed to "divert" resources away from low-income communities of color, as claimed in one

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[2] Affirmatively Furthering Fair Housing is defined in state law ((Gov. Code, § 8899.50, subd. (a)(1).) in the following way: "Affirmatively furthering fair housing" means taking meaningful actions, in addition to combating discrimination, that overcome patterns of segregation and foster inclusive communities free from barriers that restrict access to opportunity based on protected characteristics. Specifically, affirmatively furthering fair housing means taking meaningful actions that, taken together, address significant disparities in housing needs and in access to opportunity, replacing segregated living patterns with truly integrated and balanced living patterns, transforming racially and ethnically concentrated areas of poverty into areas of opportunity, and fostering and maintaining compliance with civil rights and fair housing laws. The duty to affirmatively further fair housing extends to all of a public agency's activities and programs relating to housing and community development."

[3] Definition of Affirmatively Furthering Fair Housing in (Gov. Code, § 8899.50, subd. (a)(1).).
[4] For more background on the origins of the CTCAC/HCD Opportunity Map and the policies which reference it, see: https://www.hcd.ca.gov/sites/default/files/docs/planning-and-community/TCAC-HCD-Opportunity-Map.pdf.

comment letter, but instead seeks to rebalance the state's portfolio of affordable housing in alignment with all AFFH goals, and thereby provide access to more neighborhoods to the end users of this housing when compared to historical patterns and existing availability.

The levels of segregation and unequal access to opportunity in California's cities and regions were created and maintained through racist and exclusionary public policy. The Opportunity Map is a tool to help ensure that the state's investments in affordable housing do not perpetuate those patterns and works to reverse them.

Further, evidence has shown that many people of color want the chance to live in a broader set of neighborhoods – and that segregation persists not because of the preferences of people of color, but largely because of constraints on their housing choices.[5] Experiments such as HUD's Moving to Opportunity and the Creating Moves to Opportunity program in Seattle have also demonstrated that providing support during the housing search process results in low-income families across racial and ethnic backgrounds choosing to move to resource-rich neighborhoods at higher rates,[6] higher levels of neighborhood satisfaction,[7] and even higher post-move expectations of what their neighborhoods and local schools can provide.[8] These programs have been developed based upon decades of research observing the harmful effects on families and children living in neighborhoods of very high or concentrated poverty.[9]

It is important to state that families should not be *required* to relocate to access resource-rich neighborhoods. Indeed, as described further below, implementing AFFH law and guidance also includes place-based multi-sector investments that seek to bring resources to lower resourced communities of color that have been deprived of them largely because of the powerful effects of segregation and lack of investment. As previously noted, state housing agencies intend to continue to support affordable housing development in all neighborhoods.

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[5] See, for example: Maria Krysan and Kyle Crowder. (2017). Cycle of Segregation: Social Processes and Residential Stratification. New York: Russell Sage Foundation.

[6] See, for example: Peter Bergman, Raj Chetty, Stefanie DeLuca, Nathaniel Hendren, Lawrence F. Katz, Christopher Palmer. (2020). "Creating Moves to Opportunity: Experimental Evidence on Barriers to Neighborhood Choice." Opportunity Insights. Website: https://opportunityinsights.org/wp-content/uploads/2019/08/cmto_paper.pdf.

[7] Ibid.

[8] Jennifer Darrah and Stefanie DeLuca. (2014). "'Living Here Has Changed My Whole Perspective': How Escaping Inner-City Poverty Shapes Neighborhood and Housing Choice." Journal of Policy Analysis and Management. Vol. 33, No. 2.

[9] Anna Maria Santiago et al., Opportunity Neighborhoods for Latino and African-American Children (Washington, D.C.: U.S. Department of Housing and Urban Development, 2014), http://www.huduser.gov/portal/Publications/pdf/Opportunity_Neighborhoods.pdf; Robert J. Sampson, Patrick Sharkey, and Stephen W. Raudenbush, "Durable Effects of Concentrated Disadvantage on Verbal Ability Among African-American Children," Proceedings of the National Academy of Sciences (PNAS) 105, no 3 (2008): 845-852.

Mobility strategies which seek to expand the range of housing location options available to low-income families of color, and thereby *reverse* patterns of segregation (rather than mitigate their harmful effects), must be part of any comprehensive approach to advancing AFFH objectives.

