CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

915 Capitol Mall, Suite 485
Sacramento, CA 95814
p (916) 654-6340
f (916) 654-6033
ctcac@treasurer.ca.gov
www.treasurer.ca.gov/ctcac

DATE: August 31, 2012

TO: Low Income Housing Tax Credit Stakeholders

FROM: William J. Pavão, Executive Director

RE: Geographic Apportionment Update

On August 30, 2011 the California Tax Credit Allocation Committee (TCAC) published a memorandum proposing to update the ten geographic apportionments of TCAC Regulation Section 10315(i). A preliminary update using the current methodology was included. The memorandum was published to explain the previous methodology, present updated apportionment percentages under the current methodology, and facilitate a discussion of possible alternatives in updating the geographic apportionments. In April and May 2012, TCAC staff conducted public forums to discuss the data presented in the memorandum and to take into consideration stakeholder responses. Since then TCAC staff has continued to research geographic methodologies and proposals for updated geographic apportionments. Following are two data sources being considered to replace the previous methodology and a discussion of staff's considerations in presenting these data sources. The updated geographic methodology includes as an 11th region the City of Los Angeles. TCAC staff expects to propose an updated methodology as part of the proposed regulation changes for 2013.

As a reminder, the previous methodology begins with population estimates for each county. Each county's population is adjusted by three factors (housing cost, poverty, urbanization) and the resulting adjusted population is calculated as a percentage for each county, resulting in percentage apportionments of federal and state tax credits for each TCAC geographic region (please see memo of 8-30-11 for additional information http://www.treasurer.ca.gov/ctcac/apportionment/memo.pdf).

New Datasets

Rather than adjust a county's population by a group of relevant factors, TCAC staff proposes to base the geographic apportionment on a population more comparable to the tenant population of low income housing tax credit (LIHTC) projects. This population will be decreased by the proportion of rural population in each county. A housing cost factor is also being considered; however, TCAC staff has yet to determine which, if any, housing cost factor will be applied to the population data. Below is a discussion of the data sources and proposed methodology, and the resulting geographic apportionments.

The two data sources TCAC considered were the U.S. Census Bureau's American Community Survey (ACS) and the U.S. Department of Housing and Urban Development (HUD) Comprehensive Housing Affordability Strategy (CHAS) data. Both data sources have multi-year periods of statistical data available, including one, three, and five year periods. TCAC is currently considering two ACS population datasets:

1. Percentage of Households with Very Low Income (50% of area median income (AMI) or below)[1]; and
2. Renters with High Housing Cost Burden (gross rent 50% or more of household income).

The ACS data is from the five year period 2006-2010. In choosing the five year survey data, TCAC staff considered the larger pool of geographic areas surveyed in five year dataset.[2] The three year dataset for the years 2008-2010 was considered but ultimately rejected due to its smaller survey size, and also the fact that the data collection occurred during a volatile economic period. The HUD CHAS data system was considered as a population source, but since the ACS is the basis for the HUD CHAS data, and as HUD CHAS data is currently available through 2009 only, TCAC staff elected to use ACS data for the geographic apportionment population. The two population datasets are also referred to below as Datasets 1 and 2 and are shown beginning on page 5.

Rural Population Adjustment

In apportioning TCAC's federal credit ceiling, twenty percent (20%) of the total federal credit ceiling is set aside for projects in rural areas prior to the calculation of the geographic apportionments. Since the rural areas of each county compete only in the rural set-aside, the geographic apportionment must take into account the rural population of each county when determining county population. This is done by discounting a county's total population by its rural population. TCAC staff calculated the proportion of each county's rural population using 2010 U.S. Census Bureau data and discounted the populations of Datasets 1 and 2 by the percentage of rural population in each county. The results are shown below on pages 5-8.

Housing Cost Factors

The cost of constructing housing varies by geographic location in California, and TCAC staff believes the varying costs in multifamily construction merit consideration as a geographic apportionment housing cost factor. To apply a housing cost factor, the geographic apportionment methodology requires a state-level representation of construction costs as well as regional construction cost data. The data must reliably show how costly a region's housing is compared to the state average and to other California regions. TCAC staff has found it difficult to obtain industry data in this format. In attempting to formulate a housing cost factor, staff generated scenarios from two data sources, the RS Means City Cost Index data and TCAC's threshold basis limit dataset. In

[1] Calculated using American Community Survey median income data and household income data consistent with methodology utilized by California Department of Housing and Community Development.

[2] For a complete discussion of the differences among the surveys, one resource is the U.S. Census Bureau report "A Compass for Understanding and Using American Community Survey Data."
http://www.census.gov/acs/www/guidance_for_data_users/handbooks/

both cases, regional housing cost factors were applied to each region's geographic apportionment using a method and calculations similar to those performed in the current geographic apportionment methodology. Whereas TCAC calculated county-level data for Datasets 1 and 2 above and then aggregated this into regional apportionments, the housing cost factors were calculated for each region. Below is a brief explanation of the calculations.

