

**Laws In Tension:
Affirmatively Furthering Fair Housing &
Transit Access for Low-Income Households**

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Executive Summary

This project examines the administrative interpretation and implementation of two of California's most high-profile laws impacting land use decisions. The Sustainable Communities and Climate Protection Act, SB 375 (2008), mandates that planning processes for housing consider transit access in order to reduce greenhouse gas emissions. Affirmatively Furthering Fair Housing, AB 686 (2018), requires (in part) that housing for low-income residents be planned in high resource areas, as identified by the State. The intent of the State's implementation of AB 686 is to both reduce racial segregation and increase access to resources such as high-quality schools, food, and healthcare for low-income residents. However, because of many previous policy decisions regarding racial segregation, the routing of highways and transit through poorer areas, and the incentivization of suburban sprawl, transit and areas high in resources may have little overlap (Mohl, 2002; Archer, 2020). This places SB 375 and AB 636 in tension with each other in many parts of California. Additionally, some advocates for affordable housing and community development charge that the State's narrowed focus on investment in affordable housing in high resource areas stigmatizes and neglects the very neighborhoods that have historically been subject to deliberate, racialized disinvestment (Goetz, 2017).

This paper examines how the implementation of Affirmatively Furthering Fair Housing in California has affected the location of affordable housing financed through the low-income housing tax credit (LIHTC) program, relative to high-quality transit corridors.

This study finds that, while the State's shift in focus is too new to establish the presence of a durable trend in outcomes, data from 2021 and 2022 show a marked decline in transit access for affordable housing developments financed with tax credits, undermining both transit equity and the Sustainable Communities and Climate Protection Act. Analysis also reveals the relatively small amount of land with potential to fulfill both resource area requirements and transit access, and the higher per-unit tax credit awards necessary to finance developments in higher resource areas, reducing the number of affordable homes that can be financed. Statistical analysis of the relationships between the resource categorization and racial composition of urbanized census tracts shows a direct relationship between higher-resource designations and the proportion of white or Asian residents, highlighting the tendency of current tax credit prioritization to disfavor investment in predominantly Black and Latino areas. The paper then makes a series of policy recommendations to mitigate the unintended consequences of the State's current AFFH implementation.

Chapter 1: Legislative & Administrative Environment

1.1 SB 375: Sustainable Communities and Climate Protection Act

SB 375 (2008), California's Sustainable Communities and Climate Protection Act, is intended to achieve the state's aggressive goals for reducing greenhouse gas (GHG) emissions by integrating regional land use and transportation planning. It promotes infill development, accessible by high-quality transit and convenient to jobs and services, to reduce GHG emissions by decreasing vehicle miles traveled. Local jurisdictions are eligible for incentives, such as planning grants and funds for bike and pedestrian infrastructure, when they plan for housing development near transit. SB 375 emphasizes affordable housing near transit, both to increase regional access for lower income households and to increase transit ridership.

The California Air Resources Board (CARB) is the primary state agency responsible for monitoring air quality and implementing programs to reduce greenhouse gas emissions (CARB, 2021). SB 375 requires CARB to set goals for each region to implement strategies to reduce greenhouse gas (GHG) emissions from passenger vehicle use. Based on those goals, regional governments create a Sustainable Communities Strategy, a comprehensive long-range regional plan that contains land use, housing, and transportation strategies. With the full participation of its local jurisdictions, these strategies would enable the region to meet its targets.

1.2 AB 686: Affirmatively Furthering Fair Housing

AB 686 (Affirmatively Furthering Fair Housing Act of 2018) was passed by the legislature in response to the Trump Administration's stated intent to overturn the Obama Administration's 2015 guidance for implementing the Affirmatively Furthering Fair Housing (AFFH) provision of the 1968 Fair Housing Act. The AFFH Act codifies the 2015 guidance into state law. It aims to reduce segregation in California by requiring jurisdictions to take a broad range of actions to understand causes of local segregation and disparate housing needs, and take concrete actions to address disparate needs and create integrated communities (HUD, 2015). AB 686 states, "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" (Chapter 15 §8899.50.(a)). The statute specifies four types of "meaningful actions" that all jurisdictions are required to take:

[i] address[ing] significant disparities in housing needs and in access to opportunity,

[ii] replacing segregated living patterns with truly integrated and balanced living patterns,

[iii] transforming racially and ethnically concentrated areas of poverty into areas of opportunity, and

[iv] fostering and maintaining compliance with civil rights and fair housing laws.

(Chapter 15 §8899.50. (a)(1))

The law requires that all jurisdictions administer all housing and community development programs and activities in a way that affirmatively furthers fair housing, and to avoid any actions that could be “materially inconsistent with this obligation” (Gov. Code, § 8890.50).

While a range of policies are necessary to address the four types of meaningful actions required under AFFH, many of the state’s policies implemented since 2018 seek to help residents of lower-income neighborhoods move to areas of greater opportunity, by locating and investing in affordable housing in wealthier neighborhoods considered more opportunity-rich. This type of policy is known as a mobility strategy, for its focus on the movement of households from one community to another. Beginning in 2021, regional governments and city planners across the state are mandated to create strategies that use mobility to affirmatively further fair housing by choosing sites for low-income affordable housing in high-opportunity areas.

1.3 The Low-Income Housing Tax Credit (LIHTC)

The Low-Income Housing Tax Credit (LIHTC) program has been the single largest source of federal support for the acquisition, construction, and rehabilitation of affordable rental housing since its creation as part of the 1986 Tax Reform Act (Schwartz, 2014; California Tax Credit Allocation Committee, 2021). Each year, Congress sets fiscal limits on the total amount of tax credit funding that can be allocated. The Treasury Department then issues tax credits to state governments using a formula based on state population (Keightley & Stupak, 2019). Nonprofit and for-profit private developers then submit funding applications for affordable rental housing

developments through a competitive process, and state governments award the tax credits to qualifying developments.

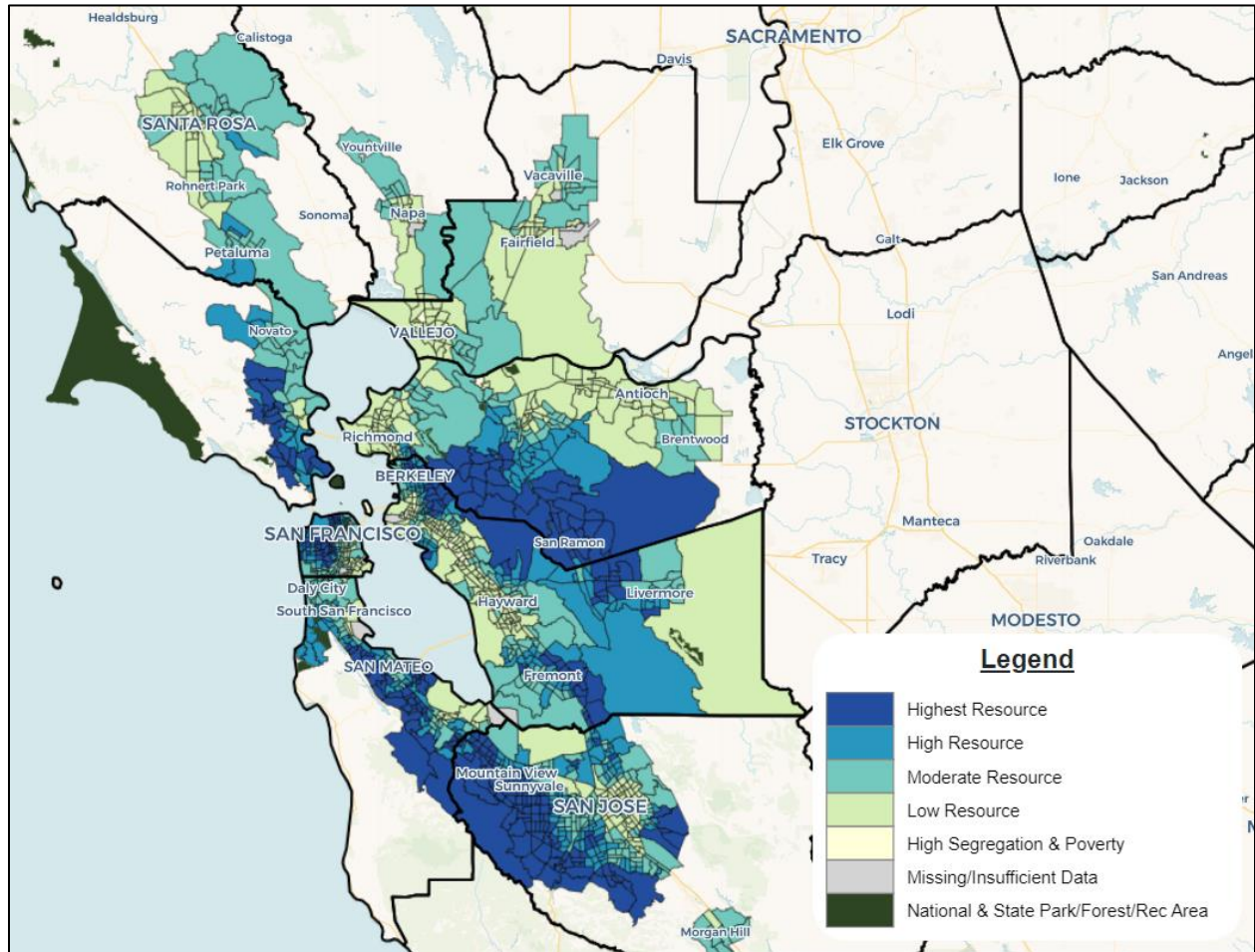
In California, the California Tax Credit Allocation Committee (CTCAC) sets competitive project scoring standards based on State priorities and awards LIHTC. Once the tax credits are awarded, developers usually sell them to private investors and can use the money from the sale to pay for most project costs, except the cost of acquiring land. Once the housing development is placed in service (occupied by tenants), the federal tax code allows private investment in LIHTC to be deducted from an individual's or corporation's tax obligation over 10 years (Schwartz, 2014). LIHTC equity is generally not adequate to cover the total costs of a development; developers must also assemble various funds including private loans and local or state grants or loans into a funding "stack" (Reid, 2019).

1.4 Opportunity Mapping

Opportunity mapping (see Figure 1 below) is a technique that attempts to measure resources and characteristics of a given community that have been shown to correlate with positive life outcomes for residents. HCD and CTCAC have contracted the design of the State's Opportunity Map to advance the goals of avoiding further segregation and concentration of poverty and to expand access to opportunity for lower-income households through affordable housing programs (ABAG, 2021; California Fair Housing Task Force, 2021). The Map uses publicly available data from sources such as the U.S. Census Bureau, CalEnviroScreen, and the California Department of Education to measure place-based characteristics linked to positive resident outcomes that lead to economic mobility for low-income families and their children. The Map uses census

tracts as a proxy for communities or neighborhoods in urbanized areas, as seen in the San Francisco Bay Area Region map in Figure 1.

Figure 1: California Tax Credit Allocation Committee Opportunity Map, San Francisco Bay Area



Source: California Tax Credit Allocation Committee, Excerpt from 2022 CTCAC/HCD Opportunity Area Maps, <https://www.treasurer.ca.gov/ctcac/opportunity.asp>

The Opportunity Map is a key resource local jurisdictions are expected to use to guide AFFH programs, and crucially, is also a criterion for scoring affordable housing developments in competition for LIHTC and other state funding programs. AFFH, as TCAC has chosen to implement it, has the potential to expand housing choices and

access to resources for low-income households and people of color in neighborhoods which have historically been exclusive. Incorporating opportunity mapping into LIHTC scoring is part of a broader trend in California to address policy goals related to environment, health, and economic mobility through the LIHTC program (Reid, 2019). However, the Opportunity Map does not address the AFFH mandate to invest in historically disinvested communities, transforming racially and ethnically concentrated areas of poverty into areas of opportunity.

1.5 Research Question

How has the implementation of Affirmatively Furthering Fair Housing in California affected the location of LIHTC-financed affordable housing relative to high-quality transit corridors?

1.6 Hypothesis

Given that transit has historically been sited primarily in communities of color that are scored by CTCAC as “low resource,” the results of the analysis are expected to show that the state’s operationalization of AFFH to site LIHTC development in “high resource” areas will result in fewer LIHTC developments sited in ways that take advantage of and provide access to high-quality transit corridors.

Chapter 2: Relevance

2.1 Conflicting Goals in Implementation of Laws

The central problem of this research project is that the implementation strategies of the state's Sustainable Communities and Climate Protection Act and Affirmatively Furthering Fair Housing laws are in tension, as they tend to pull the location of affordable housing in different directions. Transit in the United States has historically been routed to serve more densely populated areas, which are often near cities' central districts (Mohl, 2002; Archer, 2020). California's historical patterns of sprawl development and broad swaths of single-family zoning has tended to concentrate wealth and resources in less densely populated areas that are not well-served by transit (Rothstein, 2017; Menendian & Gambhir, 2018; Badger & Bui, 2019).