These strategies are not only evidence-based and required by law, but they are supported by the people participating in them. Further, it will be impossible to address racial inequality in our society if we do not take deliberate steps to reverse residential segregation, which acts as a "lynchpin" in reproducing racial inequality over time.[10]

In the context of the state's affordable housing funding programs, the path forward with respect to the AFFH goals of increasing access to opportunity and reversing segregation is clear: we must balance affordable housing development in a manner that includes creating housing choice in resource-rich neighborhoods, as these programs are among the state's most direct and powerful tools for shaping the housing location options for low-income people of color. Although we are always open to new ways to refine the CTCAC/HCD Opportunity Map and develop strategies and tools to meet our AFFH objectives, we do not agree, as claimed in one comment letter, that the map "harms the communities of color that it is meant to support," or that it can "never equitable serve the residents and communities of California."

AFFH objectives the CTCAC/HCD Opportunity Map was not intended to address, and which need further development.

Several comments related to AFFH objectives that the Opportunity Map was not designed to address, such as defining and supporting approaches to transforming racially or ethnically concentrated areas of poverty into areas of opportunity – in which affordable housing plays an important role but is far from the only strategy needed. The map is also not designed to advance the AFFH goal of promoting integration and reducing segregation in the context of communities experiencing rapid change. These areas are among those where the state's AFFH strategy still needs development and refinement.

To this end, HCD is leading an Opportunity Framework process, in consultation with state agencies, researchers, developers, community groups, and other stakeholders to further develop the state's approach to the full range of AFFH objectives and topics that have been less fully explored, including, but not limited to, those noted above. As requested by multiple commenters, HCD has and will continue to make efforts to include representation from BIPOC communities and BIPOC-led housing developers in the Opportunity Framework process. This effort is aimed at yielding the development of new data tools and policy proposals that would address the full complement of AFFH objectives. The Opportunity Framework process has already begun and will extend well into 2023, with multiple opportunities to get involved. If you would like to learn more about this work, you can email affhguidance@hcd.ca.gov to indicate your interest.

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[10] Stephen Menendian, Samir Gambhir, and Arthur Gailes (2021). The Roots of Structural Racism Project: Twenty-First Racial Segregation in the United States. Othering & Belonging Institute. Website: https://belonging.berkeley.edu/roots-structural-racism.

Clarifications about the CTCAC/HCD Opportunity Map methodology

Third, we wish to clarify several aspects of the mapping methodology in response to comments raised:

- Racial segregation and poverty filter. The map identifies areas that are both high-poverty and racially segregated to advance the AFFH goal of avoiding further segregation in the context of high poverty rates. This approach aligns with the federal approach of designating Racially/Ethnically Concentrated Areas of Poverty (RECAPs), which are defined as having high shares of both non-white and poor populations. Further, as described in the mapping methodology for the CTCAC/HCD Opportunity Map, the evidence on concentrated poverty and racial segregation supports both being considered in the filter due to their demonstrated harmful effects, both separately and in combination.[11]

  Since the federal RECAP standard may not effectively reflect regional demographic variation in California, the High Segregation & Poverty filter in the map defines racial segregation in a way that is more tailored to local context: disproportionate representation of Black, Hispanic, Asian, and/or all people of color in comparison to the county – not only all people of color, as stated in multiple comment letters (though this is the approach used in the federal RECAP standard). The approach of capturing segregation for both individual racial/ethnic groups and/or people of color overall allows the filter to be sensitive to regional context and the histories of specific groups in California, one of the most diverse states in the nation. Since each racial and ethnic group has a unique and distinctive history and experience of racial segregation (however similar in some manners), a measure that *only* collapses all groups into a single category for observing segregation would prove insensitive to particular forms of segregation. For example, highly concentrated and racially isolated Asian populations in many of Northern California's suburbs would be masked by a simpler RECAP definition, and probably also ignored by a Racially and Ethnically Concentrated Areas of Affluence (RECAA) alternative or corollary. The CTCAC/HCD Opportunity Map measure is sensitive to both specific expressions and experiences of segregation as well as more holistic forms.

  White segregation is also relevant to advancing AFFH goals, though typically in the context of policies which seek to overcome patterns of racial exclusion and opportunity hoarding[12], and less so in the context of affordable housing programs which serve a low-income population composed predominantly of people of color.

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[11] Current and past versions of the CTCAC/HCD Opportunity Map methodology document are available on the TCAC website: https://www.treasurer.ca.gov/ctcac/opportunity.asp.

