Request for Approval of Neighborhood Resident Housing Preference by the California Department of Housing and Community Development

Mayor's Office of Housing and Community Development
City and County of San Francisco

Overview

- Low-income households continue to experience displacement pressure
- Neighborhood preference improves neighborhood resident occupancy take-up
- Application of neighborhood preference to HCD-funded developments will improve the transparency of housing lotteries and enhance income equity
- No disparate impact
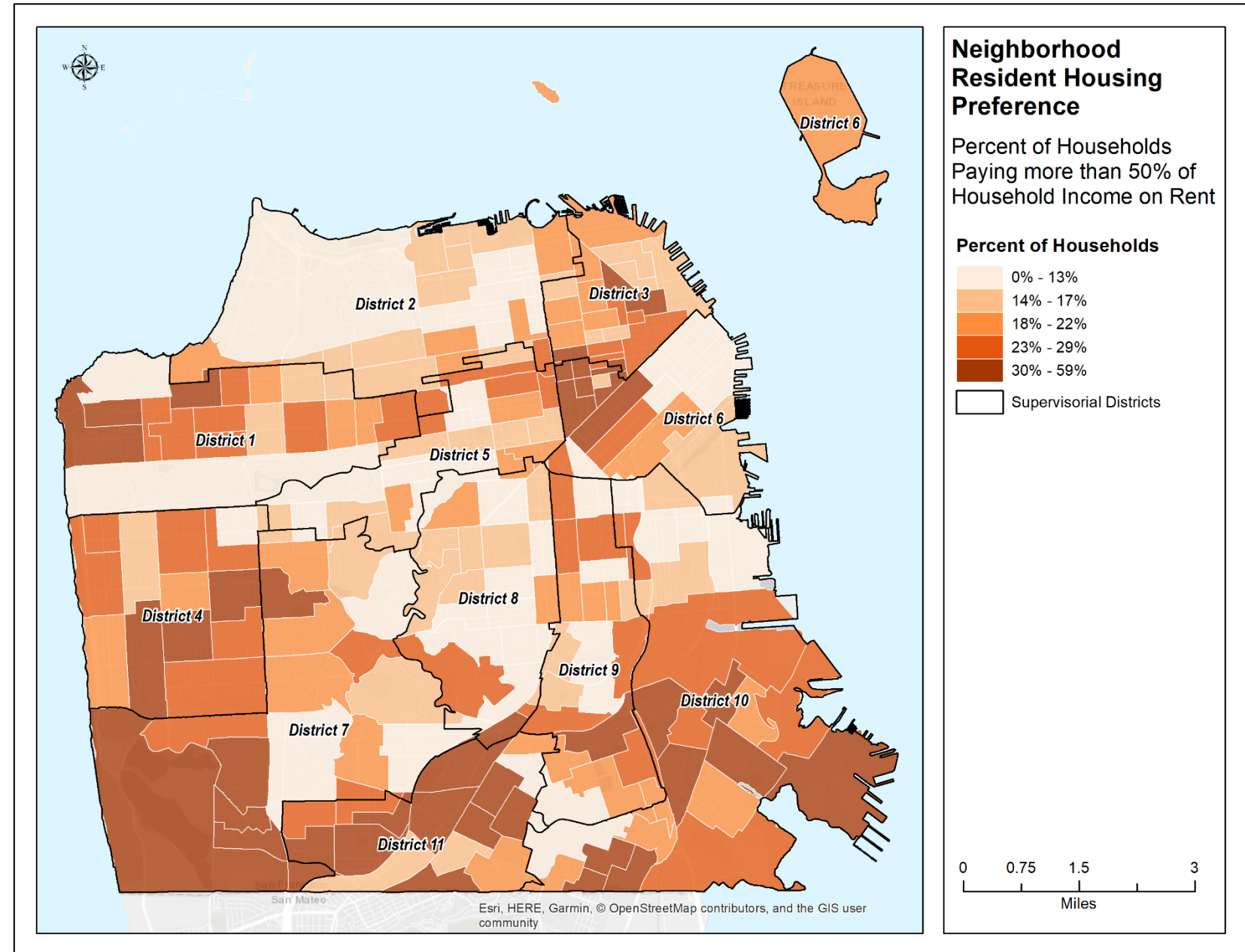- Consistent with Uniform Multifamily Regulations