An additional issue, which may also shed light on strategies to address this tension, is that the State's current implementation of AFFH via the LIHTC program deliberately and explicitly does not address all the aims of the law (Buckley, 2023). CTCAC aims to address segregation and lack of access to resources by prioritizing a mobility strategy, where public investment to build homes affordable to lower-income residents is directed primarily to higher-resource areas that tend to be predominantly white. The basis for this approach is research that shows improved economic outcomes for children of families who move from lower- to higher resource areas (Chetty, 2016; Menendian, 2017). This approach neglects the AFFH mandate that all jurisdictions engage meaningfully in "transforming racially and ethnically concentrated areas of poverty into areas of opportunity" (Chapter 15 §8899.50. (a)(1)).

The question of how the implementation of AFFH in California has affected the location of LIHTC-financed affordable housing relative to high-quality transit corridors, is therefore of great interest to many parties affected by the State's current strategies.

2.2 Equity Implications

Residents who are low-income, immigrants, or do not own a car are more likely to use transit than middle- or higher-income residents (Paul & Taylor, 2021). Prioritizing the location of affordable housing in high-resource areas may direct new affordable housing away from transit, undermining the State's aggressive greenhouse gas emission reduction targets and making it more difficult for lower-income residents to access public transit.

Studies have shown that rail transit is perceived by the housing market as an amenity, and that the presence, or even the anticipated presence, of rail transit increases the price of housing (Boarnet, Bostic, & Williams, 2017). The state's programs to incentivize transit-oriented development, absent incentives for affordable housing, risk creating new, segregated high resource communities.

Residents of segregated, under-resourced communities continue to lack access to resources such as well-paying jobs, quality schools, adequate infrastructure, and a healthy environment. At the same time, a shortage of affordable housing in their communities leads to high rates of rent burden and overcrowding. Mobility strategies do not engage with existing under-resourced places, and specifically address the housing needs of families who choose to leave those places.

Place-based community development corporations have seen the State's investment in their work drop off sharply, as building affordable housing in low-income

communities is perceived by CTCAC to reinforce racial segregation and concentration of poverty (Buckley, 2023). This jeopardizes the financial health and sustainability of place-based community development corporations, many of which are deeply rooted in their communities and have worked for decades to scale their operations in collaboration with community members, and may not survive the State's redirection of funding.

This has implications for Santa Clara County, where there are at least two very large emerging transit-oriented development areas, both anchored by new Google campuses, in low-resource areas. I hope to demonstrate that if current funding policies remain unchanged, we risk building brand new racially and economically segregated areas, which will require their own policy solutions years from now.

Several transit-focused organizations have written recommendations for affordable housing in transit-oriented development in response to HUD's 2015 AFFH guidance (Smith, 2015). However, HUD's guidance did not rely on opportunity mapping, and largely left the development of strategies for implementation up to local jurisdictions. A Google Scholar search does not reveal any existing research on the tension between the implementation of these two laws in California (other than a 2021 study by A. Cingolani, which examines challenges for five local cities in Santa Clara County regarding RHNA implementation and the siting of affordable housing relative to transit and high-resource areas).

Chapter 3: Literature Review

3.1 Locations of LIHTC Developments in California

As of 2017, California had the largest number of active LIHTC properties of any state, with more than 3,950 properties representing more than 312,000 units (U.S. Department of Housing and Urban Development, 2020). Among these units, only five percent of the large-family 9% LIHTC units placed in service between 2003 and 2015 are sited in California's highest resource census tracts, which account for 20 percent of the state's total census tracts (Kneebone & Reid, 2017). This is likely due to HUD's Qualified Census Tract program, which since 1989, has encouraged private developers to build low-income housing in low-income and high-poverty areas by increasing the maximum available LIHTC award in most tracts where at least half of the households have incomes at or below 60% of the area median income (Cuomo, 1998). HUD views these areas as having the greatest need for affordable rental housing (Hollar & Usowski, 2007).

CTCAC's siting strategy, guided by the Opportunity Map, aims to help correct what it views as an imbalance within the LIHTC portfolio (California Fair Housing Task Force, 2021). The incentivization of affordable housing in higher-resourced neighborhoods also responds to a sizeable and growing body of research that highlights the negative effects of living within areas of concentrated poverty, especially for children (Ellen & Turner, 1997; Galster, 2012; Chetty, Hendren, & Katz, 2016).

Proponents of fair housing mobility policies consider the primary problem facing low-income communities to be racial segregation and lack of access to the opportunities

found in high-resource neighborhoods, and therefore advocate for LIHTC development in high-resource areas (Menendian, 2017). However, studies have also shown that the construction of LIHTC-financed affordable housing in high-poverty neighborhoods can actually increase incomes for the neighborhood, since the targeted affordability level of these units is generally 50 to 60 percent of the area median income (Eerola & Saarimaa, 2018; Diamond & McQuaid, 2019).

3.2 Opportunity Mapping in the LIHTC Program

Opportunity mapping in LIHTC implementation continues a trend in U.S. housing policy that attempts to overcome the negative effects of concentrated poverty and leverage the role that neighborhoods may play in expanding opportunity and economic mobility (Reid, 2019). Programs such as HOPE VI and Housing Choice Vouchers (often known as Section 8) were intended to overcome the legacy of U.S. public housing, where many racialized siting decisions resulted in large developments of racially concentrated poverty (Congressional Research Service, 2012).

California is one of the first states to use the LIHTC program to try to reshape segregation and access to opportunity for lower-income families, and one of only a few states to prioritize fair housing goals. (Reid, 2019). The use of opportunity mapping to implement LIHTC attempts to increase access for families with children living in affordable housing to higher-resourced neighborhoods for economic mobility “because where people live has a big impact on life outcomes shown by various measures” (Stivers, 2017, p. 2). In this manner, CTCAC hopes to undo the harms of racial segregation by reversing patterns of racial and economic segregation, while

deconcentrating poverty and preventing further concentration of poverty (California Fair Housing Task Force, 2021).

Conceptually, “opportunity” can be thought of as access to a better life, including through health, education, and employment (California Fair Housing Task Force, 2017). Visualizing this access through opportunity mapping requires attempting to quantify positive or negative attributes of neighborhoods using data. The resultant map presents a research-based depiction of areas that are believed to offer low-income residents the best access to economic advancement, high educational attainment, and good physical and mental health (TCAC Methodology, 2017). Notably, the literature on neighborhood effects underlying the opportunity map has been criticized for failing to account for the ways racial discrimination, income inequality, and structural poverty shape where people live (Slater, 2013; Imbroscio, 2023).

Areas categorized on the Map as resource-rich have resident characteristics that are correlated with upward mobility, educational attainment, physical and mental health, and other positive outcomes, particularly for children (Chetty et al, 2020). The Opportunity Map identifies census tracts, which CTCAC refers to as “neighborhoods,” which score better across nine economic, educational, and environmental indicators relative to other neighborhoods in the same region (California Fair Housing Task Force, 2023).

Since its inception, the CTCAC Opportunity Map’s influence has broadened. It is now used to inform financing awards in other state affordable housing funding programs, such as the Department of Housing and Community Development (HCD)

Multifamily Finance Super NOFA and the California Debt Limit Allocation Committee (CDLAC) bond regulations, as well as some local affordable housing funding programs. (California Fair Housing Task Force, 2023; City of San Jose, 2021)

3.3 Challenges of Opportunity Mapping

CTCAC's opportunity map strategies have been criticized on several fronts. While it is clear that neighborhoods make a difference in access to opportunity, we have only an incomplete understanding of the mechanisms of influence and which outcomes are impacted by which neighborhood attributes (Ellen & Turner, 1997). Because of the ease of access and publicly available nature of census data, the Map uses census tracts as a proxy for neighborhoods or communities (California Fair Housing Task Force, 2021). However, research suggests that data aggregated at the census tract level does not accurately reveal neighborhood characteristics (Geronimus & Bound, 1998; Sperling, 2012), may fail to account for attribute variation within the tract, may poorly reflect resident experience of what constitutes a community or neighborhood, and may result in "flawed findings, [and] poor public policy decisions," (Sperling, 2012 p.219).

Further, defining and measuring "opportunity" remains a challenge (Goetz, 2017, 2018). Tracts labeled Highest Resource are generally located in predominantly white, single-family, suburban neighborhoods with few multifamily dwellings, and have lower rates of poverty and higher house values (Reid, 2019). While the CTCAC categories include other metrics, including job proximity and environmental quality, in the scores used to rank tracts, these metrics effectively cancel each other out, as neighborhoods with higher access to transit and jobs are more likely to have lower environmental

quality and higher poverty rates (Goetz, 2018). The ongoing challenge of attempting to adequately capture “opportunity” has resulted in substantive annual revisions by the California Fair Housing Task Force to CTCAC’s mapping methodology to account for issues such as the lack of a means to account for rapid neighborhood change (2020) and gentrification (2023). Some researchers have also suggested that the selection of attributes themselves may be biased, as the classification of attributes as positive or negative may reflect the values of the dominant social and academic classes, and not the values esteemed by residents (Shelby, 2016; Goetz, 2017).

Goetz, Damiano, and Williams (2019) assert that racially concentrated areas of affluence (RCAAs) are at least equally problematic as racially and ethnically concentrated areas of poverty, as research has shown that in the United States, whites are the most segregated of all racial groups, and that the concentration of wealth is greater than the concentration of poverty (Reardon & Bischoff, 2014; Feagin, 2014). While HCD’s guidance for local jurisdictions on AFFH acknowledges this framing, the CTCAC & HCD Opportunity Map does not (California Department of Housing and Community Development, 2021; California Fair Housing Task Force, 2021).

Directing affordable development to higher-resource neighborhoods where land is more expensive also increases the cost per unit, resulting in fewer affordable units built for the funds expended (Reid, 2019). According to a 2018 study by the Government Accountability Office, affordable housing development costs in California are the highest in the country, with a median per-unit cost of \$326,000 (U.S. Government Accountability Office, 2018).

Affordable housing developers argue that by diverting LIHTC funds away from lower-income neighborhoods, CTCAC is reducing public investment in affordable housing that is part of a comprehensive community development strategy (Reid, 2019). In wealthier, whiter, and more politically influential high-resource neighborhoods, affordable housing developments face increased community resistance, sometimes delaying the permit process and adding to costs, and often place low-income families far from public transportation and other resources (Community-Based Developers Collaborative, 2022).

Despite its critical role in the provision of affordable housing, there is little research on experiences of or life outcomes for residents of LIHTC housing (Nedwick & Burnett, 2015; Reid, 2019). While public housing programs such as HOPE VI and Moving to Opportunity (MTO) have generated both quantitative and qualitative research on the role that these programs play in shaping economic opportunity (Housing and Urban Development, 2017; Chetty, et al, 2016), LIHTC residents are substantially different from residents of public housing. Since public subsidy is tied to the unit and targeted between 50 and 60 percent of area median income (AMI), and residents' rents must sustain the operations of the development, residents of LIHTC developments generally have incomes well above the federal poverty line (Reid, 2019).

Finally, research shows that the Opportunity Map does not accurately reflect the experiences and perceptions of residents of LIHTC developments themselves (Reid, 2019). In an interview-based study, Reid (2019) found that residents of LIHTC units in both higher- and low-resource tracts tended to rate their neighborhood positively across criteria including proximity to amenities such as transportation, parks, and open space,

and access to fresh fruits and vegetables, as well as on safety. Residents also reported that the stability of rent payments allowed them to pursue economic mobility strategies such as learning English, pursuing a degree, saving money, or planning for a child's college. However, they encountered financial challenges around instability of employment income in low-wage jobs and access to childcare, supporting Galster's (2013) assertions that access to opportunity may be constrained more by economic structures than by geography.

3.4 Location of Transit in California

Decades before the expansion of the federal highway system and rail transit in the 1960s and 1970s, federal, state, and local housing legislation limited housing and economic opportunities for Latinos and Blacks (Peterson, 2023). Racialized zoning maps adopted by municipalities across the U.S., beginning in the early and mid-1900s, established the boundaries of segregated neighborhoods and concentrated people of color in specific neighborhoods (Rothstein, 2017). Redlining made financing for home improvement and maintenance inaccessible, further reducing home and land values.

When the Federal-Aid Highway Act of 1956 was passed, transportation planners made routing decisions on the basis of economic efficiency in linking destinations with activities (Loukaitou-Sideris, et al., 2023; Peterson, 2023). The lower land values and home prices in communities of color, caused by decades of systemic disinvestment, made it expedient to target these neighborhoods for demolition and highway location, further reinforcing structural racism (Rothstein, 2017; Loukaitou-Sideris, et al., 2023). Where freeway routes were proposed in whiter, wealthier communities, residents had

the political power to fight back, pushing the routes into neighborhoods of color (Peterson, 2023).

Routing decisions for most of California's rail transit have been made between the late 1960s (BART, opened in 1972) and the present. To save on costs of property acquisition and politically unpopular eminent domain, routes have often been sited along the same rights of way as existing freeways, railroads, and arterial streets (Grefe & Smart, 1975). However, this did not always eliminate further use of eminent domain and demolition. A striking example is in West Oakland, where, having routed the East Bay Freeways through the vibrant Black community around 7th Street, transportation officials also built a BART station and surface parking there as part of a larger redevelopment effort that leveled nearly 5,100 homes (City of Oakland, 2022). Freeways and rail transit, designed for rural and suburban to urban commutes by personal auto, brought disproportionate harms to the communities of color they traversed, including pollution, noise, economic decline, quality-of-life degradation, and stigmatization (Peterson, 2023).

