



# DRAFT MEMORANDUM

To: Piece Abrahamson, City of South San Francisco  
From: Darin Smith and Kaavya Chhatrapati  
Subject: Disparate Impact Analysis for South San Francisco Affordable  
Housing Local Preference Policy; EPS #241044  
Date: February 18, 2025

The City of South San Francisco is considering a policy that would prioritize households that already live in the city or in which one or more workers are employed within the city for the allocation of affordable housing units in the city. This memo summarizes an analysis conducted by Economic & Planning Systems, Inc. (EPS) to evaluate the proposed preference policy, focusing on its compliance with fair housing laws.

The issue is whether prioritizing South San Francisco residents and workers is likely to result in certain racial or ethnic groups getting proportionately less access to the affordable housing. If the policy is deemed likely to result in such groups having materially lower likelihood of accessing affordable units than if the policy were not in place, it may impose a “disparate impact” on those groups, and should be avoided or mitigated if possible. As of February 10, 2025, the United States Department of Justice Civil Rights Division website<sup>1</sup> offers the following explanation of a disparate impact:

*“where the members of one race or other protected class are selected at four-fifths (or less) the rate of another (80% or less), the EEOC, DOJ, and the Department of Labor have adopted this formula for use in identifying evidence of disparate impact. Some courts have adopted this four-fifths cutoff as a rule of thumb when determining whether the amount of differential impact is sufficient.”*

Like several other analysts and consultants who have been engaged by other Bay Area cities to explore live-work preference policies, EPS uses the “4/5 Test” to assess whether such a policy in South San Francisco may have a disparate impact on identifiable racial and ethnic groups.

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<sup>1</sup> [Civil Rights Division | Section VII- Proving Discrimination- Disparate Impact | United States Department of Justice](#)

***The review concludes that the proposed affordable housing local preference policy for South San Francisco is not projected to result in a systemic disparate impact on a particular racial or ethnic group. However, applying the local preference policy to only a portion of affordable units would reduce the likelihood of such disparate impacts.***

## Summary of Key Findings

- **At least six Bay Area cities have local preference policies for affordable housing.**  
Across all cities reviewed, affordable housing preference policies aim to balance local prioritization for residents and workers with equity and fair housing compliance. Common strategies include prioritizing households that have undergone or are threatened by displacement, in addition to prioritizing current or recent residency and employment within the city while using tools like lottery systems and marketing plans to ensure transparency and accessibility.
- **South San Francisco's residents and worker demographics are sufficiently similar to those of San Mateo County overall and the three-county Peninsula region that a local preference policy should not create a disparate impact.** This analysis indicates that no racial or ethnic group's selection for affordable housing should fall below 80 percent of what they may expect in the absence of the local preference policy. A policy prioritizing local residents only might result in advantages or disadvantages for certain groups, but the inclusion of workers in the prioritization tempers those differences.
- **The threat or perception of a disparate impact can be reduced by tailoring the policy to broaden the cohort of households likely to access the affordable units.** To further mitigate potential concerns about equity, the City could allocate only a certain percentage of affordable units (e.g., 50 percent) under the local live/work preference, leaving the remainder open to all applicants. Alternatively or in addition, expanding eligibility to include individuals with historical ties to South San Francisco, such as those who lived or worked in the city within the last five years, could broaden access while maintaining a focus on local connections.

## Balancing Housing Preferences with Fairness and Compliance

The City of South San Francisco is facing a decision on how to allocate affordable housing units in a way that balances fairness, equity, and compliance with fair housing laws. The core question is whether to prioritize individuals who live or work in the city, recognizing the potential benefits of supporting local residents and workers while avoiding any unintended disparate impacts on protected groups. This memo outlines EPS's analysis, methodology, and recommendations to guide the City in crafting a legally compliant and equitable policy.

## Insights from Neighboring Cities' Housing Policies

Affordable housing preference policies from several Bay Area cities were reviewed to analyze how local prioritization is balanced with equity requirements. The findings highlight various approaches taken by these cities to address these objectives.