Median Rent

From 2010 to 2018, median rent in San Francisco increased 9%
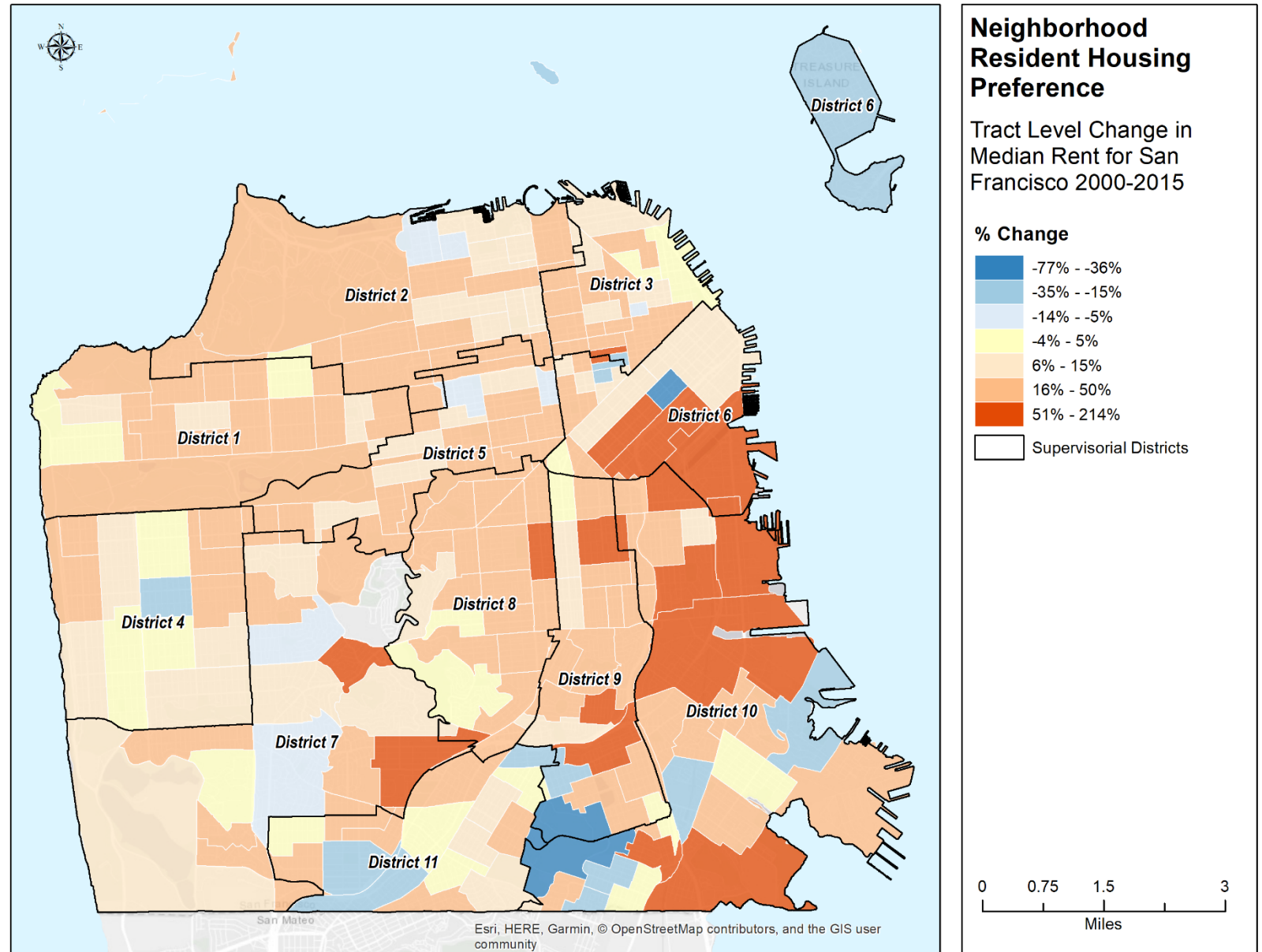
Severe Rent Burden

20% of San Francisco households are severely rent burdened

Neighborhood Resident Housing Preference

Percent of Households Paying more than 50% of Household Income on Rent

Percent of Households

- 0% - 13%
- 14% - 17%
- 18% - 22%
- 23% - 29%
- 30% - 59%
- Supervisorial Districts