Sprawling land use patterns, enabled and reinforced by freeways and transit, followed World War II, as the region experienced rapid growth with little regulation. At the same time, California cities, along with many jurisdictions across the country, adopted single-family zoning across the majority of residential land (Badger & Bui, 2019; Menendian et al., 2020). By sharply limiting density, single-family zoning pushed growth to the outskirts of cities and increased home prices, limiting the number of people who could afford to own a home. (Rothstein, 2017; Badger & Bui, 2019;

Menendian & Gambhir, 2019). This also created an inherently exclusionary framework that then shaped the explosive growth of many of California's metropolitan areas, driven by the rise of technology, aerospace, defense, and manufacturing jobs and funded by federal investment in FHA and VA home loan programs and the Federal Highway Act of 1956 (Loukaitou-Sideris, et al., 2023).

The freeways and high-speed arterials required to support sprawl and the shift of growth away from downtowns and to the outskirts of cities increased VMT and auto-dependency (Mohl, 2002; Archer, 2020). At the same time, extensive single-family zoning and sprawl decreased the viability of a robust transit system by diluting ridership (Badger & Bui, 2019). Along with the racially exclusive covenants encouraged explicitly by the FHA until their removal from the FHA underwriting manual in 1947, higher home prices and local government policies helped keep single-family neighborhoods predominantly white (Jones-Correa, 2000; Rothstein, 2017). Neighborhoods zoned exclusively for single-family homes generally have higher incomes, higher home values, and better-performing schools, and children who were raised in these cities 30 years ago have better outcomes in their adulthoods (Chetty et al., 2015; Menendian et al., 2020). An analysis of Bay Area cities and towns conducted in 2020 found that these historical land use patterns persist in the present day (Menendian et al., 2020).

New transit-oriented development in neighborhoods already harmed by structural racism has the potential for displacement of the remaining original residents if significant policy interventions are not applied (Chappel, et al, 2017; Archer, 2020). Matt Regan, who is Senior Vice President, Public Policy for the Bay Area Council and sits on ABAG's

executive committee, commented on the struggle to balance these priorities. “Some of the places that are greenest to develop in also happen to be predominantly minority communities. That is the challenge regional planners are grappling with. They are trying to serve two masters — equity and climate — and sometimes those are in conflict,” (Dineen, 2021, para. 19) Regan said.

3.5 TOD as a Means of Reducing GHG Emissions and Increasing Transit Ridership

Climate change is considered a substantial threat to California’s economy, public health and mortality, and natural ecosystems, including drought and fire risk (Yang, et al., 2009). Sprawling patterns of development have led vehicle miles traveled (VMT), a primary indicator of greenhouse gas (GHG) emissions, to increase by 3 percent per year from 1975 to 2004, outpacing population growth (Lampert, 2009). In its most recent annual statewide GHG emission inventory, the California Air Resources Board shows that GHG emissions have been trending downward since 2007, but the transportation sector remains the largest source of GHG emissions in the State (CARB, 2022).

Passenger vehicles alone account for 28.1% of the State’s GHG emissions. To comply with SB 375’s climate change mandate, regions across California are pursuing more compact, transit-oriented development as a key strategy to achieve greenhouse gas reductions through their Sustainable Communities Strategy (SCS) (Chapple et al., 2017). Land use plans that create compact, walkable, and bikeable communities well-connected to public transit are responsible for far lower GHG emissions (Lampert, 2009).

Numerous studies have found that residents of transit-oriented development (TOD) tend to own fewer cars, drive less, and travel by transit more often than those living in non-TOD areas, which could reduce GHG emissions (Jeihani et al., 2013; Chen et al., 2017; Litman & Steele, 2021). Transit-oriented development is one of many policies employed by the State to reduce the GHG emissions that lead to climate change (Yang, et al., 2009). Studies have also shown that compact, smaller, more dense residential units can increase the energy efficiency of TOD, contributing to a further reduction of carbon emissions (Trepici, et al., 2020).

A high density of uses is critical for TOD to function as intended, with enough residents, businesses, and activities to translate into high numbers of transit riders and a customer base for retail and services (Trepici, et al., 2020). Without high enough density, transit systems may require significant operating and capital subsidies (Mathur, 2016). TOD has tended to be implemented primarily in areas that are wealthier, more urban, and with a larger percentage of white residents, leaving behind lower-income communities (Ali et al., 2021). TOD has significant potential for economic development that can boost quality of life and increase access to job centers for lower-income communities, when paired with robust anti-displacement strategies (Chappel et al., 2017; Ali et al., 2021).

3.6 Transit and LIHTC Housing

Some research has shown that low-income households living in neighborhoods poorly served by public transit can spend 25 percent or more of their income on transportation costs, while families who live in neighborhoods with access to quality

public transit spend an average of only 9 percent of their income on transportation (CTOD, 2009). However, housing in TOD is often prohibitively expensive for low-income families, as location, access to high-quality transit and other amenities can increase housing costs (Nedwick & Burnett, 2015). In fact, considering reduced transportation costs and increased market rate housing costs, the net financial benefit of TOD can be relatively small (Dong, 2021). This highlights an important role that subsidized affordable housing in TOD can play for low-income families, beyond access to transit itself.

Awarding points in LIHTC scoring for transit proximity has been shown to increase the probability that developments would be located near fixed-guideway transit; however, a conflicting state priority to locate LIHTC developments in places less likely to have strong transit access is an impediment (Nedwick & Burnett, 2015).

Chapter 4: Methods & Sources

All data used in each method described below are drawn from publicly accessible databases. Resource area data are available as shapefiles from the California Tax Credit Allocation Committee, beginning in 2018 and updated annually¹. California High-Quality Transit Corridor data, as defined by SB 375, are available as route shapefiles with a 0.5-mile buffer from Caltrans in the California Open Data Portal². The addresses and unit counts of income-based deed restricted developments which were awarded Low-Income Housing Tax Credits (LIHTC) from 1990-2022 are available, by year, from the California Tax Credit Allocation Committee³. Data on income, race, and ethnicity is available from the US Census Bureau's 2022 American Community Survey.

GIS analysis was used to assess the colocation of high-quality transit and resource areas in urbanized regions statewide by measuring and analyzing the area of overlap between these variables. Addresses of developments awarded LIHTC in California were geocoded, then analyzed using GIS to examine whether developments awarded LIHTC from 2018 onward, when opportunity mapping became a criterion in LIHTC scoring, are more likely to be more than 0.5 miles from transit than pre-2018 LIHTC developments (a before-and-after analysis).

¹ CTCAC/HCD 2022 Opportunity Map Shapefile, California Tax Credit Allocation Committee. <https://www.treasurer.ca.gov/ctcac/opportunity/2022.asp>

² California High-Quality Transit Corridors, CalTrans. <https://data.ca.gov/dataset/ca-hq-transit-areas>

³ Project Mapping, California Tax Credit Allocation Committee. <https://www.treasurer.ca.gov/ctcac/projects.asp>

Linear regression was used to determine the statistical significance of correlation between opportunity map indexing and racial composition of tracts. Descriptive quantitative analysis was used to identify and summarize trends in LIHTC awards relative to unit size and per unit cost.

Chapter 5: Analysis

5.1 Understanding Resource Areas

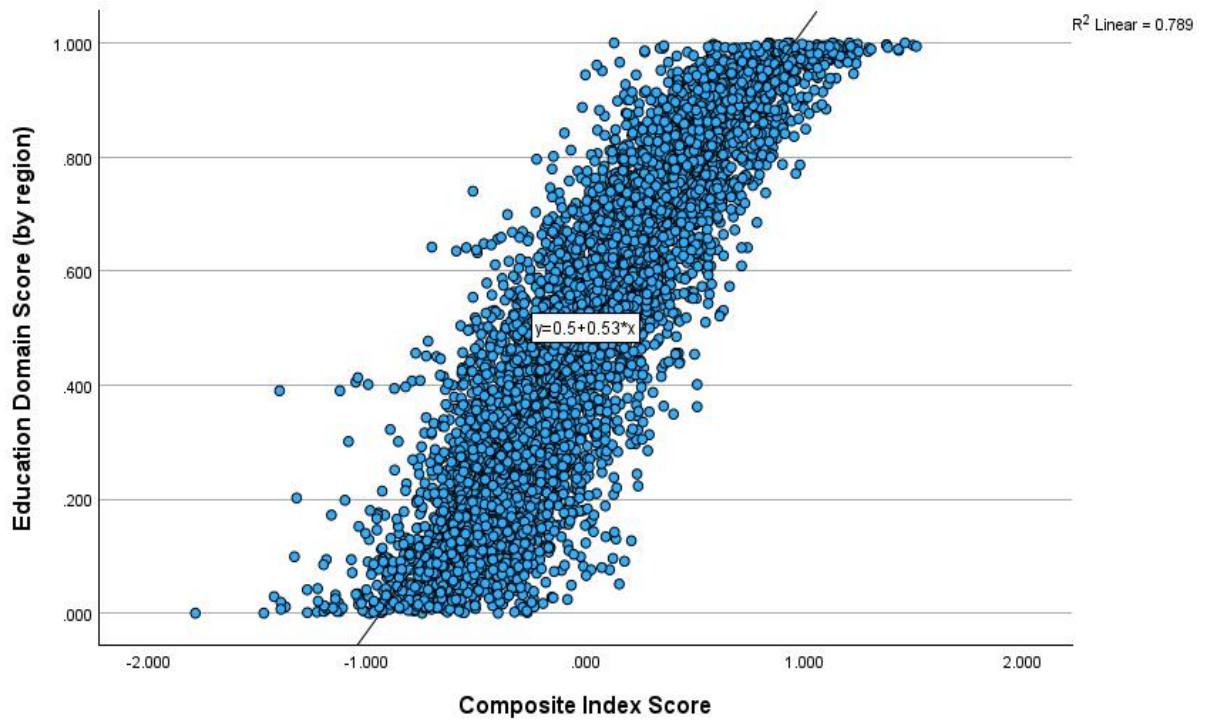
Since state agencies began using opportunity mapping, advocates have questioned both the ability of opportunity mapping to capture the value of places, and the characteristics which correlate with high tract scores under the state's methodology (Goetz 2017, 2018; Reid, 2019). TCAC holds an annual stakeholder engagement process designed to capture feedback from those most directly engaged with the community-level implementation of state policies and inform changes to the opportunity mapping methodology. However, the methodology has remained remarkably consistent since its 2018 inception. The methodology assigns each urbanized census tract with a composite index score based on three component index scores (education, economic, and environmental domains), which are each derived from multiple data points. The composite index score is then normalized within each region to determine the resource category of each tract.

The linear regression shown in Figures 2, 3, and 4 below explores the relationship between the three component index scores and the composite index score, then examines trends in the racial composition of each resource category. All three component index scores show a close correlation to the composite index score. While the education domain score is most closely correlated to the composite index score (R^2 Linear= 0.789), the close correlation across all domains reflects advocates' concerns that all domains are essentially measuring and excluding the same characteristics.

Advocates often charge that these characteristics are closely associated with the percentage of the tract's population that is white, where advantages conferred by a long history of government policies that benefited whites to the detriment of people of color have resulted in resource hoarding (Goetz, et al., 2019). They assert that this results in the assessment of whiter tracts as more valuable than tracts where people of color comprise more of the population. Viewed through this lens, opportunity mapping normalizes whiteness and pathologizes communities of color while failing to account for their unique strengths and assets, and mobility strategies attempt to solve segregation by promoting proximity to whiteness.

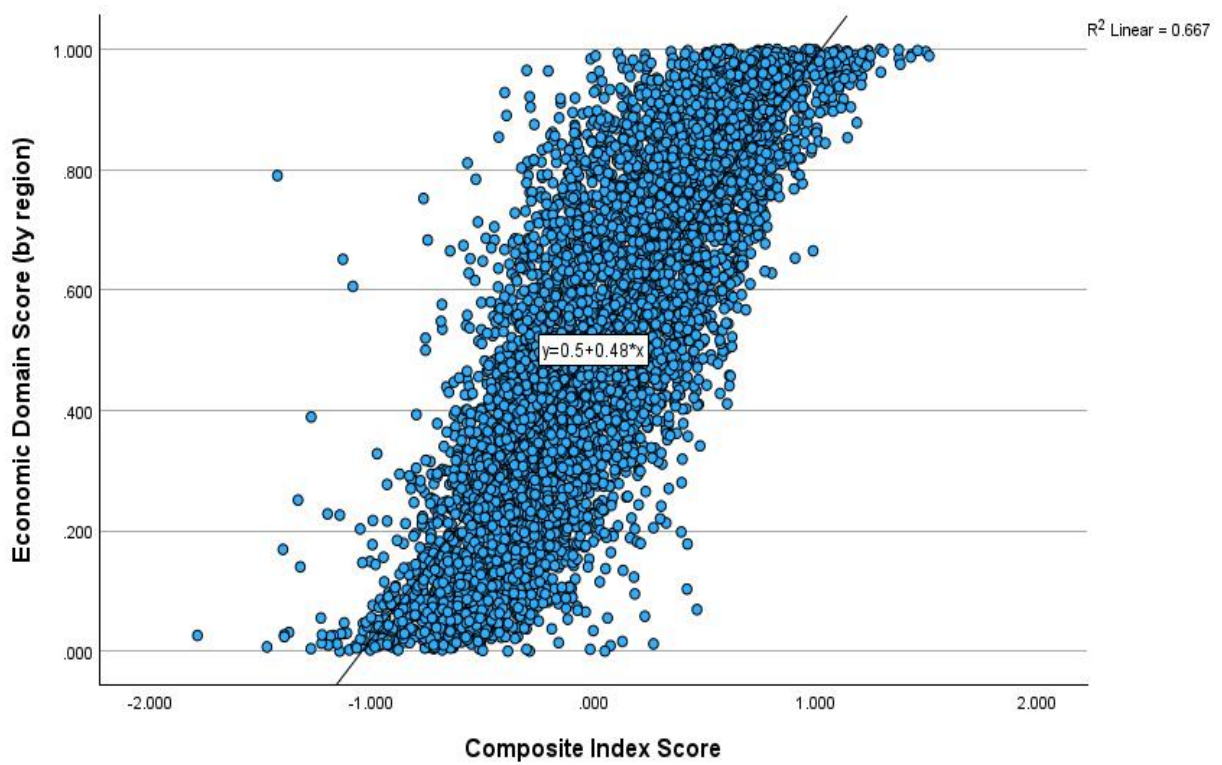
Statistical analysis (shown in Figures 5, 6, 7, and 8 below) demonstrates a remarkable linear association between tract resource categorization and the increasing percentage of non-Hispanic white population ($r^2= 0.9945$) and Asian population ($r^2= 0.9258$), and decreasing percentage of Hispanic or Latino population (r^2 Linear= 0.9909) and Black population (r^2 Linear= 0.9842). A higher percentage of white or Asian population in a tract is closely correlated with a higher composite index score, while a higher percentage of Hispanic, Latino, or Black population is closely correlated to a lower composite index score. Regardless of the methodology used to arrive at the composite index score (and therefore the resource categorization) the model consistently identifies predominantly white or Asian tracts as higher in resources and predominantly Hispanic, Latino, or Black tracts as lower in resources.