RS Means Data

The RS Means City Cost Index is a national index of construction costs. The national index base is derived from 30 major U.S. cities and is represented as 100. The index (which totals 731 cities) includes 35 California cities.[3] Each city included in the index is compared to the national index with a resulting city index. For example, the Santa Barbara index number is 105.1. All California cities in the cost index are greater than 100. To apply the RS Means data as a housing cost factor for the geographic apportionment, TCAC staff performed calculations that attempt to estimate regional differences in construction costs; however, the method of these calculations is not one that staff believes to be mathematically sound. TCAC staff calculated an average of the 35 California cities included in the geographic regions to create a state index number. Staff then compared each region's representative city data to the calculated state average to determine a relative housing cost factor for each region. Each region's geographic apportionment was adjusted up or down according to this housing cost factor. Please refer to the TCAC website for documentation of the resulting regional apportionments http://www.treasurer.ca.gov/ctcac/apportionment/index.asp .

TCAC Threshold Basis Limit Data

TCAC threshold basis limit data is the source for a second housing cost factor. In calculating the threshold basis limits, the average dollar per square foot of structures costs ($/SF) is calculated for each region. Data has been compiled from 2002-2011, although regions with a greater quantity of projects may have their calculations performed using data from 2007-2011. For the geographic apportionment calculation, a regional average $/SF was compared to a total or state-level $/SF. (The state average is $238 per square foot.) A calculation of each region's average $/SF in proportion to the state average results in a housing cost factor for each region. Each region's geographic apportionment was adjusted up or down according to this housing cost factor. Due to the varying regional sample sizes, awards per year, and types of projects, TCAC staff does not believe this data should be used as a comparative mechanism to calculate a housing cost factor. For example, the South and West Bay region results in a $/SF lower than the state average, an unusual outcome. Staff finds the data's application inconsistent across regions for purposes of calculating a housing cost factor. TCAC believes this data to be sufficient for its intended use in establishing limits on eligible basis. Please refer to the TCAC website for documentation of the regional apportionments resulting from this housing factor.

Conclusion

Currently, TCAC staff intends to recommend one of the two datasets as part of the proposed regulation changes for 2013. Based on research and consideration of available data, staff finds them to be most consistent with the LIHTC program objectives. Specifically, focusing on low income

[3] Nine building types are included in the index, with material and installation costs from 10 categories such as plumbing and finishes.

households or cost burdened renters is most relevant to the purpose of providing affordable rental housing to low income residents. Staff is not inclined to adjust the data beyond discounting each county by its rural population without acceptable comparative construction cost data.

Stakeholders are encouraged to provide comments on these potential alternate methodologies. Additional geographic apportionment documents are available on the TCAC website: http://www.treasurer.ca.gov/ctcac/apportionment/index.asp . Please contact Gina Ferguson at gferguson@sto.ca.gov with questions.

Geographic Apportionment - Preliminary Data
VERY LOW INCOME DATA LESS RURAL POPULATION

Region	Counties	Percentage of Households with Very Low Income (50% AMI or lower)	County's Percentage of Non-Rural Population	Percentage of Households with Very Low Income LESS RURAL POPULATION	Current Apportionment
Los Angeles County					**33%**
	City of Los Angeles	13.2%	100.0%	13.7%	
	Balance of County	14.4%	99.4%	14.9%	
		27.6%		**28.6%**	
Central Region					**10%**
	Fresno	2.5%	89.2%	2.3%	
	Kern	2.1%	89.8%	1.9%	
	Kings	0.3%	89.1%	0.3%	
	Madera	0.3%	67.1%	0.2%	
	Merced	0.6%	85.7%	0.6%	
	San Joaquin	1.7%	91.5%	1.6%	
	Stanislaus	1.4%	92.0%	1.3%	
	Tulare	1.0%	84.5%	0.9%	
		9.9%		**9.1%**	
North and East Bay Region					**10%**
	Alameda	4.7%	99.6%	4.8%	
	Contra Costa	3.0%	99.2%	3.1%	
	Marin	0.9%	93.5%	0.9%	
	Napa	0.4%	86.6%	0.4%	
	Solano	1.1%	96.3%	1.1%	
	Sonoma	1.5%	87.6%	1.3%	
		11.6%		**11.6%**	
San Diego County					**10%**
	San Diego	8.6%	96.7%	8.6%	
		8.6%		**8.6%**	
Inland Empire Region					**8%**
	Imperial	0.4%	82.6%	0.3%	
	Riverside	5.4%	95.4%	5.3%	
	San Bernardino	4.7%	95.3%	4.7%	
		10.5%		**10.3%**	
Orange County					**8%**
	Orange	7.8%	99.9%	8.1%	
		7.8%		**8.1%**	
South and West Bay Region					**6%**
	San Mateo	2.0%	98.1%	2.1%	
	Santa Clara	5.0%	98.9%	5.1%	
		7.0%		**7.2%**	
Capital and Northern Region					**6%**
	Butte	0.7%	81.1%	0.6%	
	El Dorado	0.5%	65.3%	0.4%	
	Placer	1.0%	86.2%	0.9%	
	Sacramento	4.0%	97.9%	4.1%	
	Shasta	0.6%	70.7%	0.4%	
	Sutter	0.3%	85.2%	0.2%	
	Yolo	0.6%	93.1%	0.6%	
	Yuba	0.2%	73.8%	0.2%	
		7.9%		**7.4%**	