[12] See, for example: Dolores Acevedo-Garcia, et al. (2020). "Opportunity hoarding linked to racial and ethnic inequality in children's neighborhoods." Website: https://www.diversitydatakids.org/research-library/data-visualization/opportunity-hoarding-linked-racial-and-ethnic-inequities.

- How poverty is considered. As stated in a previous response to comments memo, poverty is considered in multiple areas of the methodology for specific reasons. First, poverty is separately considered in the Economic and the Education domains because of distinct bodies of evidence on how poverty rates in school and neighborhood contexts affect outcomes for residents – specifically, the association between neighborhood-level poverty rates and critical outcomes for both adults and children, and between school poverty rates and educational outcomes for low-income students.[13] Each indicator assesses a separate dimension of how neighborhood environments shape opportunity for local residents.

  In addition, neighborhood-level poverty rates and student poverty rates in local schools sometimes diverge. For example, it is possible for a neighborhood to be low-poverty, but served by high-poverty schools (e.g., in the context of gentrification). As such, the mapping methodology seeks to account for these multiple dimensions for how poverty may affect residents of a given neighborhood.

  Finally, poverty is separately considered in the High Segregation & Poverty category, which "filters" areas out of the other mapping categories if they exceed thresholds for both concentrated poverty and racial segregation.

- Inclusion of education indicators. Third and fourth grade test scores from nearby elementary schools are included in the Education domain score because research has established their association with positive outcomes for resident low-income children, including long-term upward economic mobility; they are considered in the literature to be proxies for the level of resources and opportunity during early childhood both in local schools and more broadly in communities. Rather than being "arbitrary" as claimed in one comment letter, these indicators are essential for assessing neighborhood-level resources and opportunity. Also, a comment letter advanced that this indicator is "discriminatory" to English language learners. However, one of the more powerful predictors of student achievement and performance are peers; even if students learning English may be disadvantaged on certain test metrics, data on how peers perform is a relevant factor for considering the quality of the educational environment.

  In addition, HCD is exploring as part of the Opportunity Framework process strategies for identifying low-income communities of color that may serve as "springboards" to upward mobility, e.g., predominantly immigrant communities whose characteristics may not typically be associated with higher rates of positive outcomes for residents. With the help of stakeholders, HCD will continue to explore this topic in 2023.

  How neighborhood scores are derived. The approach of deriving scores regionally and allocating the same share of neighborhoods to the top two categories (Highest

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[13] Greg J. Duncan and Jeanne Brooks-Gunn, Consequences of Growing Up Poor (New York, NY: Russell Sage Foundation, 1997); Nicole L. Hair et al., "Association of Child Poverty, Brain Development, and Academic Achievement," JAMA Pediatrics 169, no. 9 (2015): 822-829, https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4687959/.

Resource and High Resource) within each region was chosen to enable state housing funding agencies to incentivize equitable development patterns in each region to the same degree, as well as to align with both moving patterns for most families and with the competitive infrastructure for affordable housing funding programs. This approach is thus an effort to be as fair as possible, as opposed to being "political" and "arbitrary" as asserted in several comment letters. However, HCD is exploring whether there may be instances where absolute thresholds may be more appropriate than relative measurements for some indicators, to ensure that the mapping methodology accurately identifies higher resource neighborhoods within and across the state's regions.

- Accounting for neighborhood change. Other than undergoing annual updates with the most recently available data, the CTCAC/HCD Opportunity Map provides a snapshot in time and is not designed to identify areas undergoing – or which may undergo, in the future – rapid changes in resources and demographics over time, e.g., in the context of gentrification. Methodologies for doing so have been explored in the past, though they proved to be inaccurate at predicting future patterns. As part of the Opportunity Framework, HCD is leading a process to re-assess possible approaches for identifying changing neighborhoods where development of affordable housing and other strategies to preserve housing affordability may lead to greater racial and economic integration and halt patterns of re-segregation.

- Time lags in publicly available data. There are two publicly available options for annually updated demographic data from the Census: the American Community Survey (ACS) 1- year and 5-year estimates. The methodology utilizes the 5-year rather than 1-year estimates because of increased data reliability and scale. While the 1-year estimates contain less "lag" than the 5-year, especially considering the normal timeline for an affordable housing development, the 1-year data are far less reliable and are unavailable at smaller geographies. The 5-year estimates are more statistically reliable, particularly for less populated areas and small population subgroups. Additionally, the Census and ACS is the best data source for socio-demographic data. Though the data might seem lagged, ACS has implemented procedures to ensure reliability of this data to be used in the most current year. In addition, as noted previously, HCD is currently leading a process to explore possible approaches for identifying neighborhoods undergoing change over time.