### Redwood City

Redwood City's preference policy was adopted in 2021 and focuses on income-qualified households that have been displaced by city activities or who currently live, have lived, work, or have been offered work within the city. The policy does not require a minimum duration of residency or employment. These preferences apply to all affordable units under the city's Affordable Housing Program, including inclusionary housing, standalone developments, rental, and for-sale units. Developers and property managers are responsible for implementing the policy through marketing plans and managing separate waitlists for preference and non-preference applicants. A disparate impact analysis, conducted by Seifel Consulting, evaluated the policy's effect on racial demographics using the "4/5 Test" to ensure compliance with fair housing laws.

### San Francisco

San Francisco's policy, adopted in 2015, prioritizes income-qualified households displaced by conditions such as redevelopment, eviction, fires, or rising rents, as well as those living or working in the city. The preferences are applied to all affordable housing units, with distinct priorities for different groups. Top priority goes to those with a "Certificate of Preference," primarily for households displaced by redevelopment. Additional priorities include displaced tenants, residents of the same neighborhood as the project, and anyone living or working in the city. Veterans receive higher priority within each category. Applications are submitted via the city's DAHLIA portal, which automatically ranks applicants through a lottery system. Compliance is overseen by the Mayor's Office of Housing and Community Development (MOHCD), and fair housing compliance is integrated into the allocation procedures.

### Berkeley

Adopted in 2023, Berkeley's policy emphasizes historical injustices and displacement. Preferences include households displaced by BART construction in the 1960s and 1970s, foreclosure since 2005, no-fault or non-payment evictions within the past seven years, and those living in formerly redlined neighborhoods or their descendants. Homeless families and families with children are also prioritized. The policy applies to units created under the city's Below Market Rate (BMR) and Housing Trust Fund (HTF) programs. Seventy-five percent of lottery units are allocated for applicants with preferences, while the remaining 25 percent are open to all. The Alameda County Housing Portal handles applications, and applicants are ranked based on preference points. A disparate impact analysis was conducted by Street Level Advisors to ensure fair housing compliance.

## Santa Clara

Since adoption of their policy in 2021, Santa Clara prioritizes income-qualified households that live and/or work in the city. The policy is applied to all affordable housing units under the city's programs, including inclusionary and standalone developments. Preferences are ranked as follows: residents who live and work in the city for at least six months are prioritized first, followed by those who live in the city, those who work in the city, and finally, all other applicants. Applications are managed through the Project HomeKey portal, which incorporates preference policies and ranks applicants accordingly. A demographic analysis by KMA evaluated the differences between those eligible for preferences and the general population, ensuring fair housing compliance.

## Oakland

Oakland's preference policy, adopted in 2016, gives top priority to households displaced by city activities or no-fault evictions within the past eight years, as well as residents living in the same council district or within a one-mile radius of a project. Broader preferences are also given to residents and workers in Oakland. These policies apply to affordable housing projects with five or more units receiving city financial assistance. Developers and property managers are tasked with implementing the policy through compliance plans and waitlist management. A maximum of 30 percent of affordable units is reserved for residents of the same district or nearby neighborhoods. A fair housing analysis using the "4/5 Test" and Standard Deviation Analysis ensures that the policy does not result in discriminatory outcomes.

## San Jose

San Jose's policy, adopted in 2024, prioritizes income-qualified households in high-displacement census tracts or those living near affordable housing projects. The policy applies to city-funded affordable developments, state-funded affordable units, and developments negotiated through agreements. A maximum of 35 percent of affordable units are subject to preference policies, with 15 percent reserved for lower-income applicants residing in the same council district or neighborhood and 20 percent for those in high-displacement census tracts. Applications are managed through the city's housing portal, Doorway, which determines preference eligibility and informs property managers of compliance. A disparate impact analysis, conducted by Charles MacNulty, evaluates potential discriminatory effects using statistical methodologies.

