October 30, 2017

California Tax Credit Allocation Committee
915 Capitol Mall, Room 485
Sacramento, CA 95814

Re: Comments on Proposed 2018 Qualified Allocation Plan

Dear Director Stivers:

Rural Smart Growth Task Force organizations serve rural, farmworker, and American Indian Tribal communities. The Task Force appreciates the opportunity to submit comments regarding the proposed Qualified Allocation Plan.

These comments concern items ***47, 65, and 108*** and the outlined application of the proposed Opportunity Maps. Please refer to the Rural Smart Growth Task Force previous comments regarding the proposed Opportunity Maps (attached here for your reference) for more detailed concerns about the methodology for the proposed Opportunity Maps.

Summary

The use of urban-centric indicators and filters, outdated data that does not capture the dynamic nature of opportunity in rapidly changing communities, absence of health indicators, and use of only census tract level data result in an inaccurate representation of real opportunity in rural California communities. **The current maps fail to accurately identify areas of opportunity in rural and farmworker communities and the proposed regulations use the same maps to inform policy and investments. This will have detrimental impact statewide.**

Census tracts in some urban areas might serve as a proxy for neighborhoods, but this certainly is not the case in rural areas, where census tracts in rural California are as large as the state of Rhode Island. We have counted 88 rural jurisdictions, not neighborhoods, but entire cities and counties that according the proposed maps do not contain high or highest areas of opportunity. Fifty (50) of these communities are in the San Joaquin Valley. One of these areas, that are effectively redlined because of the mapping and proposed regulations, also includes the entire city of Salinas. These maps frequently identify vacant, undevelopable, and protected land, such as areas of agriculture, forests, parks, and protected coastlines, as the *only* areas of opportunity within some rural communities.

Primary Recommendation

Our primary recommendation is not to use these maps for rural areas, instead to establish a separate mechanism for rural areas that reflects the expert input of nonprofit developers, advocates, rural data experts, and community representatives to identify real areas of opportunity in rural and farmworker communities. The current proposal is not accurate and should not be used, if at all, before an accurate method identifying rural areas of opportunity has been established. **The rural set-aside should be**

exempt from application of the maps. The application of any of these maps also should be phased in over time for all other projects.

Additional Concerns, Comments, and Recommendations
In addition to these overall comments, we would also like to take this opportunity to outline additional concerns and recommendations:

The proposed regulations institute a *de facto* requirement to locate large-family 9% projects in “High Opportunity Areas” through the provision of site amenity points (proposed change 47, Section 10325(c)(5)(A)11), a basis boost (proposed change 108, Section 10327(c)(5)(F)), and a tiebreaker boost (proposed change 65, Section(c)(10)). The 9% tax credit remains one of the only funding sources available to finance the development of affordable housing in rural communities**.** Scarcity of funding opportunities for rural and farmworker housing, dire existing and future dire need, combined with such significant changes in the direction of investment through the 9% tax credit program could prove disastrous. **The proposed changes amount to the redlining of entire communities and denying the most viable funding source for rural development in the most vulnerable and historically under-invested communities.**

Tie Breaker
Housing developers can be competitive for tax credits only if they closely track any program changes and adapt their development pipelines and structure their financing to ensure perfect scoring and highest possible tiebreakers. A tie-breaker advantage for “high-opportunity areas” will, over time, lead to the unintended result that only projects in those “high-resource areas” will end up being awarded credits, and eventually TCAC will *only* see applications for “high-opportunity areas”. This will be a disastrous result of the proposed regulation changes.

Impact on Affirmatively Furthering Fair Housing Goals and Housing Choice
The proposed regulations are inconsistent with the TCAC mission and AFFH requirements to create: “a *balanced* statewide policy approach that increases access for low-income families to high-resource neighborhoods where there historically have been limited affordable housing opportunities, and *provides meaningful investments to revitalize under-resourced neighborhoods*.” There is no evidence to justify under-investing in these communities or that developers for under-resourced rural and farmworker communities could or would have any so-called high opportunity in which to develop or that residents should or could move.

We question the premise that these policy recommendations can be implemented without serious and perverse implications for fair housing.