- Job and transit proximity. The methodology accounts for proximity to jobs in order to mitigate the "spatial mismatch" of jobs and affordable housing. The spatial mismatch theory maintains that communities can experience poor labor market outcomes because of the lack of nearby jobs with skill-levels and qualifications appropriate for those community members. To help avoid this mismatch, the jobs proximity measure calculates the number of entry-level jobs within the typical commute distance for low-wage workers in each region. Further, although the benefit of aligning affordable housing locations with quality transit is intuitive, transit proximity was not incorporated into 2023 CTCAC/HCD Opportunity Map for reasons detailed in the memo accompanying the release of the draft 2023 map – namely, that existing

research has not established a strong link between transit access and economic mobility, and 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. Additionally, points are available for transit proximity in the services/amenities section of the CTCAC application. However, HCD will continue to monitor this topic and may consider adding transit data in future years if a stronger connection is identified.

- <u>Category changes in annual map updates</u>. Multiple comment letters expressed concern over changes in how neighborhoods are categorized as the map is updated each year. A certain amount of change is inherent in any update and is a known tradeoff when seeking to also include the latest data, e.g., to account for potential changes in underlying conditions over time.

  CTCAC incorporated a "grandfathering" clause when it first introduced its opportunity area incentives, allowing applicants to claim the mapping category either at the time of site control going back up to 7 years, or at the time of application. CTCAC and the other agencies which reference the map in their funding programs may consider modifications to this policy in the regulations to reduce the effects of mapping category changes on development pipelines to the degree possible and would welcome a discussion with stakeholders about possible approaches.

- <u>Fire hazard severity zones</u>. Multiple comments raised concerns about overlap between higher resource areas and areas with high fire hazard severity. In response to similar comments submitted in last year's map update, the research partners assessed fire hazard risk and found that higher resource areas were 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 were proposed for the 2022 map, and none are proposed for the 2023 map. 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. Second, CAL FIRE is still in the process of overhauling its fire hazard risk methodology (draft maps were released in the fall). As such, 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, as well as an assessment of the new fire hazard severity map from CAL FIRE.

  <u>Developability of higher resource rural areas</u>. One comment letter claimed that areas identified 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.

Although the map can give the appearance of having identified undevelopable areas as being High or Highest Resource, the methodology's population density floor and data reliability threshold help ensure that rural block groups are developed and contain meaningful populations, even if portions of these block groups are undevelopable (e.g., due to topographical constraints); otherwise, they are categorized as Missing/Insufficient Data. Analysis completed in response to a similar comment in a prior annual map update found that High and Highest Resource rural block groups in several counties raised in the comment letter actually contained a higher average population than rural block groups statewide. Further, as noted in prior response to comment memos, an alternate approach of accounting for provision of housing-related infrastructure could inadvertently reward exclusionary decisions by jurisdictions which fail to provide this infrastructure in an effort to block development of affordable and other multifamily housing. However, HCD will explore approaches to visually clarifying the portions of rural block groups that are population centers, as well as other potential refinements to the map's assessment of rural areas in 2023.

- Accounting for college and graduate students. The methodology currently removes college and graduate students below the poverty level from the poverty calculation of the High Segregation & Poverty filter in areas where college students comprise more than 25 percent of the population in order to prevent college towns from distorting the filter. However, this adjustment is not made within the Economic Domain of the index. At the direction of CTCAC and HCD, the research partners intend to analyze whether a similar approach to adjusting for college students should be taken within the Economic Domain but are unable to run this analysis and consider changes in the context of the 2023 map due to time constraints.

- Environmental indicators in rural areas. The inclusion of CalEnviroScreen (CES) 4.0 exposure and environmental effects indicators in the Environmental domain of the CTCAC/HCD Opportunity Map is informed by scientific literature that confirms their detrimental effects on human, and especially child, health. One limitation of CES is that indicators are generally measured at a limited number of points statewide and estimated over larger areas – resulting, particularly in large rural tracts, in some cases where high levels of a given pollutant are measured in one area of a tract but may have a marginal effect at a different location within the same tract. Despite these limitations, it is important that the presence of pollutants be accounted for in rural areas to the degree possible using the best available data. Updates to CES in the future, which may be made available with greater coverage and finer scale like block groups, will be considered.