## Summary of Other Cities' Policies

As noted above, several Bay Area communities have adopted preference policies for their affordable housing supply, with priority frequently given to households already living in the city (or an even smaller area thereof) or people who work in the city. However, several communities' prioritization extends beyond those basic parameters, incorporating factors such as the households' specific housing history, veteran status, etc. Several also deliberately apply the preference policy to only a portion of the housing units, leaving the remainder of units available to the general population of income-qualified households.

## Analysis of South San Francisco Household and Worker Demographics

The analysis evaluates the potential impacts of an affordable housing local preference policy for South San Francisco. The objective is to determine the proportion of affordable housing units that various racial and ethnic groups would likely have been able to access, based on the size and income distribution of their group within the broader population of potential affordable housing applicants in the general geographic area from which most applicants are likely to be drawn. For this study, EPS has assumed two different "general geographic areas" – the whole of San Mateo County, and the combined area of San Mateo, San Francisco, and Santa Clara Counties, under the logic that the majority of applicants for affordable housing will already be in the applicable job market and community rather than, say, in another region, state, or country. Then, EPS estimates the proportion of affordable units likely to be accessed by these same groups if all of the units are subject to the local preference policy prioritizing people who live and work in South San Francisco.

To the extent that the resident population or workforce of South San Francisco is materially different from those other general geographic areas, one might expect that the local preference policy may create advantages or disadvantages for certain groups. For example, if Group A represents 50 percent of all income-eligible households in the County, but only 10 percent of the income-eligible households in the City, it may be that Group A will have access to many fewer affordable units under the local preference policy than if the policy were not in place. The opposite may also be true for some groups, if they represent a larger proportion of the local income-eligible population.

EPS has applied the same general methodology to both workers and residents, examining racial, ethnic, and income-qualifying breakdowns to ensure consistency between the two groups. Then, given that the results may differ between the analysis of households and the analysis of workers, EPS has applied a weighted average approach designed to balance preferences for residents and workers.

## Methodology and Findings for Local Households

### 1. Total Households by Race and Ethnicity (A):

Using the most recently available Census data, the number and percentage of total households belonging to each racial group was determined for South San Francisco (SSF), San Mateo County, and the three-county Peninsula (San Francisco, San Mateo, and Santa Clara counties combined). This establishes the baseline racial composition of households in each subject area. For example, **Table 1** demonstrates that White and Asian households are by far the two largest groups in all three areas, but that South San Francisco has a higher proportion of Asian households than the other two areas, and a lower proportion of White households.

EPS took a similar approach regarding ethnicity – specifically Hispanic or Latino – which is counted separately from race by the Census. For example, people may identify as both Hispanic and White or both Hispanic and Black. The data indicate that SSF has a higher proportion of Hispanic or Latino households than the larger geographies.

### 2. Income-Qualified Households by Race and Ethnicity (B):

Census data also informs the percentage of households within each racial and ethnic group that meet the income qualifications for affordable housing. The California Department of Housing and Community Development (HCD) indicates that the income limit for a low-income household in San Mateo County is roughly \$150,000 for a “standard” household of four people.<sup>2</sup> EPS has identified the number of households in each group that earn up to this amount as an estimate of how many households of each racial and ethnic group would qualify for affordable housing in SSF, the county, or the Peninsula. Among other findings, the data indicate that a much higher proportion of White households in SSF earn less than \$150,000 than in the two larger areas and thus would qualify for affordable housing, while a much higher proportion of American Indian or Native Alaskan households in SSF are likely to be above this income threshold than in the larger areas. Overall, SSF households that are Black or African American, Hispanic or Latino, or identify as “another race” are most likely to earn less than \$150,000.

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<sup>2</sup> HCD Income Limits currently indicate that a four-person household in San Mateo County earning up to \$156,650 would be considered “low income” for purposes of qualifying for affordable housing. While HCD published different income standards based on the sizes of households, EPS uses this four-person household income standard because Census data is provided in general household income categories by race, such as “Asian households earning \$125,000 to \$149,999” or “Asian households earning \$150,000 to \$199,999” rather than a finer level such as “Two-person Asian households earning up to \$125,350.”

