

# Designing an Equitable TCAC Criteria: A Both/And Solution

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Produced for Just Cities

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## Executive Summary

The California Tax Credit Allocation Committee (TCAC) is responsible for designing the criteria for the distribution of housing tax credits in the administration of both the state and federal Low Income Housing Tax credit (LIHTC) Program. The methodology for the criteria is annually reviewed and may be updated to reflect state housing objectives. LIHTC is an important form of financing for affordable housing projects. In 2018, TCAC implemented the Opportunity Map, which was a relatively large and sudden change compared to annual iterative tweaks to the methodology. The intended outcome of the policy was an increase in access to “opportunity” for those that have been the historical victims of racist and exclusionary public policy decisions. Opportunity refers to the indicators that research has associated with positive outcomes for some residents, including but not limited to educational, economic, and environmental outcomes. The unintended outcome of this change to the criteria was the introduction of bias against low income communities of color by redirecting project awards away from these communities.

TCAC focuses on three main indicators of opportunity in the design of the mapping: environment, economic, and education. These three indicators are combined into one composite score at the census tract level. The scores are then categorized by resource designation, from “Low”, “Moderate”, “High”, to “Highest” resource.<sup>1</sup> The 5 years following the 2018 implementation of the Opportunity Map saw an increase in the proportion of project funding awards from 15-30% of total projects being awarded to “Higher” resource areas.<sup>2</sup> The downside of this shift was the reduction in a major funding source for localities where credits were redirected from. This impact was disproportionately felt in low income communities of color across the state of California. The current criteria fail to formally consider communities that have derived utility from physical and cultural proximity. Not only does the current criteria fail to proactively invest in the preservation of these low income communities of color against displacement, but it also unintentionally participates in the erosion of this proximity by failing to maintain housing affordability and redirecting project awards away from these communities.

This analysis takes the cases of Oakland and Richmond to illustrate community level discrimination in the opportunity-driven scoring criteria. Oakland is experiencing the same patterns of historical bias that influenced racially exclusive policies such as redlining in the designation of resource areas. Entire cities around the state were categorized as “Low” or “Moderate” Resource as is the case in Richmond, making them less competitive in the application process. These communities have faced difficulties in securing project awards under the new criteria, making them increasingly unaffordable for vulnerable and rent-burdened residents. These same cities are home to several communities facing disproportionate risk of displacement due to gentrifying neighborhoods. For example, Richmond has seen a nearly 40% decrease

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<sup>1</sup> Methodology for the 2023 CTCAC/HCD Opportunity Map.  
<https://www.treasurer.ca.gov/ctcac/opportunity/2023/methodology.pdf>.

<sup>2</sup> Owens, Ann, and Rebecca Brooks Smith. Research Brief - Sol Price Center for Social Innovation.  
[https://socialinnovation.usc.edu/wp-content/uploads/2021/11/Owens-Smith-BRIEF\\_Final.pdf](https://socialinnovation.usc.edu/wp-content/uploads/2021/11/Owens-Smith-BRIEF_Final.pdf).

in Black/African American residents since 2000.<sup>3</sup> What is truly at stake in a resident's risk of displacement is the threat to the resident's rights to inclusion, belonging and choice in their housing decisions. Residents derive utility, which I will call cultural capital, from physical and cultural proximity in the same communities that are being disadvantaged in the current scoring criteria.

My proposed criteria are a both/and solution that prioritizes access to opportunity while also implementing anti-displacement strategies to preserve ethnically and culturally significant spaces. Low-income communities of color have been physically excluded from access to opportunity through formal policies and informal practices. These communities have fostered inclusion and belonging in a way that is integrated in the physical spaces and neighborhoods they call home. The preservation of culture and tradition is maintained through the choice of physical proximity. Communities have experienced the ongoing erosion of that choice through forced displacement due to disinvestment resulting from both public and private sector decisions. Criteria for tax credit project funding rewards must address both the merits of moving to opportunity and protecting neighborhoods that have been facing ongoing displacement.

The current criteria aim to address access to opportunity through the understanding and interpretation of data to identify areas where individuals would derive benefits from living. A both/and solution goes beyond the data to recognize the sociopolitical context of neighborhood level struggles for equity amongst ongoing systematic exclusion. In doing so, the present limitations of the narrow interpretation and prioritization of access to opportunity are revealed. Interacting discriminatory practices in employment, education and environmental zoning have resulted in disparate outcomes across these indicators for low income communities of color. This creates a correlation between lower resource designations and fewer project awards and the presence of low income communities of color.

Due to the correlation between resource designations and concentrations of certain racial and ethnic groups and income levels, it is impossible to account for both access to opportunity and protecting communities at risk of displacement in one score. There must be a dual score that relies on projects being scored twice, once with the current TCAC Opportunity incentives and once with a proportionate incentive for projects that preserve communities against displacement. Incorporating community knowledge will be necessary in designing criteria that furthers equity in state housing objectives by circumventing data limitations. Localities have access to more specific and meaningful information about how low income individuals and communities of color with high housing needs can best benefit from affordable housing investment. Affordable housing issues are not homogenous statewide and require partnership and collaboration between state agencies and localities to most equitably allocate funding resources. Residents have a right to inclusion, belonging and choice. TCAC should formally account for the preservation of this cultural capital in the scoring criteria.

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<sup>3</sup> "Housing Element Update." Housing Element Update | Richmond, CA , City of Richmond, <https://www.ci.richmond.ca.us/4231/Housing-Element-Update>.