Figure 2: Parameter Estimates Analysis of Correlation between Education Domain Index Scores and Composite Index Score



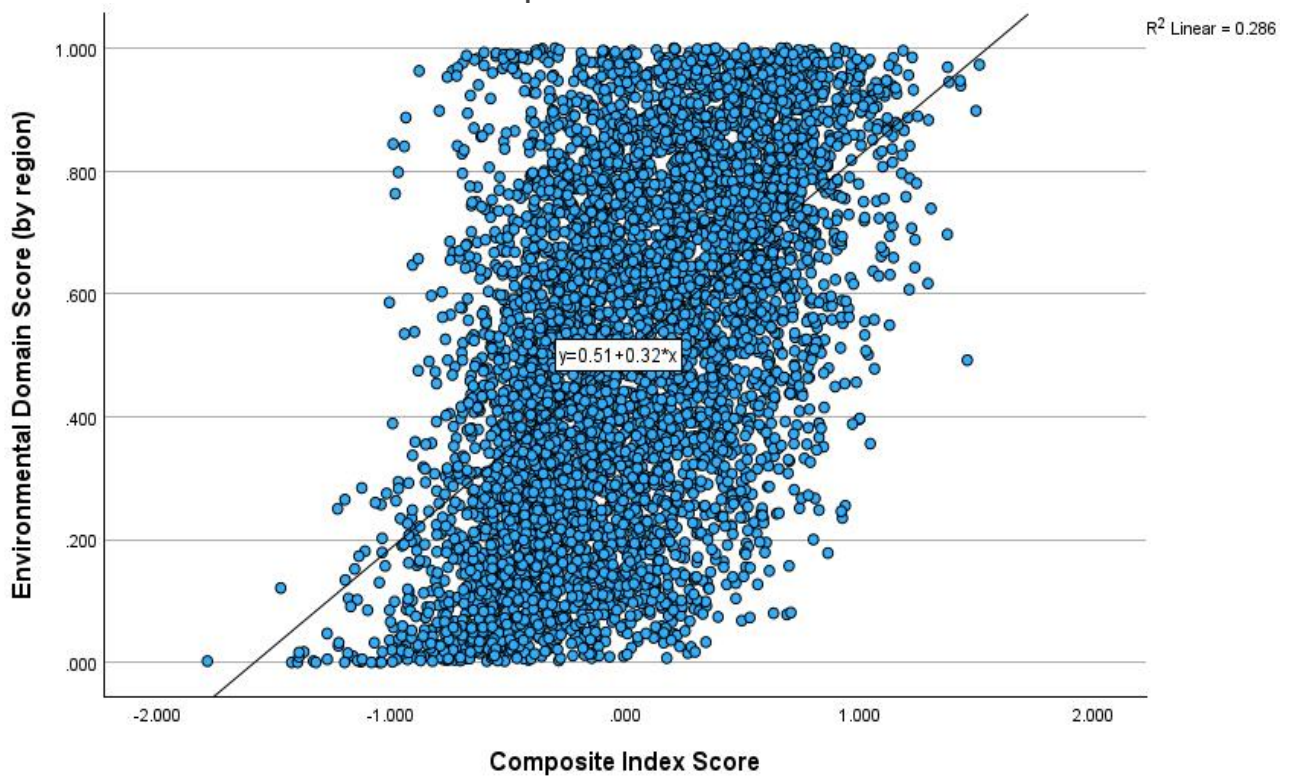
Source: Author's analysis of 2022 CTCAC/HCD Opportunity Area Maps, California Tax Credit Allocation Committee
<https://www.treasurer.ca.gov/ctcac/opportunity.asp>

Figure 3: Parameter Estimates Analysis of Correlation between Economic Domain Index Scores and Composite Index Score



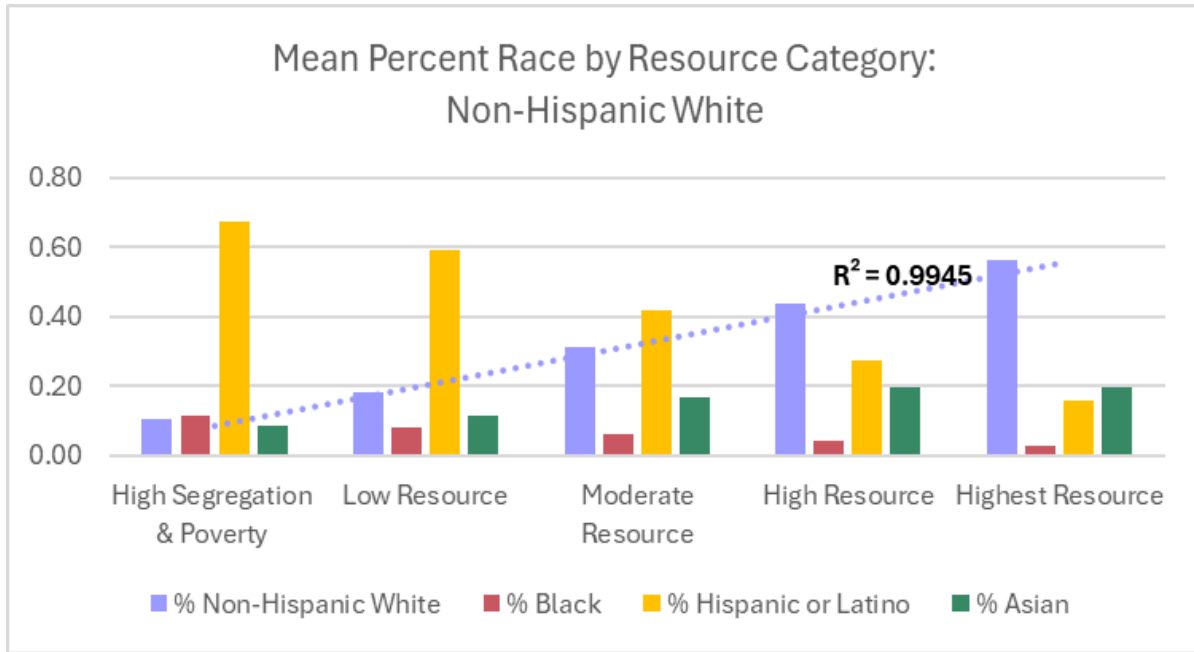
Source: Author's analysis of 2022 CTCAC/HCD Opportunity Area Maps, California Tax Credit Allocation Committee
<https://www.treasurer.ca.gov/ctcac/opportunity.asp>

Figure 4: Parameter Estimates Analysis of Correlation between Environmental Domain Index Scores and Composite Index Score



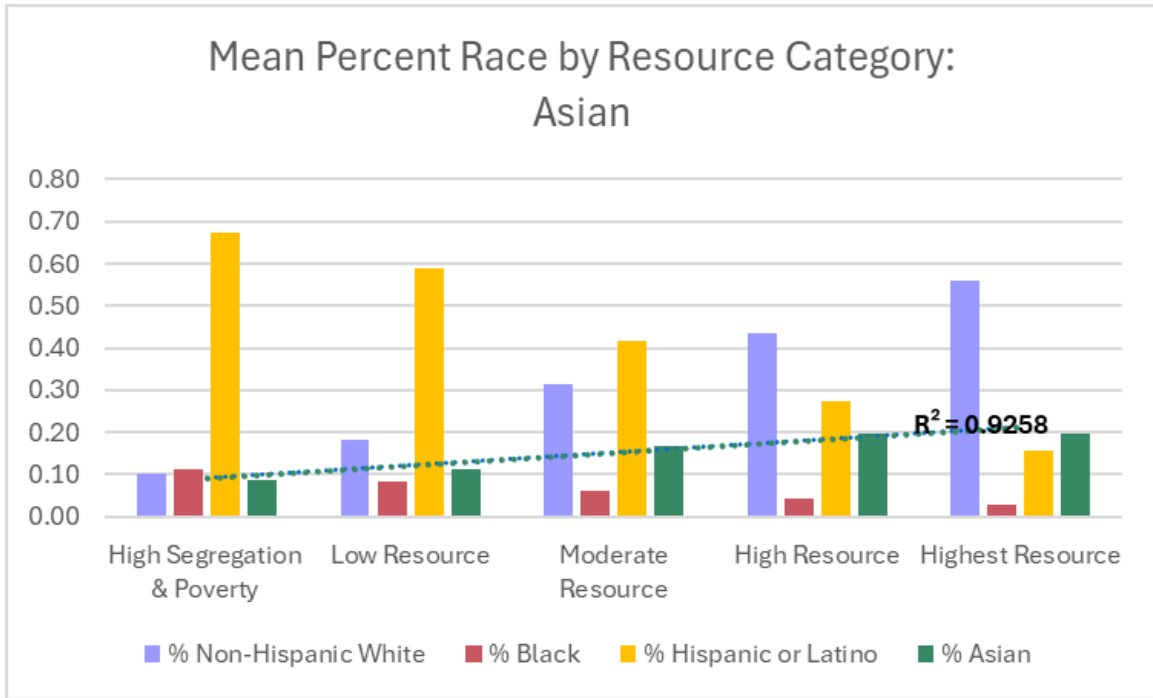
Source: Author's analysis of 2022 CTCAC/HCD Opportunity Area Maps, California Tax Credit Allocation Committee
<https://www.treasurer.ca.gov/ctcac/opportunity.asp>

Figure 5: Correlation of Resource Category & White Percent of Population



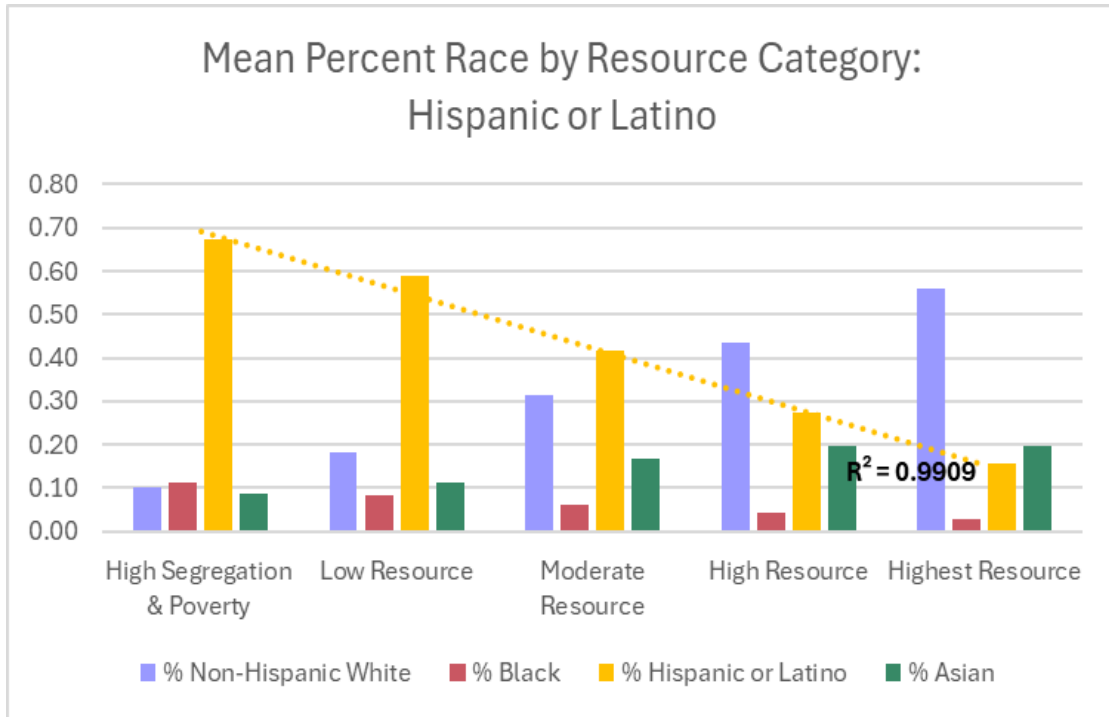
Source: Author's analysis of demographic data from U.S. Census Bureau, American Community Survey 2022 (5-Year Estimates). Race (Table A03001) & Hispanic or Latino by Race (Table A04001), 2022. Prepared by Social Explorer. (accessed Apr 14, 2024). <http://www.socialexplorer.com/pub/reportdata/HtmlResults.aspx?reportid=R13648515>