**3. Income-Qualified Households by Group as a Percentage of Total (C = A \* B):**

To identify the share of all households that are both represented in the population and eligible for affordable housing, we calculated the product of the total household percentage by race and ethnicity (A) and the income-qualification rate (B). For example, for White households in SSF, the calculation is:

$$\begin{aligned} & 34.9\% \text{ of all SSF households are White} \\ & \times 63.9\% \text{ of White SSF households earn less than } \$150,000 \\ & = 22.3\% \text{ of all SSF households are income-qualified White households} \end{aligned}$$

These calculations indicate that there are more White income-qualified households in SSF than any other group, and the same is true of the County and Peninsula.

**4. Total Proportion of Population That Is Income-Qualified (D):**

The sum of the results of Item C represents the overall proportion of all households that would qualify for affordable housing based on their incomes. As shown, EPS estimates that roughly 58 percent of households in SSF would qualify for affordable housing because they earn below \$150,000 annually. By comparison, roughly 50 percent of all households in the two larger areas earn below \$150,000, indicating that SSF has a higher proportion of households that would be designated as income-qualified for affordable housing.

**5. Proportions of Income-Qualified Households by Race and Ethnicity (E = C / D):**

For a given supply of affordable housing units, EPS has estimated the proportion that would likely be provided to households from each racial or ethnic group based solely on their representation among income-qualified households in each area. For instance, White households in SSF are estimated to make up 38.7 percent of all income-qualified households, while Asian households represent 32.5 percent of income-qualified households. In the county more broadly, White households represent a higher proportion of income-qualified households while Asian households represent a lower proportion. The results vary by each racial group and by whether the SSF figures are being compared to the county or the larger three-county Peninsula region. The results suggest that White, American Indian or Native Alaskan, and Native Hawaiian or Pacific Islander households would likely be selected for fewer affordable units as a result of the local preference policy. Black or African American households may be selected for a higher proportion by comparison to county rates, but lower in comparison to the overall Peninsula. Asian and Hispanic or Latino households would appear to be the greatest beneficiaries of the local preference policy, largely because they represent higher proportions of SSF households generally than they represent in the larger geographies.

**6. Impact of Preference Policy on Selection Rates by Race and Ethnicity (F = E(SSF) / E(County) or E(Peninsula)):**

Finally, to conduct the "4/5 Test," we divided the expected selection rate for each group's households under a preference policy focusing on SSF residents by their expected selection rate without such a policy, based on county or Peninsula data.

This step determines whether any group is likely to have access to fewer than 80 percent of the affordable units that they would likely get in the absence of the local preference policy. Again, the results vary depending on whether the SSF-based selection rate is being compared to the selection rates for the county or the Peninsula.

The results suggest that the local preference policy, if applied only on the basis of who currently lives in SSF (rather than works there) may fall short of the “4/5 Test” standard (80 percent) and thus represent a disparate impact for White, American Indian or Native Alaskan, and Native Hawaiian or Pacific Islander households when compared to the county more broadly. Using the Peninsula as the comparative standard, a disparate impact could be projected for Black or African American households as well as American Indian or Native Alaskan households, but White and Native Hawaiian or Pacific Islander households would not necessarily be subject to a disparate impact based on the “4/5 Test.”

The selection rate analysis for households shows that some racial groups fall below the 4/5 threshold when evaluated independently, and might be subject to a disparate impact as a result of the policy if it is applied only to households by their place of residence. However, the proposed local preference policy would apply to workers in SSF as well as households, so the following section addresses these workers.



