

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

TCAC Geographic Apportionment Update



Existing Geographic Apportionment Methodology

- A geographic region is comprised of a group of counties. The region's credit apportionment is based on county-level data.
- County population is the starting point for each region's apportionment percentage.
- County population adjusted by three factors:
 - Housing Cost
 - Poverty
 - Urbanization

Updated Geographic Apportionment Methodology

- Geographic regions remain comprised of the same group of counties. The City of Los Angeles becomes an 11th region.
- A segment of a county's population is the starting point for each region's apportionment percentage.
- This population segment is reduced by an estimate of rural population due to the rural set-aside.

Updated Geographic Apportionment Methodology

One factor was considered as an adjustment to the regional apportionments:

- Construction Cost

Currently TCAC staff is not recommending a construction cost factor due to lack of applicable data.

TCAC Geographic Apportionments

The practical effect of changes in a region's geographic apportionment:

In 2012, 1% in the geographic apportionment is equal to approximately \$550,000 in federal and state tax credits.

Updated Geographic Apportionment Methodology

Two datasets are being considered as a replacement of county population:

1. Households with Very Low Income (50% AMI and below)
2. Renters with High Housing Cost Burden

Source data for both datasets is from the U.S. Census Bureau's American Community Survey, 2006-2010.

Updated Geographic Apportionment Methodology

RURAL ADJUSTMENT

- The two datasets are reduced by the percentage of rural population in each county. This results in an adjusted population segment.
- Each county's adjusted population segment is calculated as a percentage of the total.

Very Low Income (50% AMI) and Rent Burdened

<u>Region</u>	<u>VLI</u>	<u>Rent Burdened</u>	<u>Current</u>
City of Los Angeles	13.7%	17.7%	0%
Los Angeles County	14.9%	17.7%	33%
Central Region	9.1%	8.8%	10%
North and East Bay Region	11.6%	9.9%	10%
San Diego County	8.6%	9.0%	10%
Inland Empire Region	10.3%	8.7%	8%
Orange County	8.1%	7.5%	8%
South and West Bay Region	7.2%	5.6%	6%
Capital and Northern Region	7.4%	6.6%	6%
Central Coast Region	5.7%	5.2%	5%
San Francisco County	3.4 %	3.3%	4%

Housing Cost Factor

- TCAC has also considered a housing cost factor to account for the varying costs of construction in the different geographic locations of the state.
- The lack of state- and region-level industry data has created difficulties in applying industry data to geographic apportionment methodology.
- Housing cost factors for two data sources were calculated using available data.
 - RS Means City Cost Index
 - TCAC Threshold Basis Limit data

RS Means Housing Cost Factor

- RS Means City Cost Index calculates a percentage ratio of a city's cost to the national average.
- The national average is calculated from 30 major U.S. cities. The index includes over 700 cities and there are 35 California cities in the index.
- For example, the city of Santa Barbara has an index of 105.1 in 2012. All cities in California included in the index were above 100.

RS Means Housing Cost Factor

- The index represents relative construction factors for material and installation costs.
- Construction costs are not limited to multifamily housing, but include 9 different building types. Apartments are one of the building types, but are limited to 1-3 story buildings.
- Hotels, offices, retail stores, and schools are included in the index.

RS Means Housing Cost Factor

- Since the index ratio is tied to a national average, TCAC staff performed calculations to estimate a state number and determine each region's relation to the state number.
- The state number was calculated using data from all 35 California cities included in the Index. The resulting number was 108.7.

RS Means Housing Cost Factor

- Each region was compared to the state number to determine the region's construction cost in proportion to the state index number.
- The resulting proportion is represented as a percentage. For example, the Central Coast Region's index was calculated as -1% below the state index number.
- The region's geographic apportionment was adjusted up or down according to this housing cost factor.

Very Low Income with RS Means Housing Cost Factor

<u>Region</u>	<u>Result</u>	<u>Factor</u>	<u>Current</u>
City of Los Angeles	13.6%	-1.7%	0%
Los Angeles County	14.5%	-3.9%	33%
Central Region	8.9%	-3.2%	10%
North and East Bay Region	12.5%	7.0%	10%
San Diego County	8.2%	-5.2%	10%
Inland Empire Region	9.9%	-5.2%	8%
Orange County	7.8%	-4.4%	8%
South and West Bay Region	7.7%	6.4%	6%
Capital and Northern Region	7.4%	-0.5%	6%
Central Coast Region	5.7%	-1.0%	5%
San Francisco County	3.8%	13.5%	4%

Rent Burdened with RS Means Housing Cost Factor

<u>Region</u>	<u>Result</u>	<u>Factor</u>	<u>Current</u>
City of Los Angeles	17.6%	-1.7%	0%
Los Angeles County	17.2%	-3.9%	33%
Central Region	8.6%	-3.2%	10%
North and East Bay Region	10.8%	7.0%	10%
San Diego County	8.6%	-5.2%	10%
Inland Empire Region	8.3%	-5.2%	8%
Orange County	7.3%	-4.4%	8%
South and West Bay Region	6.0%	6.4%	6%
Capital and Northern Region	6.7%	-0.5%	6%
Central Coast Region	5.2%	-1.0%	5%
San Francisco County	3.7%	13.5%	4%

TCAC Basis Limit Housing Cost Factor

- TCAC basis limits use historical project-level data from new construction projects to calculate project costs per square foot of all structures.
- A state average is calculated, as well as county-level and regional averages.

TCAC Basis Limit Housing Cost Factor

- For the geographic apportionment, a calculation of each region's average dollar per square foot (\$/SF) in proportion to the state average results in a housing cost factor for each region.
- The resulting proportion is represented as a number relative to 1. For example, the Central Coast Region was calculated as 1.01, just above the state average.

Very Low Income with TCAC Housing Cost Factor

<u>Region</u>	<u>Result</u>	<u>Factor</u>	<u>Current</u>
City of Los Angeles	13.6%	0.98	0%
Los Angeles County	14.8%	0.98	33%
Central Region	8.4%	0.92	10%
North and East Bay Region	13.5%	1.15	10%
San Diego County	9.4%	1.08	10%
Inland Empire Region	9.2%	0.89	8%
Orange County	7.1%	0.87	8%
South and West Bay Region	6.7%	0.92	6%
Capital and Northern Region	6.4%	0.86	6%
Central Coast Region	5.8%	1.01	5%
San Francisco County	5.1%	1.51	4%

Rent Burdened with TCAC Housing Cost Factor

<u>Region</u>	<u>Result</u>	<u>Factor</u>	<u>Current</u>
City of Los Angeles	17.5%	0.98	0%
Los Angeles County	17.5%	0.98	33%
Central Region	8.1%	0.92	10%
North and East Bay Region	11.5%	1.15	10%
San Diego County	9.8%	1.08	10%
Inland Empire Region	7.8%	0.89	8%
Orange County	6.6%	0.87	8%
South and West Bay Region	5.1%	0.92	6%
Capital and Northern Region	5.8%	0.86	6%
Central Coast Region	5.3%	1.01	5%
San Francisco County	5.0%	1.51	4%

Discussion