Figure 6: Correlation of Resource Category & Asian Percent of Population



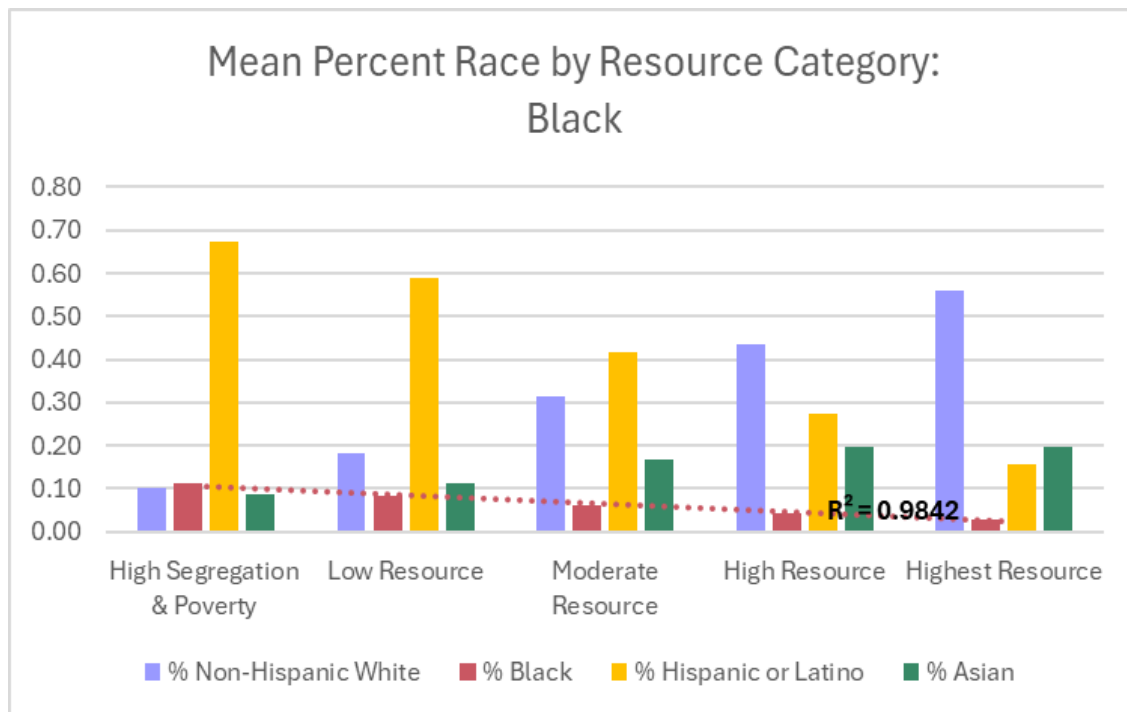
Source: Author's analysis of demographic data from U.S. Census Bureau, American Community Survey 2022 (5-Year Estimates). Race (Table A03001) & Hispanic or Latino by Race (Table A04001), 2022. Prepared by Social Explorer. (accessed Apr 14, 2024). <http://www.socialexplorer.com/pub/reportdata/HtmlResults.aspx?reportid=R13648515>

Figure 7: Correlation of Resource Category & Hispanic or Latino Percent of Population



Source: Author's analysis of demographic data from U.S. Census Bureau, American Community Survey 2022 (5-Year Estimates). Race (Table A03001) & Hispanic or Latino by Race (Table A04001), 2022. Prepared by Social Explorer. (accessed Apr 14, 2024). <http://www.socialexplorer.com/pub/reportdata/HtmlResults.aspx?reportid=R13648515>

Figure 8: Correlation of Resource Category & Black Percent of Population

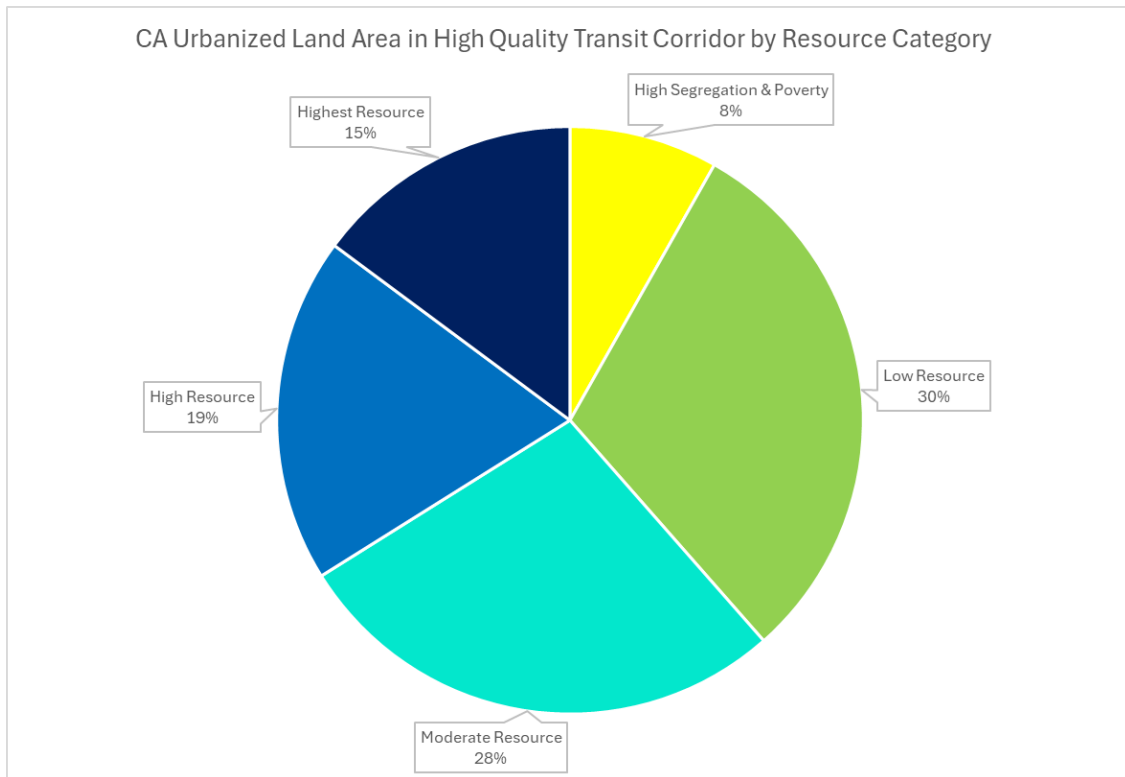


Source: Author's analysis of demographic data from U.S. Census Bureau, American Community Survey 2022 (5-Year Estimates). Race (Table A03001) & Hispanic or Latino by Race (Table A04001), 2022. Prepared by Social Explorer. (accessed Apr 14, 2024). <http://www.socialexplorer.com/pub/reportdata/HtmlResults.aspx?reportid=R13648515>

5.2 Urbanized Land in High-Quality Transit Corridors

Widespread practices discussed previously of routing fixed-guideway transit and concentrating denser land uses in historically disinvested areas, are also reflected in the geographic distribution of high-quality transit corridors today. Figure 9, below, shows the acres of land statewide, grouped by resource category, present in high-quality transit corridors. The majority of acreage (14,855,820 of the total 22,470,023 acres, or 66% of land area) in high-quality transit corridors is categorized as High Segregation & Poverty, Low Resource, or Moderate Resource.

Figure 9: California Urbanized Land Area in High Quality Transit Corridor by Resource Category



Source: Author's analysis of data from California Tax Credit Allocation Committee, 2022 CTCAC/HCD Opportunity Area Maps, <https://www.treasurer.ca.gov/ctcac/opportunity.asp> and CalTrans, California High-Quality Transit Corridors, <https://data.ca.gov/dataset/ca-hq-transit-areas>.

Figure 10, below, shows that, although in every region⁴, the majority of land available in high-quality transit corridors is categorized as either Low- or Moderate Resource, the Central Valley region has a substantially greater proportion of land within high-quality transit corridors categorized as High Segregation & Poverty. The acreage of land located within high-quality transit corridors that is categorized as High Segregation & Poverty or Low/ Moderate Resource ranges from 62 percent in the Central Coast Region to 82 percent in Orange County. In every region, the smallest or next-to-smallest

⁴ Figures 21 and 22 in the Appendix on p. 52 show a list of the opportunity map regions with their respective geographic apportionment(s).

proportion of land in high-quality transit corridors is that categorized as Highest Resource.

Figure 10: Urbanized Land Area in High Quality Transit Corridor by Resource Category and Region

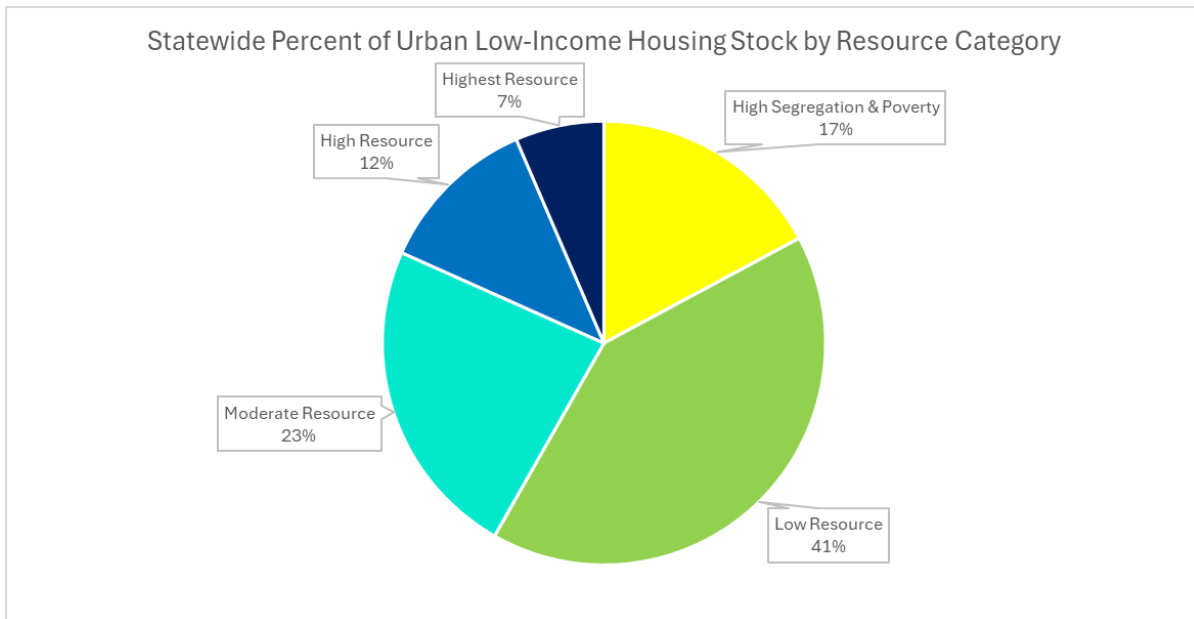
Urbanized Land Area in High Quality Transit Corridor by Resource Category & Region								
Category/ Region	Bay Area	Capital	Central Coast	Central Valley	Inland Empire	Los Angeles	Orange County	San Diego
High Segregation & Poverty	2%	10%	2%	26%	12%	12%	3%	5%
Low Resource	31%	24%	26%	29%	37%	27%	50%	38%
Moderate Resource	31%	31%	34%	22%	28%	23%	29%	30%
High Resource	20%	23%	25%	15%	15%	19%	10%	20%
Highest Resource	17%	13%	13%	8%	8%	19%	8%	6%

Source: Author's analysis of data from the California Tax Credit Allocation Committee, 2022 CTCAC/HCD Opportunity Area Maps, <https://www.treasurer.ca.gov/ctcac/opportunity.asp>, and CalTrans, California High-Quality Transit Corridors, <https://data.ca.gov/dataset/ca-hq-transit-areas>. Cells with the greatest percentage of land area within each region are highlighted in green, and with the least land area in red.

5.3 Existing LIHTC-Financed Housing Stock

Statewide, as noted by TCAC, the greatest proportion of LIHTC-financed housing units (41%) are in census tracts categorized as Low Resource (see Figure 11, below). Together with LIHTC units in High Segregation & Poverty areas (17%), these make up the majority of LIHTC units. Only 18 percent of LIHTC units are located in tracts categorized as High- or Highest-Resource.