**Table 1: Household Selection Rate Analysis**

HOUSEHOLDS											
RACE									ETHNICITY		
	White	Black or African American	American Indian or Alaskan Native	Asian	Native Hawaiian or Pacific Islander	Two or more races	Another Race	Total Qualifying Households	Not Hispanic or Latino	Hispanic or Latino	Total Qualifying Households
<b>(A) % of Total Households by Race or Ethnicity</b>											
South San Francisco	7,696	515	183	9,128	93	1,910	2,511	22,036	16,603	5,433	22,036
San Mateo County	136,293	5,623	1,734	77,007	1,894	20,884	19,902	263,337	215,246	48,091	263,337
Peninsula	594,845	38,941	7,141	440,224	4,993	101,038	88,335	1,275,517	1,062,151	213,366	1,275,517
South San Francisco	34.9%	2.3%	0.8%	41.4%	0.4%	8.7%	11.4%	100.0%	75.3%	24.7%	100.0%
San Mateo County	51.8%	2.1%	0.7%	29.2%	0.7%	7.9%	7.6%	100.0%	81.7%	18.3%	100.0%
Peninsula	46.6%	3.1%	0.6%	34.5%	0.4%	7.9%	6.9%	100.0%	83.3%	16.7%	100.0%
<b>(B) % of Income Qualified HH by Race or Ethnicity</b>											
South San Francisco	4,918	387	66	4,130	62	1,221	1,940	12,724	8,715	4,009	12,724
San Mateo County	65,162	3,657	1,281	33,707	1,140	11,630	14,641	131,218	98,197	33,021	131,218
Peninsula	283,279	28,702	5,342	198,312	3,242	59,004	65,987	643,868	495,993	147,875	643,868
South San Francisco	63.9%	75.1%	36.1%	45.2%	66.7%	63.9%	77.3%		52.5%	73.8%	
San Mateo County	47.8%	65.0%	73.9%	43.8%	60.2%	55.7%	73.6%		45.6%	68.7%	
Peninsula	47.6%	73.7%	74.8%	45.0%	64.9%	58.4%	74.7%		46.7%	69.3%	
<b>(C) % of Total Households that are Income Qualified by Race or Ethnicity (A × B)</b>									<b>(D)</b>		
South San Francisco	22.3%	1.8%	0.3%	18.7%	0.3%	5.5%	8.8%	57.7%	39.5%	18.2%	57.7%
San Mateo County	24.7%	1.4%	0.5%	12.8%	0.4%	4.4%	5.6%	49.8%	37.3%	12.5%	49.8%
Peninsula	22.2%	2.3%	0.4%	15.5%	0.3%	4.6%	5.2%	50.5%	38.9%	11.6%	50.5%
<b>(E) % of Total Qualifying Households by Race or Ethnicity (C / D)</b>											
South San Francisco	38.7%	3.0%	0.5%	32.5%	0.5%	9.6%	15.2%	100.0%	68.5%	31.5%	100.0%
San Mateo County	49.7%	2.8%	1.0%	25.7%	0.9%	8.9%	11.2%	100.0%	74.8%	25.2%	100.0%
Peninsula	44.0%	4.5%	0.8%	30.8%	0.5%	9.2%	10.2%	100.0%	77.0%	23.0%	100.0%
<b>(F) = E(SSF)/ E(SMC or Peninsula): Selection Rate with Preference Policy vs. Without</b>											
San Mateo County	77.8%	109.1%	53.1%	126.4%	56.1%	108.3%	136.6%		91.5%	125.2%	
Peninsula	87.9%	68.2%	62.5%	105.4%	96.8%	104.7%	148.8%		88.9%	137.2%	

Source: U.S. Census Bureau. American Community Survey (ACS) 2022; Economic & Planning Systems.

## Methodology and Findings for Local Workers

### 1. Total Workers by Race or Ethnicity (A):

Using the most recently available Longitudinal Employer-Household Dynamics (LEHD)<sup>3</sup> data from the United States Census, the number and percentage of total workers in each racial and ethnic group were determined for South San Francisco (SSF), San Mateo County, and the three-county Peninsula (San Francisco, San Mateo, and Santa Clara counties combined). This establishes the baseline racial and ethnic composition of workers in each area. For example, **Table 2** shows that White and Asian workers are by far the two largest groups in all three areas. However, South San Francisco has a slightly higher proportion of Asian workers than the other two areas and a slightly lower proportion of White workers. Hispanic or Latino workers represent roughly 20 percent of all workers in all three geographies.