The use of opportunity mapping, or any other tool must be tested for its effectiveness in creating housing choice for low-income families in rural and farmworker communities. Authentic choice in rural areas is not driven by the geographical nuances of large sprawling census tracts that include pockets of high opportunity. Choice is driven by factors such as mobility, family support provision, employment, and sense of home. The proposed Opportunity Maps and regulations fail to create choice in much of rural California. A family project built in the “high opportunity area” of Clovis in Fresno County does not create housing choice for a farmworker family in Mendota or Kerman, just as a project built in a “high opportunity area” of Bakersfield does not create housing choice for a low-income family in Delano or Earlimart.

Recommendation: It is imperative that TCAC critically examine data from any TCAC developments that have been built in “high opportunity areas” to gather information about where people previously lived as well as the racial makeup of the resident population.

Site Amenity Points
The State should seriously reconsider the impact of equating access to immediate resources in rural and farmworker areas — such as schools, transit, healthcare, and grocery stores — for an inaccurate definition of opportunity. The proposed application of the maps undoubtedly will place housing in isolated communities and force additional transportation burdens, may further remove residents from necessary healthcare, prevent access to healthy foods, and create additional challenges in educational success for California’s most vulnerable community members.

TCAC’s existing scoring rewards projects that provide residents with convenient access to services and amenities. This limits transportation costs for residents and further aligns the program goals with other state goals, which seek to reduce greenhouse gas emissions. This proposal alone stands to undermine the entire precedence of the housing and health nexus and the very basis of TCAC’s leadership in creating resource-rich communities.

Regulations and incentives also must account for the unique needs of lower-income families who will occupy LIHTC units that must be met for them to thrive in “high opportunity areas”. Such areas might have more fresh food vendors than underserved areas, and those vendors (e.g., boutique grocery stores) are likely to sell fresh food at prices out of reach for lower-income residents. Research has shown that students of color typically have higher high school graduation rates when they have at least one teacher of color before graduating from high school and teachers of color are found more often in underserved communities. The regulations should account for incentives for projects in “high opportunity areas” to consider these and other factors tied to the success of the future residents of the project and include strategies to meet the needs of these residents. These strategies should incorporate existing plans, such as Assessments of Fair Housing and/or Analysis of Impediments to Fair Housing, that identify such barriers and strategies and should have a priority for investing in communities that have suffered disinvestment and other poor land use practices and have concentrations of poverty and race. The residents in these communities cannot be wholesale relocated somewhere else.

The needs discussed above are just a few examples of the nuanced nature of the policy solutions required to ensure that tax credit funding contributes to the development of neighborhoods of opportunity that allow residents to thrive, whether in currently defined "low" or "high" opportunity neighborhoods. Such a nuanced conversation or policy development has not occurred.

Recommendation: TCAC also must involve residents, affordable housing stakeholders, and advocates in interagency policy conversations to allow for the further development of TCAC Opportunity Mapping to better account for the nuanced needs of residents to thrive in lower and higher income areas. Public participation and language access have been absent from this process.

Impact on CRA Obligation

The proposed Opportunity Maps and their accompanying regulations discourage investment in the same communities that help banks meet their CRA obligation. The Community Reinvestment Act requires banks to invest in low-income areas where people have suffered from discrimination and been restricted from credit. Because of this landmark civil rights legislation, banks now fulfill this requirement by investing in affordable housing in low-income areas through either purchasing tax credits or lending to a project. CRA obligations are important to ensure bank participation in low-income housing development.

The proposed Opportunity Maps and regulations likely will limit financial participation from banks, cutting off critical capital in the tax credit marketplace and reversing the important progress of CRA.

Basis Boost

One of the most significant barriers to building affordable housing in areas of "higher opportunity" is cost. Allowing a basis boost for TCAC projects located in such areas would be very helpful without creating a disadvantage to projects in other areas.

TCAC should undertake efforts to identify and implement a more valid assessment of opportunity and to engage the Task Force and other developers and residents in rural and farmworker communities before moving forward.

Sincerely,
Rural Smart Growth Task Force

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Valerie Feldman, Public Interest Law Project
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Additional Sign-On:

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