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0   0.75   1.5   3
Miles

Evictions

From 2010 to 2016, the number of evictions notices filed with the Rent Board increased by 56%

Neighborhood Resident Housing Preference

Evictions Notices by Tract for San Francisco from 2010 to 2018

Evictions

- 1 - 38
- 39 - 76
- 77 - 126
- 127 - 267
- 268 - 672
- Supervisorial Districts

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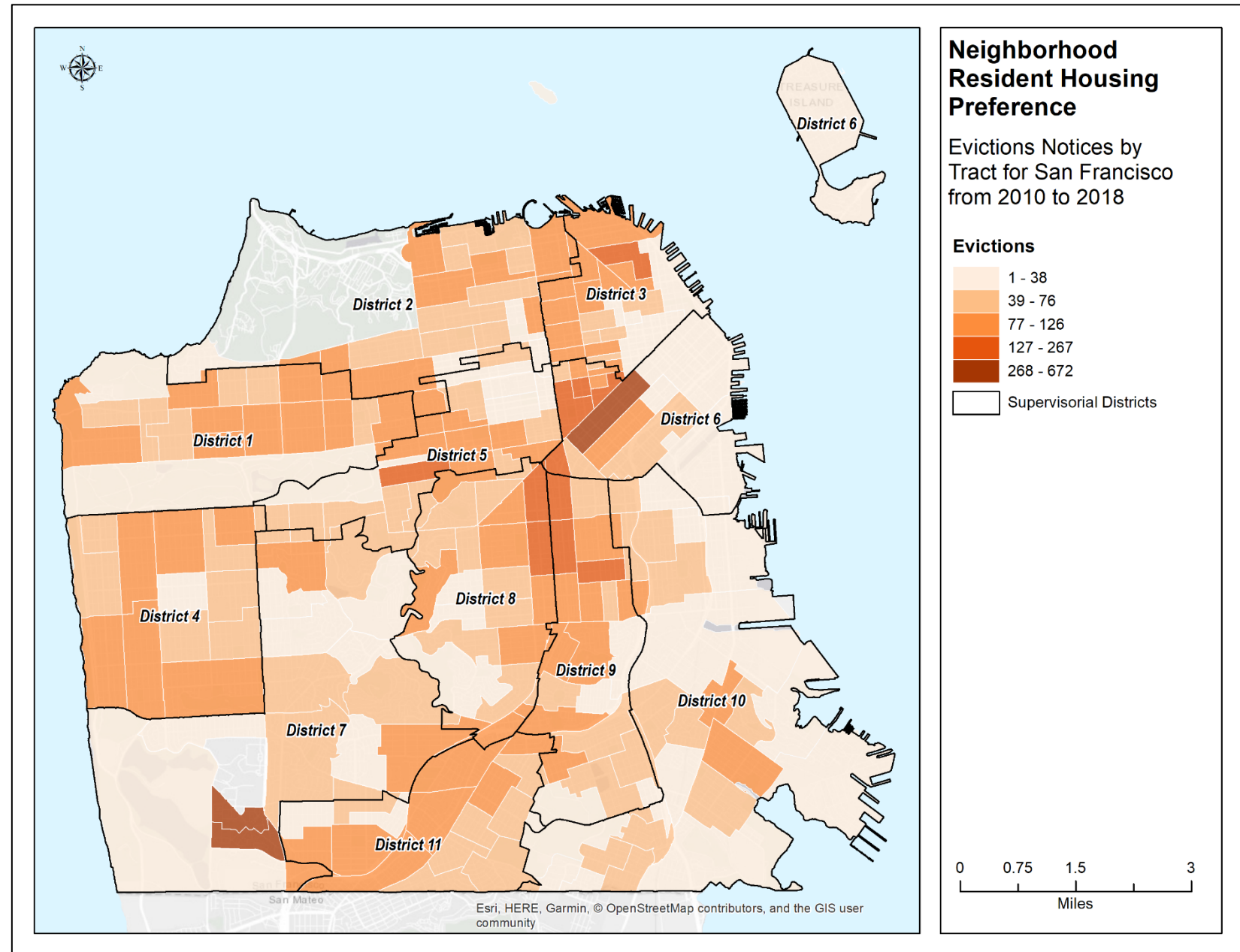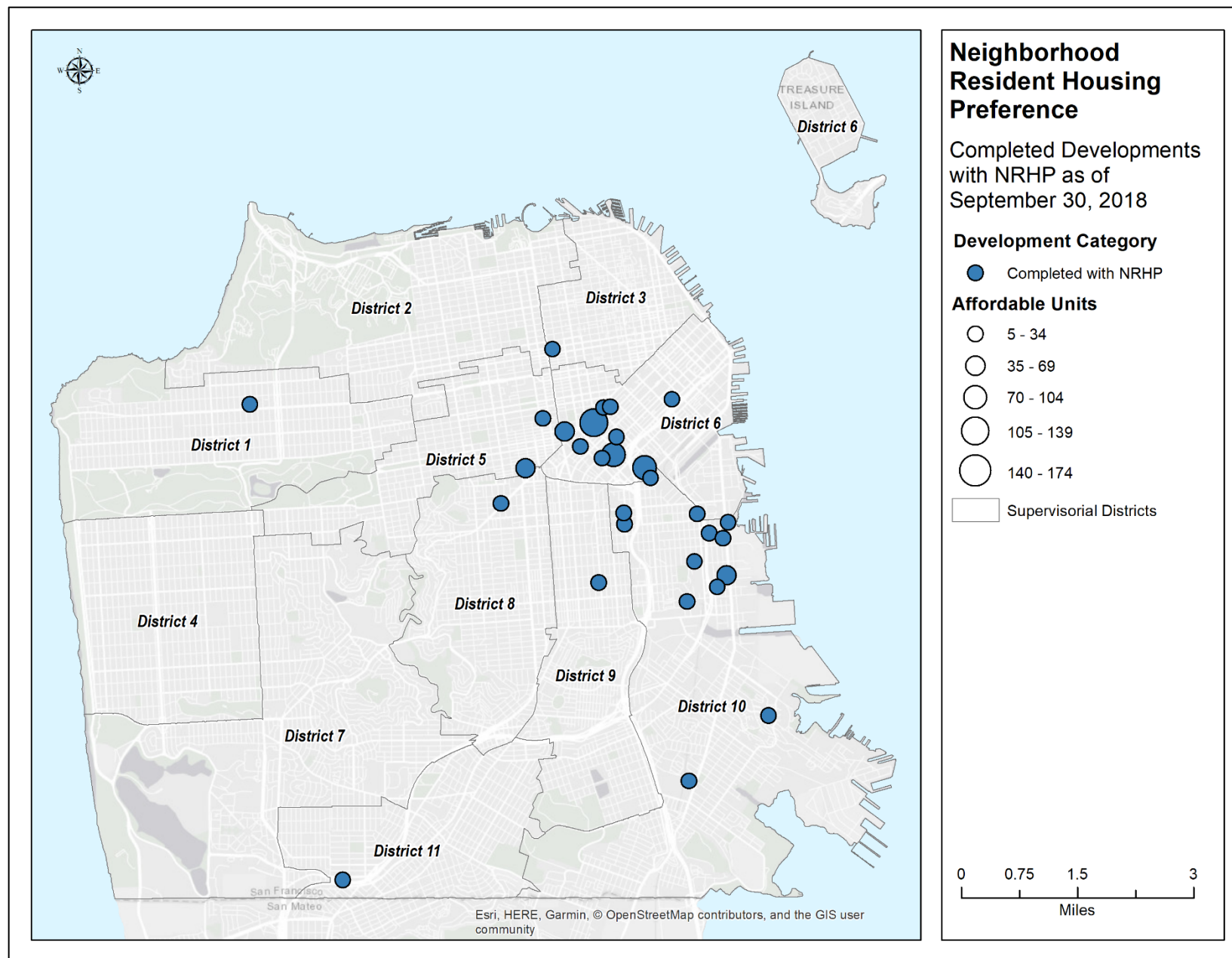
Policy Background