### 2. Lower-Wage Workers by Race or Ethnicity (B):

Unfortunately, standard Census publications do not provide extensive data regarding the incomes of individuals based on their place of work, only by their place of residence. The Census provides detailed income by race or ethnicity by place of work only down to the county level, not the city level, so comparisons among the three geographies cannot be as aligned with affordable housing income standards as they were for households.

The best available data for worker income by place of work comes from LEHD, which categorizes worker earnings into broad income bands. The highest of these broad income bands is for individuals earning over \$40,000 per year, so the closest available approximation to the low-income threshold is workers earning under \$40,000 per year (or \$3,333 per month, the metric that LEHD uses). While this does not directly align with HCD's household-based income standards, it serves as a useful proxy for identifying lower-wage workers who may qualify for affordable housing in SSF, the county, or the broader Peninsula.

The data indicate that the proportion of SSF workers earning under \$40,000 in several categories – White, Two or More Races, and Latino – is lower than in the broader areas. Conversely, a higher proportion of Black or African American and Native Hawaiian or Pacific Islander workers earn less than \$40,000 in SSF than in the broader areas. For other groups, the results are mixed relative to the broader geographies. For each racial or ethnic group, the results are relatively similar across geographies, with no more than single-digit percentage point differences in the overall proportions of workers earning these lower wages.

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<sup>3</sup> For consistency, EPS used data for “all primary jobs” across all racial and ethnic groups and across all geographies. Unlike the standard population census used for the households analysis, LEHD does not provide data for “Another Race,” so this category is omitted from the analysis of workers.

**3. Lower-Wage Workers by Group as a Percentage of Total (C = A \* B):**

To identify the share of all workers who are both represented in the population and likely to be eligible for affordable housing, we calculated the product of the total worker percentage by race or ethnicity (A) and the income-qualification rate (B). For example, for Asian workers in SSF, the calculation is:

$$\begin{aligned} & 36.9\% \text{ of all SSF workers are Asian} \\ & \times \underline{16.9\% \text{ of Asian SSF workers earn less than } \$40,000} \\ & = 6.2\% \text{ of all SSF workers are lower-wage Asian workers} \end{aligned}$$

These calculations indicate that there are more lower-wage White workers in SSF than any other group, and the same holds true for the County and Peninsula.

**4. Total Proportion of Workers That Earn Lower Wages (D):**

The sum of the results for Item C indicates that approximately 18.9 percent of workers in SSF earn below \$40,000 annually. By comparison, slightly higher proportions of all workers in San Mateo County and in the Peninsula earn below \$40,000, indicating that SSF has a similar but slightly lower proportion of lower-wage workers who may be designated as income-qualified for affordable housing.

**5. Proportions of Lower-Wage Workers by Race or Ethnicity (E = C / D):**

For a given supply of affordable housing units, EPS has estimated the proportion likely to be allocated to workers from each racial or ethnic group based solely on their representation among lower-wage workers in each area. For instance, White workers in SSF are estimated to make up 52.8 percent of all lower-wage workers, while Asian workers represent 33.0 percent. In the county and Peninsula more broadly, White workers account for a higher proportion of lower-wage workers, while Asian workers make up a lower proportion. The results vary by group and by the geography to which the SSF figures are compared. These findings suggest that White and Hispanic or Latino workers would likely be selected for slightly fewer affordable units as a result of the local preference policy. Asian, Black or African American, and Native Hawaiian or Pacific Islander workers would likely be selected for more affordable units as a result of the policy, primarily because they constitute a higher proportion of SSF workers than they do in the larger geographies.

**6. Impact of Preference Policy on Selection Rates by Race or Ethnicity (F = E(SSF) / E(County) or E(Peninsula)):**

To conduct the "4/5 Test," we calculated the ratio of each group's expected selection rate under a local preference policy favoring SSF workers to their expected selection rate without the policy, using county and Peninsula data as benchmarks. This analysis helps determine whether any group would receive access to fewer than 80 percent of the affordable units they would otherwise qualify for in the absence of the preference policy. The findings indicate that all groups pass the 4/5 test across both geographies. This suggests that a preference policy that only prioritized local workers would be unlikely to create a disparate impact on any protected group.