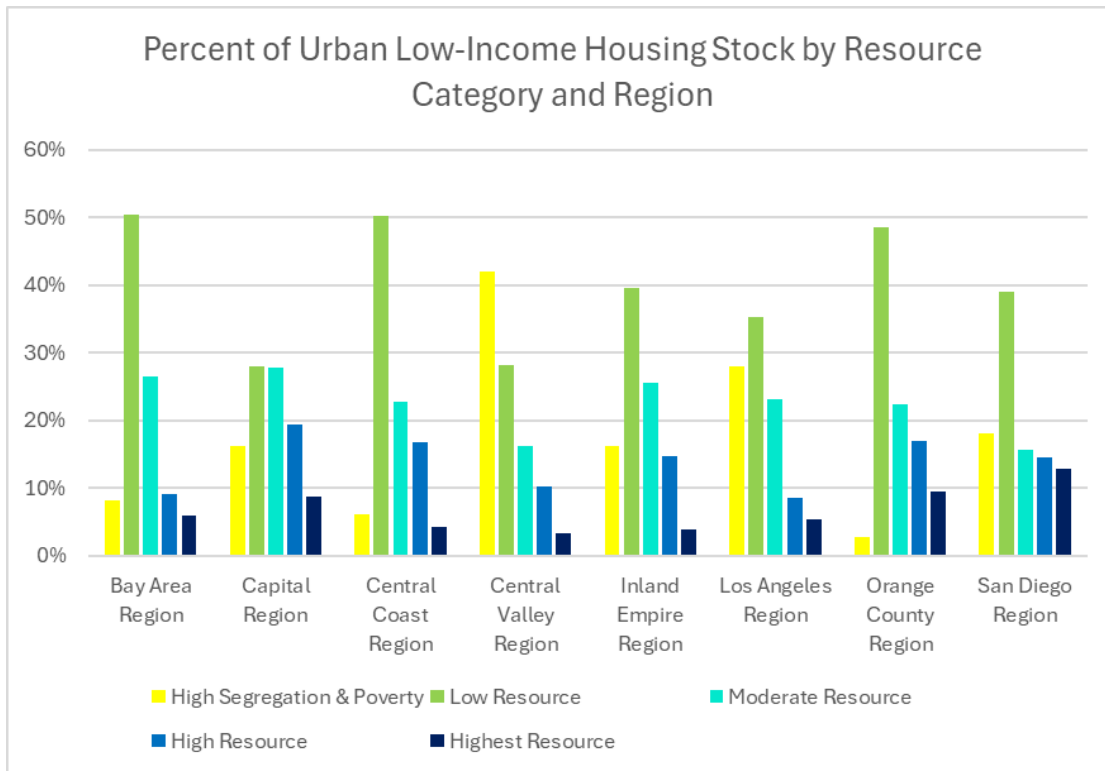
Figure 11: Statewide Percent of Urban Low-Income Housing Stock by Resource Category



Source: Author's analysis of data from the California Tax Credit Allocation Committee, *Multifamily Housing Projects*, <https://www.treasurer.ca.gov/ctcac/projects.asp> and 2022 CTCAC/HCD Opportunity Area Maps, <https://www.treasurer.ca.gov/ctcac/opportunity.asp>.

However, as Figure 12 below shows, there is some variation by region. The Capital (19%), Central Coast (17%), and Orange County (17%) regions each have a proportion of LIHTC units in High Resource tracts that approaches the proportion of the region's tracts designated as High Resource (20%) in total. The Bay Area (50%), Central Coast (50%), Inland Empire (40%), Orange County (49%), and San Diego (39%) regions all have similar proportions of existing stock in Low-Resource areas. The greatest percentage of affordable units in the Central Valley region (42%) is in High Segregation & Poverty areas, with the Los Angeles region (28%) a distant second place.

Figure 12: Percent of Urban Low-Income Housing Stock by Resource Category and Region

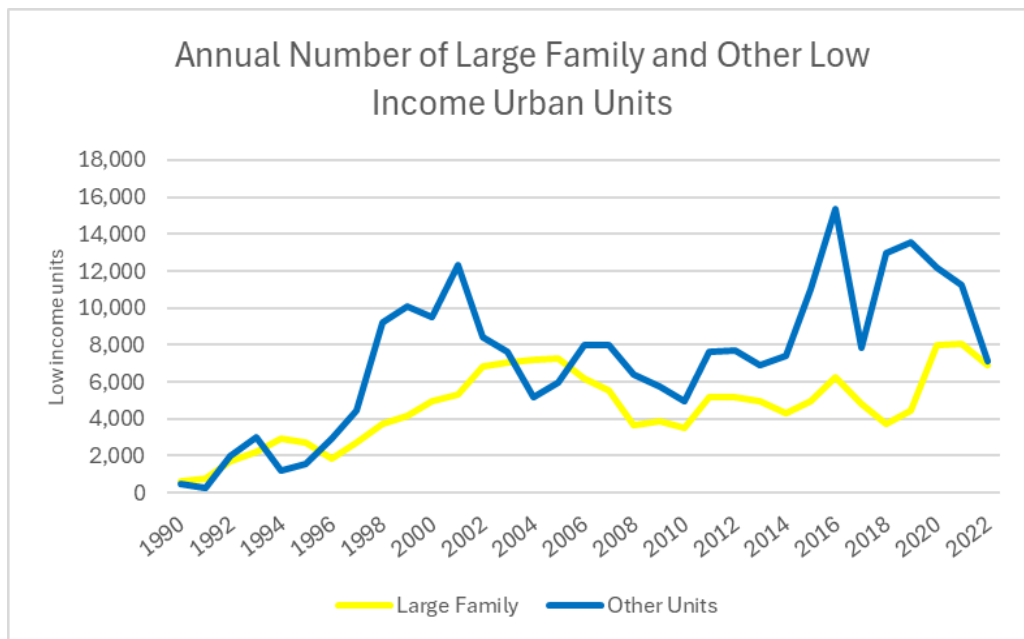


Source: Author's analysis of data from the California Tax Credit Allocation Committee, Multifamily Housing Projects, <https://www.treasurer.ca.gov/ctcac/projects.asp> and 2022 CTCAC/HCD Opportunity Area Maps, <https://www.treasurer.ca.gov/ctcac/opportunity.asp>.

5.4 Trends in Large Family LIHTC Units

Figure 13 shows that in most years since the LIHTC program's inception, more developments with smaller (studio, 1-bedroom, and 2-bedroom) units have been awarded than with large family units (3 or more bedrooms). It also shows a decline in the number of all units awarded annually, from 13,553 units in 2018 to just 7,143 in 2022. While the number of awarded large family units increased from 3,741 units in 2018 to 8,086 units in 2021 as overall LIHTC units declined, the number of large family units then fell to 6,929 units in 2022.

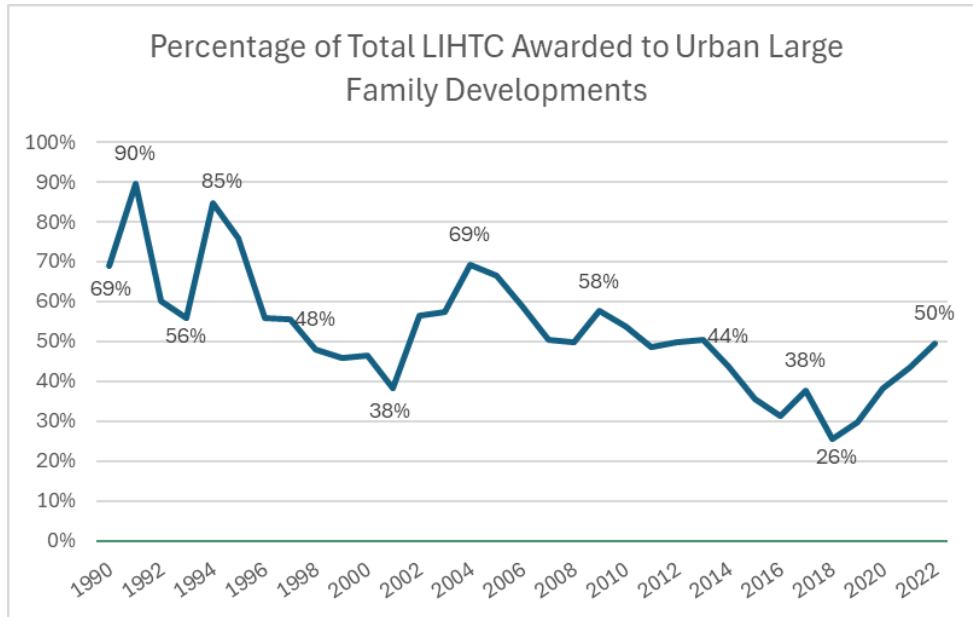
Figure 13: Annual Number of Large Family and Other Low-Income Urban LIHTC Units



Source: Author's analysis of data from the California Tax Credit Allocation Committee, Multifamily Housing Projects, <https://www.treasurer.ca.gov/ctcac/projects.asp>.

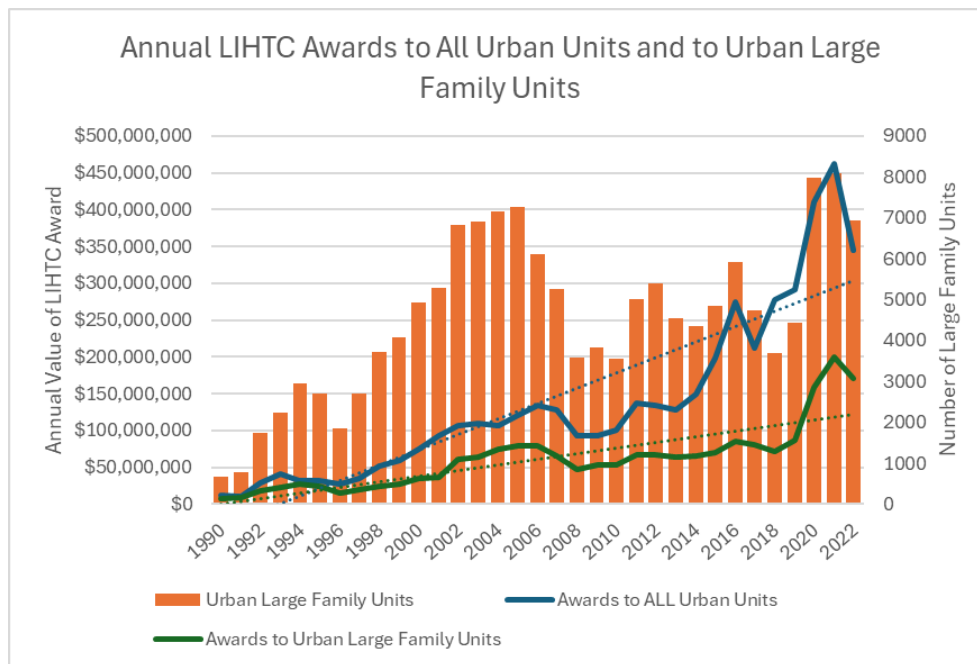
As Figure 14 shows, LIHTC awards to large family units have generally been declining as a percent of total awards, with the exception of a notable spike from 2003-2006, until a new increase began in 2018, which continues through 2022. The increase over time (Figure 15) in total LIHTC awards has ensured that the value of LIHTC awarded to urban large family developments has continued to grow, albeit at a slower pace than awards to all units. The number of urban large family units has fluctuated year-to-year, generally reflecting the value of total LIHTC awards to urban units at all sizes. The absolute value of total annual LIHTC awarded to urban large-family units has also been increasing substantially, more than doubling from \$71,114,600 in 2018 to \$200,303,700 in 2021, followed by a relatively small decline to \$170,625,600 in 2022.

Figure 14: Percentage of Total LIHTC Awarded to Urban Large Family Developments



Source: Author's analysis of data from the California Tax Credit Allocation Committee, Multifamily Housing Projects, <https://www.treasurer.ca.gov/ctcac/projects.asp>.

Figure 15: Annual LIHTC Awards to All Urban Units and to Urban Large Family Units

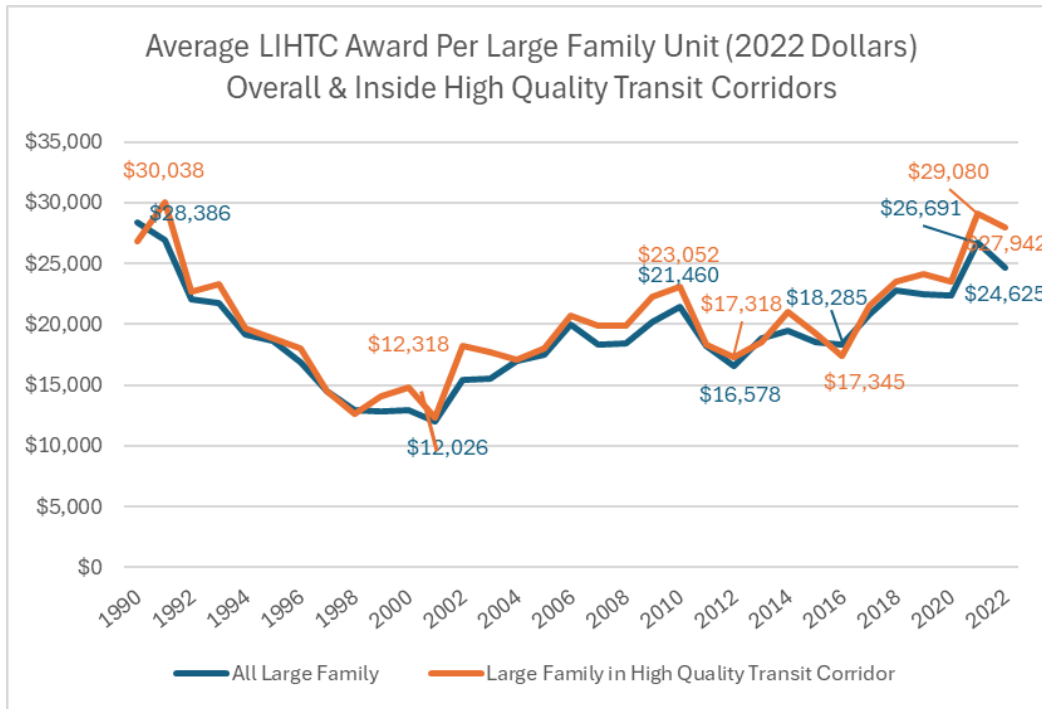


Source: Author's analysis of data from the California Tax Credit Allocation Committee, Multifamily Housing Projects, <https://www.treasurer.ca.gov/ctcac/projects.asp>.