Geographic Apportionment - Preliminary Data
VERY LOW INCOME DATA LESS RURAL POPULATION

Region	Counties	Percentage of Households with Very Low Income (50% AMI or lower)	County's Percentage of Non-Rural Population	Percentage of Households with Very Low Income LESS RURAL POPULATION	Current Apportionment
Central Coast Region					**5%**
	Monterey	1.0%	90.2%	0.9%	
	San Luis Obispo	0.9%	83.4%	0.8%	
	Santa Barbara	1.1%	95.0%	1.2%	
	Santa Cruz	0.8%	88.0%	0.7%	
	Ventura	2.1%	96.9%	2.1%	
		5.9%		**5.7%**	
San Francisco County					**4%**
	San Francisco	3.2%	100.0%	3.4%	
		3.2%		**3.4%**	
		100.0%		**100.0%**	**100%**

SOURCE: American Community Survey 2006-2010, Tables S1901, S1903

*City of Los Angeles data is calculated using available city data. Balance of Los Angeles County is calculated by subtracting city data from total county data for these datasets. This method has no effect on the calculations of the other TCAC regions.

Geographic Apportionment - Preliminary Data
RENTER HIGH HOUSING COST DATA LESS RURAL POPULATION

Region	Counties	Renter High Housing Cost Burden	County's Percentage of Non-Rural Population	Renter High Housing Cost Burden LESS RURAL POPULATION	Current Apportionment
Los Angeles County					**33%**
	City of Los Angeles	17.1%	100.0%	17.7%	
	Balance of County	17.2%	99.4%	17.7%	
		34.3%		**35.4%**	
Central Region					**10%**
	Fresno	2.6%	89.2%	2.4%	
	Kern	1.8%	89.8%	1.7%	
	Kings	0.2%	89.1%	0.2%	
	Madera	0.3%	67.1%	0.2%	
	Merced	0.6%	85.7%	0.6%	
	San Joaquin	1.7%	91.5%	1.6%	
	Stanislaus	1.4%	92.0%	1.3%	
	Tulare	0.9%	84.5%	0.8%	
		9.5%		**8.8%**	
North and East Bay Region					**10%**
	Alameda	4.5%	99.6%	4.6%	
	Contra Costa	2.2%	99.2%	2.2%	
	Marin	0.7%	93.5%	0.7%	
	Napa	0.3%	86.6%	0.3%	
	Solano	0.9%	96.3%	0.9%	
	Sonoma	1.3%	87.6%	1.2%	
		9.9%		**9.9%**	
San Diego County					**10%**
	San Diego	9.0%	96.7%	9.0%	
		9.0%		**9.0%**	
Inland Empire Region					**8%**
	Imperial	0.4%	82.6%	0.3%	
	Riverside	4.3%	95.4%	4.2%	
	San Bernardino	4.2%	95.3%	4.2%	
		8.9%		**8.7%**	
Orange County					**8%**
	Orange	7.3%	99.9%	7.5%	
		7.3%		**7.5%**	
South and West Bay Region					**6%**
	San Mateo	1.5%	98.1%	1.6%	
	Santa Clara	3.9%	98.9%	4.0%	
		5.4%		**5.6%**	
Capital and Northern Region					**6%**
	Butte	0.7%	81.1%	0.6%	
	El Dorado	0.3%	65.3%	0.2%	
	Placer	0.6%	86.2%	0.5%	
	Sacramento	3.9%	97.9%	4.0%	
	Shasta	0.5%	70.7%	0.4%	
	Sutter	0.2%	85.2%	0.2%	
	Yolo	0.7%	93.1%	0.6%	
	Yuba	0.1%	73.8%	0.1%	
		7.0%		**6.6%**	

Geographic Apportionment - Preliminary Data
RENTER HIGH HOUSING COST DATA LESS RURAL POPULATION

Region	Counties	Renter High Housing Cost Burden	County's Percentage of Non-Rural Population	Renter High Housing Cost Burden LESS RURAL POPULATION	Current Apportionment
Central Coast Region					**5%**
	Monterey	0.9%	90.2%	0.8%	
	San Luis Obispo	0.9%	83.4%	0.8%	
	Santa Barbara	1.3%	95.0%	1.3%	
	Santa Cruz	0.8%	88.0%	0.7%	
	Ventura	1.6%	96.9%	1.6%	
		5.5%		**5.2%**	
San Francisco County					**4%**
	San Francisco	3.2%	100.0%	3.3%	
		3.2%		**3.3%**	
		100.0%		**100.0%**	**100%**

SOURCE: American Community Survey 2006-2010, Table B25070

*City of Los Angeles data is calculated using available city data. Balance of Los Angeles County is calculated by subtracting city data from total county data for these datasets. This method has no effect on the calculations of the other TCAC regions.