**Table 2: Worker Selection Rate Analysis**

WORKERS										
	RACE							ETHNICITY		
	White	Black or African American	American Indian or Alaskan Native	Asian	Native Hawaiian or Pacific Islander	Two or more races	Total Qualifying Workers	Not Hispanic or Latino	Hispanic or Latino	Total Qualifying Workers
<b>(A) % Total Workers by Race or Ethnicity</b>										
South San Francisco	28,897	2,789	412	20,265	585	1,952	54,900	44,107	10,793	54,900
San Mateo County	220,503	18,631	3,038	131,617	3,540	13,850	391,179	312,823	78,356	391,179
Peninsula	1,169,397	109,360	18,247	731,366	12,601	74,831	2,115,802	1,697,560	418,242	2,115,802
South San Francisco	52.6%	5.1%	0.8%	36.9%	1.1%	3.6%	100.0%	80.3%	19.7%	100.0%
San Mateo County	56.4%	4.8%	0.8%	33.6%	0.9%	3.5%	100.0%	80.0%	20.0%	100.0%
Peninsula	55.3%	5.2%	0.9%	34.6%	0.6%	3.5%	100.0%	80.2%	19.8%	100.0%
<b>(B) % Workers Making Under \$40,000 by Race or Ethnicity</b>										
South San Francisco	5,490	802	123	3,430	185	365	10,395	7,506	2,889	10,395
San Mateo County	49,429	5,122	925	21,735	941	3,177	81,329	58,043	23,286	81,329
Peninsula	251,334	30,529	5,404	124,402	2,996	17,107	431,772	308,279	123,493	431,772
South San Francisco	19.0%	28.8%	29.9%	16.9%	31.6%	18.7%		17.0%	26.8%	
San Mateo County	22.4%	27.5%	30.4%	16.5%	26.6%	22.9%		18.6%	29.7%	
Peninsula	21.5%	27.9%	29.6%	17.0%	23.8%	22.9%		18.2%	29.5%	
<b>(C) = (A X B) % of Total Workers that make under \$40,000 by Race or Ethnicity</b>										
South San Francisco	10.0%	1.5%	0.2%	6.2%	0.3%	0.7%	18.9%	13.7%	5.3%	18.9%
San Mateo County	12.6%	1.3%	0.2%	5.6%	0.2%	0.8%	20.8%	14.8%	6.0%	20.8%
Peninsula	11.9%	1.4%	0.3%	5.9%	0.1%	0.8%	20.4%	14.6%	5.8%	20.4%
<b>(D)</b>										
<b>(E) % of Total Workers making below \$40,000 by Race or Ethnicity (C / D)</b>										
South San Francisco	52.8%	7.7%	1.2%	33.0%	1.8%	3.5%	100.0%	72.2%	27.8%	100.0%
San Mateo County	60.8%	6.3%	1.1%	26.7%	1.2%	3.9%	100.0%	71.4%	28.6%	100.0%
Peninsula	58.2%	7.1%	1.3%	28.8%	0.7%	4.0%	100.0%	71.4%	28.6%	100.0%
<b>(F) = E(SSF)/ E(SMC or Peninsula): Selection Rate with Preference Policy vs. Without</b>										
San Mateo County	86.9%	122.5%	104.0%	123.5%	153.8%	89.9%		101.2%	97.1%	
Peninsula	90.7%	109.1%	94.5%	114.5%	256.5%	88.6%		101.1%	97.2%	

Source: U.S. Census Bureau OnTheMap Application and LEHD Origin-Destination Employment Statistics; Economic & Planning Systems

## Worker and Household Combined

The local preference policy being considered by the City of South San Francisco would prioritize both local residents and local workers. South San Francisco is an employment-rich community, with LEHD data indicating that the city has more than twice as many workers commuting into the city as commuting out of the city. Moreover, only about seven percent of people who work in the city also live in the city. As a result, the local preference policy would prioritize many more individuals through the “workers” part of the policy than through the “households” component.