Figure 16, which has been adjusted for inflation to 2022 dollars,⁵ shows that the increase in the percentage of LIHTC awarded to large family developments is driven at least in part by a sharper increase in the per-unit award beginning in 2016, with the average award per unit increasing by 68.5 percent by 2022. Although the increase in per-unit award grew most abruptly from 2020 to 2021, reflecting the unique economic circumstances surrounding the COVID-19 pandemic, the trajectory of growth has been relatively consistent. In most years, there is little difference in the average per-value LIHTC award to large family developments inside and outside high-quality transit corridors, with the gap between them peaking in 2022 at \$3,317.

⁵ California CPI Annual Averages, California Department of Finance. Population-weighted average of the BLS-published local area CPIs. <https://dof.ca.gov/forecasting/economics/economic-indicators/inflation/>

Figure 16: Average LIHTC Award Per Large Family Unit (2022 Dollars) Overall and Inside High-Quality Transit Corridors



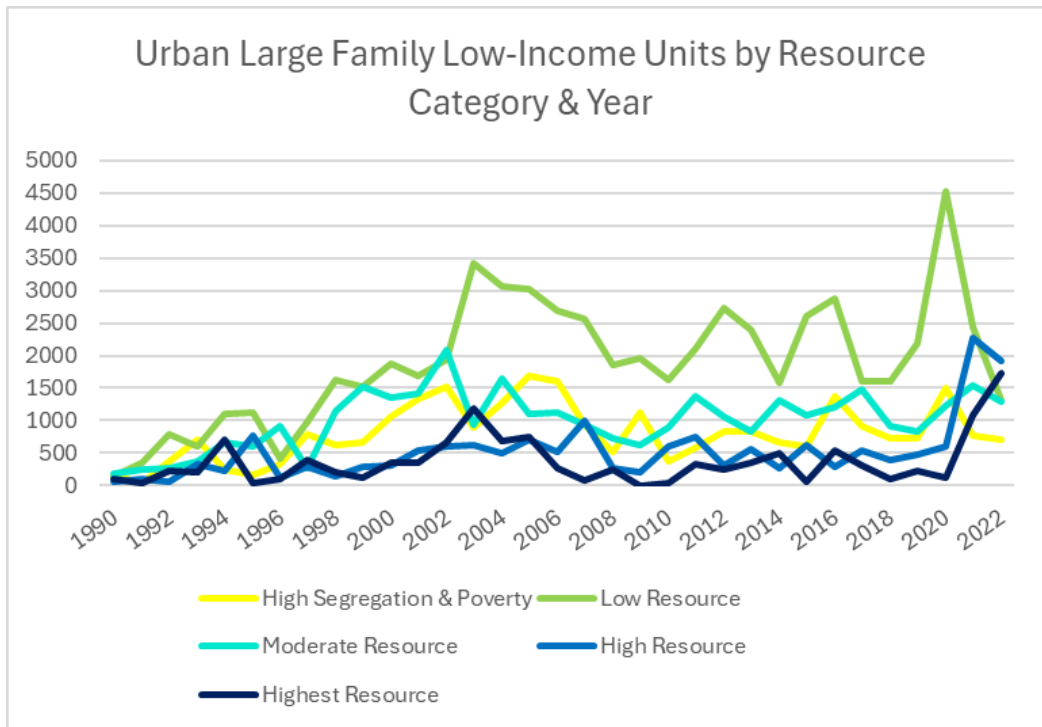
Source: Author's analysis of data from the California Tax Credit Allocation Committee, Multifamily Housing Projects, <https://www.treasurer.ca.gov/ctcac/projects.asp> and CalTrans, California High-Quality Transit Corridors, <https://data.ca.gov/dataset/ca-hq-transit-areas>.

2021 and 2022 saw an increase in large family developments awarded in areas categorized as High and Highest Resource, with the number of awarded units in each surpassing those built in areas categorized as Low Resource for the first time. Figure 17 shows that the majority of urban large family units have historically been built in low-resource areas since 2002. This gap remained consistent until 2021, when more large family units were first awarded in tracts categorized as High Resource than Low Resource. By 2022, more large family units were awarded in tracts categorized as Highest (777 units), High (1,293 units), and Moderate (1040 units) resource than in Low

Resource (1,029 units), with very few (141 units) awarded in areas categorized as High Segregation & Poverty.

Notably, the implementation of the Opportunity Map in LIHTC scoring in 2018 did not produce an immediate shift in the location of large family developments to higher resource areas. This is likely due to the multi-year lead time necessary for developers to complete the predevelopment process, including gaining control of a site, conducting site and feasibility analyses, preparing plans, and applying for initial approvals, known as entitlements (Silicon Valley at Home, 2023). Once developers have received entitlements, they must arrange financing, including LIHTC. A smaller proportion of LIHTC applications in the first few years of the state's opportunity mapping would have been responsive to incentives to locate in areas designated as High Resource, allowing projects across all resource areas to remain competitive. Figure 17 reflects this lag time, with substantive increases in LIHTC awards to large-family developments in higher-resource areas beginning in 2021. An analysis conducted by Gupta & Rinzler (2023) finds no evidence that opportunity area incentives are pushing affordable housing for families away from high quality transit, but does not account for the lag time noted above.

Figure 17: Urban Large Family Low-Income Units by Resource Category and Year

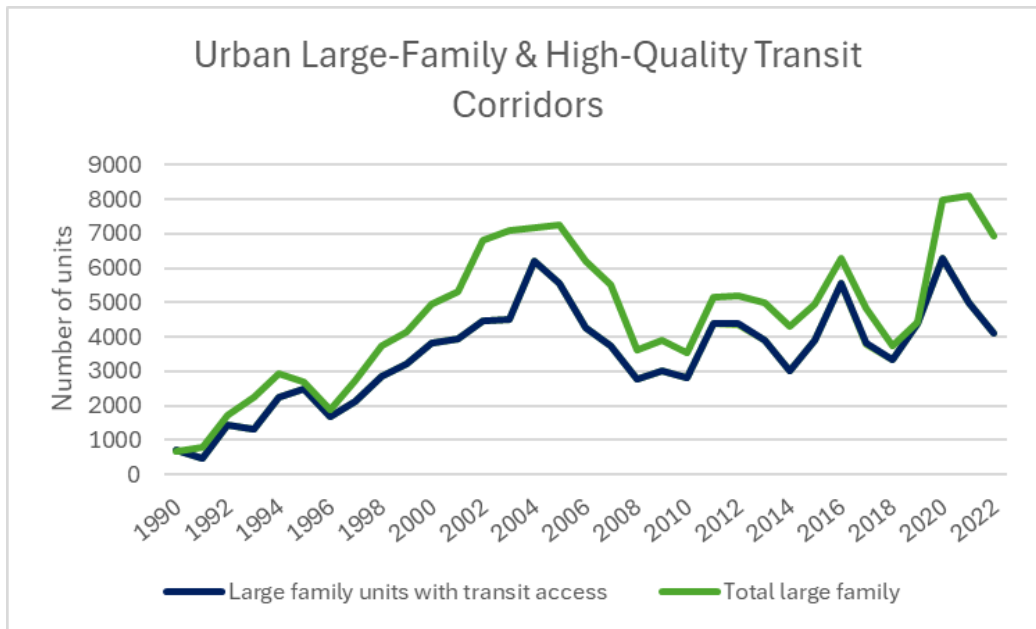


Source: Author's analysis of data from the California Tax Credit Allocation Committee, Multifamily Housing Projects, <https://www.treasurer.ca.gov/ctcac/projects.asp> and 2022 CTCAC/HCD Opportunity Area Maps, <https://www.treasurer.ca.gov/ctcac/opportunity.asp>.

5.5 Intersection of Large Family LIHTC Units and High-Quality Transit Corridors in Urbanized Regions

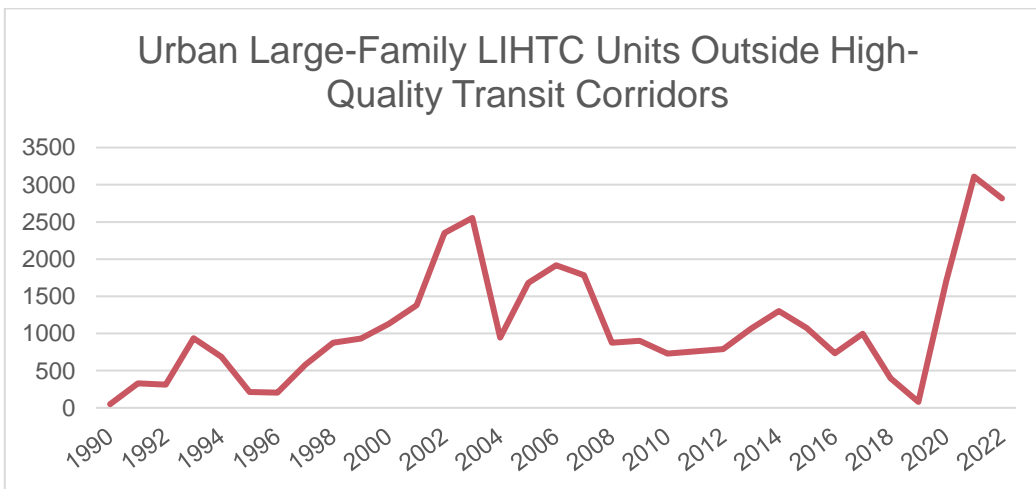
As Figure 18 shows, a large majority of the urban large family units awarded LIHTC have historically been located within high-quality transit corridors, peaking at 98 percent collocation in 2019. By 2020, large family units and high-quality transit had begun to separate, declining to 79 percent collocation. In 2021, collocation fell to 62 percent of units, and to 59 percent of units in 2022: a low not seen since the early 1990s, shortly after the LIHTC program's initial implementation and before the state's clean-air mandate to collocate housing and transit.

Figure 18: Urban Large-Family and High-Quality Transit Corridors



Source: Author's analysis of data from the California Tax Credit Allocation Committee, Multifamily Housing Projects, <https://www.treasurer.ca.gov/ctcac/projects.asp> and 2022 CTCAC/HCD Opportunity Area Maps, <https://www.treasurer.ca.gov/ctcac/opportunity.asp>; and CalTrans, California High-Quality Transit Corridors, <https://data.ca.gov/dataset/ca-hq-transit-areas>.

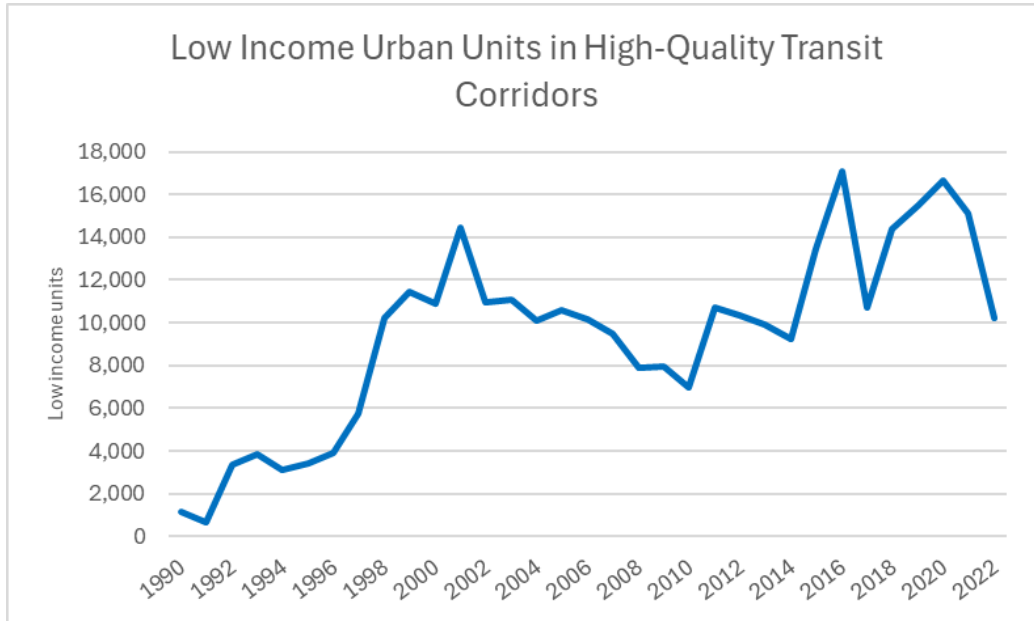
Figure 19: Urban Large-Family LIHTC Units Outside High-Quality Transit Corridors



Source: Author's analysis of data from the California Tax Credit Allocation Committee, Multifamily Housing Projects, <https://www.treasurer.ca.gov/ctcac/projects.asp> and 2022 CTCAC/HCD Opportunity Area Maps, <https://www.treasurer.ca.gov/ctcac/opportunity.asp>; and CalTrans, California High-Quality Transit Corridors, <https://data.ca.gov/dataset/ca-hq-transit-areas>.