To account for this difference, EPS has constructed a weighted average calculation for the likely selection rate for each group. This approach accounts not only for the fact that there are many more jobs than households in the city, but also that the ratios of workers to households varies significantly by race. As shown on **Table 3**, there are roughly 2.5 local jobs per local household overall, but there were more than five Black or African American workers for every Black or African American household in SSF, but only 2.0 local Hispanic or Latino workers for every local Hispanic or Latino household. As such, the incorporation of the “workers” component of the preference policy is likely to benefit Black or African American home seekers significantly, relative to a policy that only prioritizes local households.

The weighted average selection rates all pass the “4/5 Test,” as no racial or ethnic group is likely to be selected for fewer than 80 percent of the affordable units they might have expected in the absence of the local preference policy. By integrating both household and worker selection rates, the policy ensures that no protected group falls below the threshold, mitigating disparities observed when evaluating households alone.

**Table 3: Weighted Average Selection Rate Analysis**

	WEIGHTED AVERAGE OF WORKERS AND RESIDENTS							ETHNICITY		
	RACE							ETHNICITY		
	White	Black or African American	American Indian or Alaskan Native	Asian	Native Hawaiian or Pacific Islander	Two or more races / Other Race	Total	Not Hispanic or Latino	Hispanic or Latino	Total
SSF Workers by Group	28,897	2,789	412	20,265	585	1,952	54,900	44,107	10,793	54,900
SSF Households by Group	7,696	515	183	9,128	93	4,421	22,036	16,603	5,433	22,036
Ratio of Workers to Households by Group	3.8	5.4	2.3	2.2	6.3	0.4	2.5	2.7	2.0	2.5
<b>SSF vs. San Mateo County</b>										
Selection Rate of Workers	86.9%	122.5%	104.0%	123.5%	153.8%	89.9%		101.2%	97.1%	
<u>Selection Rate of Households</u>	<u>77.8%</u>	<u>109.1%</u>	<u>53.1%</u>	<u>126.4%</u>	<u>56.1%</u>	<u>108.3%</u>		<u>91.5%</u>	<u>125.2%</u>	
Weighted Average Selection Rate	85.0%	120.4%	88.4%	124.4%	140.4%	102.6%		98.5%	106.5%	
<b>SSF vs. Peninsula</b>										
Selection Rate of Workers	90.7%	109.1%	94.5%	114.5%	256.5%	88.6%		101.1%	97.2%	
<u>Selection Rate of Households</u>	<u>87.9%</u>	<u>68.2%</u>	<u>62.5%</u>	<u>105.4%</u>	<u>96.8%</u>	<u>104.7%</u>		<u>88.9%</u>	<u>137.2%</u>	
Weighted Average Selection Rate	90.1%	102.7%	84.7%	111.7%	234.6%	99.8%		97.8%	110.6%	

Source: U.S. Census Bureau. American Community Survey (ACS) 2022; U.S. Census Bureau OnTheMap Application and LEHD Origin-Destination Employment Statistics; Economic & Planning Systems

## Conclusions and Recommendations

Based on this analysis, EPS concludes that the City of South San Francisco is well-positioned to implement a preference policy that prioritizes local residents and workers without creating disparate impacts on specific racial or ethnic groups. The inclusion of local workers in the prioritization is particularly important to achieving this result. However, it is clear from the analysis that certain groups will likely receive more than their “fair share” of affordable units, while others may receive less, despite not appearing to violate the “4/5 Test.”

To further guard against the potential for disparate impacts on certain groups, the City may consider applying the local preference policy to only a portion of the affordable units. For example, creating a prioritization system that applies local preferences to half of the affordable units while offering the other half through a general lottery that does not include special priorities for local residents and workers may result in more equitable outcomes for the broader population not currently able to live or work in the city. Alternatively or in addition, expanding eligibility to include individuals with historical ties to South San Francisco, such as those who lived or worked in the city within the last five years, could broaden access while maintaining a focus on local connections. Our research also suggests that these approaches align with practices in several neighboring cities.