Although the state’s Opportunity Map methodology and TCAC scoring system for awarding LIHTC specifically target large family units, Figure 19 shows that a similar pattern emerges across all urban LIHTC units, with declines in colocation with high-quality transit after 2020.

Figure 20: Low Income Urban Units in High Quality Transit Corridors



Source: Author’s analysis of data from the California Tax Credit Allocation Committee, Multifamily Housing Projects, <https://www.treasurer.ca.gov/ctcac/projects.asp> and 2022 CTCAC/HCD Opportunity Area Maps, <https://www.treasurer.ca.gov/ctcac/opportunity.asp>; and CalTrans, California High-Quality Transit Corridors, <https://data.ca.gov/dataset/ca-hq-transit-areas>.

Chapter 6: Conclusions and Policy Recommendations

6.1 The Opportunity to Use an Asset-Based Approach

While opportunity mapping is designed to measure place-based resources and characteristics that have been shown to correlate with positive life outcomes for residents, what it actually appears to measure is the predominant racial

composition of census tracts. In its selection of which characteristics of place to value, CTCAC has identified traits that correlate with white and Asian populations. By using an asset-based approach to expand evaluated characteristics, CTCAC may identify life-enhancing traits that communities of color value within themselves. An asset-based approach views communities, particularly those which have historically faced disinvestment, as having assets that can include local resident skills; local associations; public, private, and nonprofit institutions; physical infrastructure and space; economic resources; and local history and culture (Kretzmann and McKnight 1993; Kwan, 2024). This approach often identifies strengths within a community that are overlooked by traditional approaches, and which can be leveraged to break down barriers and achieve commonly held goals through community organizing. Research demonstrates that residents of LIHTC developments across opportunity categories generally find remarkably similar value in their experiences, and in many cases, experience more value and a greater sense of belonging in neighborhoods categorized as having fewer resources (Reid, 2019).

- *CTCAC should consider an approach that appraises highly the valuable unique social and cultural assets of communities of color. Actively seeking*

and incorporating the lived experience of LIHTC residents and community-serving institutions can inform a richer and more holistic strategy to direct investment and address community needs.

6.2 Invest in the Transformation of Historically Disinvested Areas

Most existing LIHTC-financed housing is in areas categorized as Low Resource,

indicating the need for community investment to improve life outcomes for

residents. As noted above, the state's AFFH law contains four distinct mandates, one of which remains unaddressed by any robust state program: to transform racially and ethnically concentrated areas of poverty into areas of opportunity. While mobility strategies alone move a limited number of residents to areas that have historically received more investment, they leave behind the vast majority of residents in these areas.

Some local jurisdictions, including San Diego, Oakland, and Sunnyvale, have committed to spending a specific percentage of their capital improvement program (CIP) budgets to invest in infrastructure needs in historically disinvested neighborhoods within their municipal boundaries (City of San Diego, 2022; City of Sunnyvale, 2022; City of Oakland, 2023). Some of the needs these cities have identified using in-depth community engagement and this lens include street lighting (San Diego); a library branch, park facilities, and school site (Sunnyvale); pedestrian and bicycle infrastructure and road improvements (San Diego and Oakland); and the installation of a greenway (Oakland). However, leaving the process and funding of equitable investment efforts to local jurisdictions creates a patchwork of approaches subject to local political dynamics, and can reinforce structural inequities stemming from disparities in revenue between

jurisdictions. State-level guidance to local jurisdictions, along with dedicated funding, could increase local accountability and supplement local investment.

Given the nearly perfect correlation between the Opportunity Map's education index scores and resource category levels, another research-based strategy would be for the state to invest more deeply in schools and family resource centers in areas identified as low resource. Schools in these lower-income areas are often funded at per-student levels far below schools in wealthier areas, which contributes to difficulty in recruiting, hiring, and retaining an adequate number of qualified and diverse faculty (Loeb, et al., 2018).

Likewise, an asset-based approach to economic development within historically disinvested communities builds on existing community strengths, rather than relying on attracting outside employers, a traditional approach which has been found to deliver few improvements in the economic status of residents (Kwon, 2024). Several programs have shown the promise of relatively small investments using this model to deliver significant economic development while, with communities empowered to guide their own future (LISC & East Bay Permanent Real Estate Cooperative, 2023; Kwon, 2024). State-level guidance to local jurisdictions, along with funding, could increase local accountability and supplement local investment.

- *By pairing LIHTC investment with other sources of state funding for community-guided infrastructure improvements, educational support, and economic development, the State can more completely fulfill the full mandate of AFFH, and avoid perpetuating historical patterns of racialized*

disinvestment.

6.3 Advocate for Resources at the Scale of Need

An increase in the percentage of LIHTC awarded to large family developments, which are more costly than smaller units, coupled with increasing per-unit costs across all unit sizes, has resulted in fewer LIHTC units even as the total value of LIHTC awards increased. The percentage of total LIHTC funding awarded to large family developments has been steeply increasing each year since 2018, from a quarter to half, reflecting CTCAC’s view of this category of affordable housing as a priority. However, the higher costs of building in areas categorized as High and Highest Resource are reflected in fewer units of much-needed affordable housing.

The National Low-Income Housing Coalition identified a shortage in California of 972,083 rental homes affordable and available for extremely low-income renters as of 2022 (NLIHC, 2023). Meanwhile, the rental market is actively losing low-cost rental homes and gaining high-cost ones (McCue, 2022), and the LIHTC program in California is perennially oversubscribed.

- *CTCAC should partner with local, regional, and statewide affordable housing and community development organizations and the state’s congressional delegation to advocate at the federal level for an increase in allocated LIHTCs.*

6.4 Prioritize Access to Transit for Low-Income Households

The shift in the State’s focus is too new to establish the presence of a durable trend, but data from 2021 and 2022 show a decline in transit access, both for new large family LIHTC developments and for LIHTC developments overall. Opportunity

mapping, initially intended to influence the location of large-family developments, has had spillover effects across LIHTC development more broadly, pulling units of all types further from high-quality transit corridors. Transit access for multifamily housing is critical to achieving the state's climate goals, to economic development in lower-income communities, and to increasing access to jobs and resources for lower-income households (Chappel et al., 2017; Ali et al., 2021).

- *CTCAC should reprioritize proximity to transit in LIHTC application scoring.*

6.5 Expand Last-Mile Transportation Options

There is a limited amount of land available for development in areas categorized as High and Highest Resource, and the majority of this land is not located in high-quality transit corridors. Only 15 percent of the land within high-quality transit corridors could potentially satisfy the High or Highest Resource LIHTC scoring requirement. The catchment area for transit ridership can be functionally expanded through the provision and management of micromobility options, such as bikeshare and electric scooters. Shared micromobility addresses the storage, maintenance, and parking of bikes and scooters, eliminating some of the challenges of individual ownership and enabling use by those who might otherwise drive (Shaheen & Cohen, 2019). Dozens of cities launched bikeshare programs in the 2010s, which have been found to increase the number of bike commuters by an average of 20 percent (University of Washington, 2020). Although studies have been limited to date, some studies suggest that potential micromobility use could include between 8 and 15 percent of trips under five miles (Shaheen & Cohen, 2019).

- *In order to expand access to transit for lower-income residents in areas without access to high-quality transit, local jurisdictions should consider programs to engage local residents and expand last-mile transportation options.*

6.6 Monitoring and Nimble Response

The shift in focus to areas designated as higher-resource is too new to establish the presence of a durable trend in outcomes, but data from 2021 and 2022 show a decline in investment in areas categorized as Low Resource, many of which are historically disinvested communities. Across almost every measured metric, with the exception of the percentage of LIHTC funding awarded to large family developments, changing priorities for LIHTC development in higher resource tracts were not reflected until 2021 and 2022. More time is necessary to establish whether the shifts seen in 2021 and 2022 continue, especially since the unique economic circumstances surrounding the COVID-19 pandemic may also have influenced outcomes. However, steps should be taken during the monitoring period to ensure an interim funding pool is available to sustain the activities of place-based community development corporations, many of which are deeply rooted in their communities and may not otherwise survive the State's redirection of funding.

- *CTCAC should continue to carefully monitor the impact of its policy priorities on transit access for residents of LIHTC developments and disinvestment in historically disinvested areas. State agencies should be prepared to respond quickly to mitigate unintended consequences of policy priorities.*

6.7 Conclusion

The State's LIHTC program has the potential to impact the distribution of billions of dollars of federal and state resources for affordable housing. The use of the Opportunity Map to implement affirmatively furthering fair housing mandates through the LIHTC prioritization strategy undermines the State's greenhouse gas emission reduction strategies. It also hampers the State's effective response to racial and economic disparity in access to opportunities and resources, and the broader statutory obligations that this map is intended to address.

By constraining resources for affordable housing largely to areas categorized as higher resource under the methodology of the Opportunity Map, CTCAC disregards the Affirmatively Furthering Fair Housing law's mandate to transform racially and ethnically concentrated areas of poverty into areas of opportunity. Instead, over-reliance on the Opportunity Map replicates the state's historic patterns of disinvestment in lower-income communities of color. Policy recommendations demonstrate that expanding housing choices in neighborhoods throughout our communities need not come at the expense of investment in under-resourced neighborhoods.

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Appendix

Figure 21: Geographic Apportionment of Opportunity Map Regions

Opportunity Map Region	Geographic Apportionment in CTCAC Regulations
Los Angeles Region	City of Los Angeles Balance of Los Angeles County
Bay Area Region	East Bay Region South and West Bay Region San Francisco County Marin, Napa, Solano, and Sonoma Counties
Central Valley Region	Central Valley Region
San Diego County	San Diego County
Capital Region	Capital Region minus Sutter and Yuba Counties
Inland Empire Region	Inland Empire Region
Orange County	Orange County
Central Coast Region	Central Coast Region
Rural Areas	Non-metropolitan counties, plus Butte, Shasta, Sutter, and Yuba Counties, as well as tracts that are eligible for Section 515

Source: Methodology for the 2023 CTCAC/HCD Opportunity Map

For mapping purposes, tracts that fall in the "Rural Areas" category include: 1. All tracts in the following Non-Metropolitan counties: Alpine, Amador, Calaveras, Colusa, Del Norte, Glenn, Humboldt, Inyo, Lake, Lassen, Mariposa, Mendocino, Modoc, Mono, Nevada, Plumas, Sierra, Siskiyou, Tehama, Trinity, and Tuolumne; 2. All tracts in Butte, Shasta, Sutter, and Yuba Counties; 3. Any other non-urbanized block group with at least half its population in an area deemed as rural on the U.S. Department of Agriculture's online multifamily mapping application.

Figure 22: Number of Existing Urban Low-Income LIHTC Units by Resource Category and Region

Existing Urban Low-Income Housing Stock by Resource Category									
	Bay Area Region	Capital Region	Central Coast Region	Central Valley Region	Inland Empire Region	Los Angeles Region	Orange County Region	San Diego Region	Total
High Segregation & Poverty	7,499	4,345	981	9,158	4,032	19,853	522	5,189	51,579
Low Resource	45,912	7,461	8,182	6,128	9,854	25,120	9,470	11,265	123,392
Moderate Resource	24,128	7,448	3,720	3,524	6,374	16,413	4,351	4,516	70,474
High Resource	8,246	5,158	2,745	2,242	3,665	6,050	3,307	4,170	35,583
Highest Resource	5,442	2,326	682	712	954	3,772	1,856	3,727	19,471

Source: Author's analysis of data from the California Tax Credit Allocation Committee, Multifamily Housing Projects, <https://www.treasurer.ca.gov/ctcac/projects.asp> and 2022 CTCAC/HCD Opportunity Area Maps, <https://www.treasurer.ca.gov/ctcac/opportunity.asp>.

Figure 23: Percentage of Existing Urban Low-Income LIHTC Units by Resource Category and Region

Existing Urban Low-Income Housing Stock by Resource Category									
	Bay Area Region	Capital Region	Central Coast Region	Central Valley Region	Inland Empire Region	Los Angeles Region	Orange County Region	San Diego Region	Total
High Segregation & Poverty	8%	16%	6%	42%	16%	28%	3%	18%	17%
Low Resource	50%	28%	50%	28%	40%	35%	49%	39%	41%
Moderate Resource	26%	28%	23%	16%	26%	23%	22%	16%	23%
High Resource	9%	19%	17%	10%	15%	8%	17%	14%	12%
Highest Resource	6%	9%	4%	3%	4%	5%	10%	13%	6%

Source: Author's analysis of data from the California Tax Credit Allocation Committee, Multifamily Housing Projects, <https://www.treasurer.ca.gov/ctcac/projects.asp> and 2022 CTCAC/HCD Opportunity Area Maps, <https://www.treasurer.ca.gov/ctcac/opportunity.asp>.