Neighborhood Resident Housing Preference (NRHP) is one policy tool that the City uses to address displacement of low-income households

- Passed by the Board and signed in to law by Mayor Ed Lee in 2015
- Provides a lottery preference up to 40% for residents living within the same supervisor district or within ½ from the site of the development
- First implemented in July 2016 at Richardson Hall (LGBTQ Seniors)
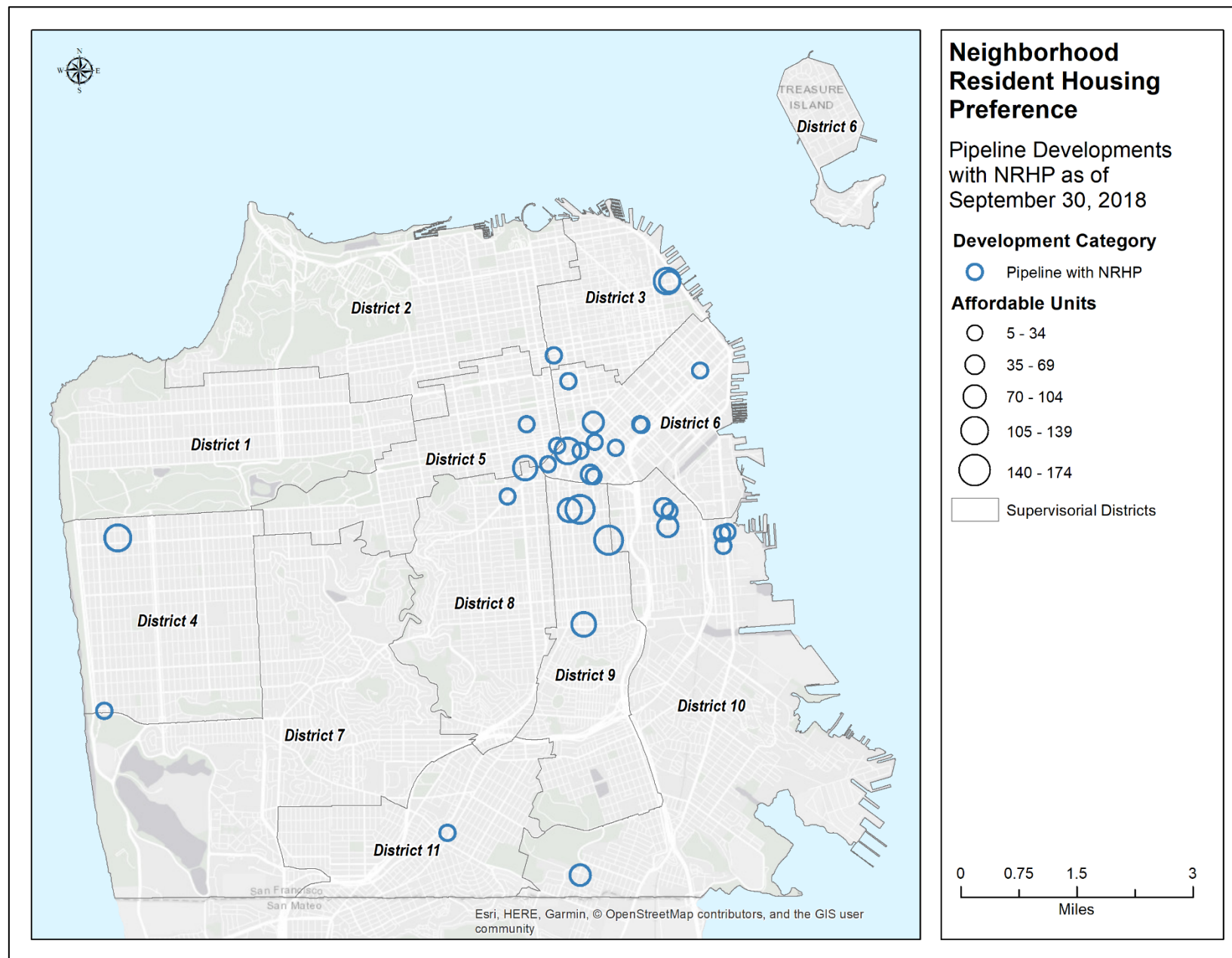- Applied to 31 total developments

Completed Developments with NRHP

31 total projects with 629 units have marketed since July 2016

Neighborhood Resident Housing Preference

Completed Developments with NRHP as of September 30, 2018

Development Category
- Completed with NRHP

Affordable Units
- 5 - 34
- 35 - 69
- 70 - 104
- 105 - 139
- 140 - 174

Supervisorial Districts

TREASURE ISLAND
District 6

District 2
District 3
District 1
District 6
District 5
District 4
District 8
District 9
District 10
District 7
District 11

San Francisco
San Mateo

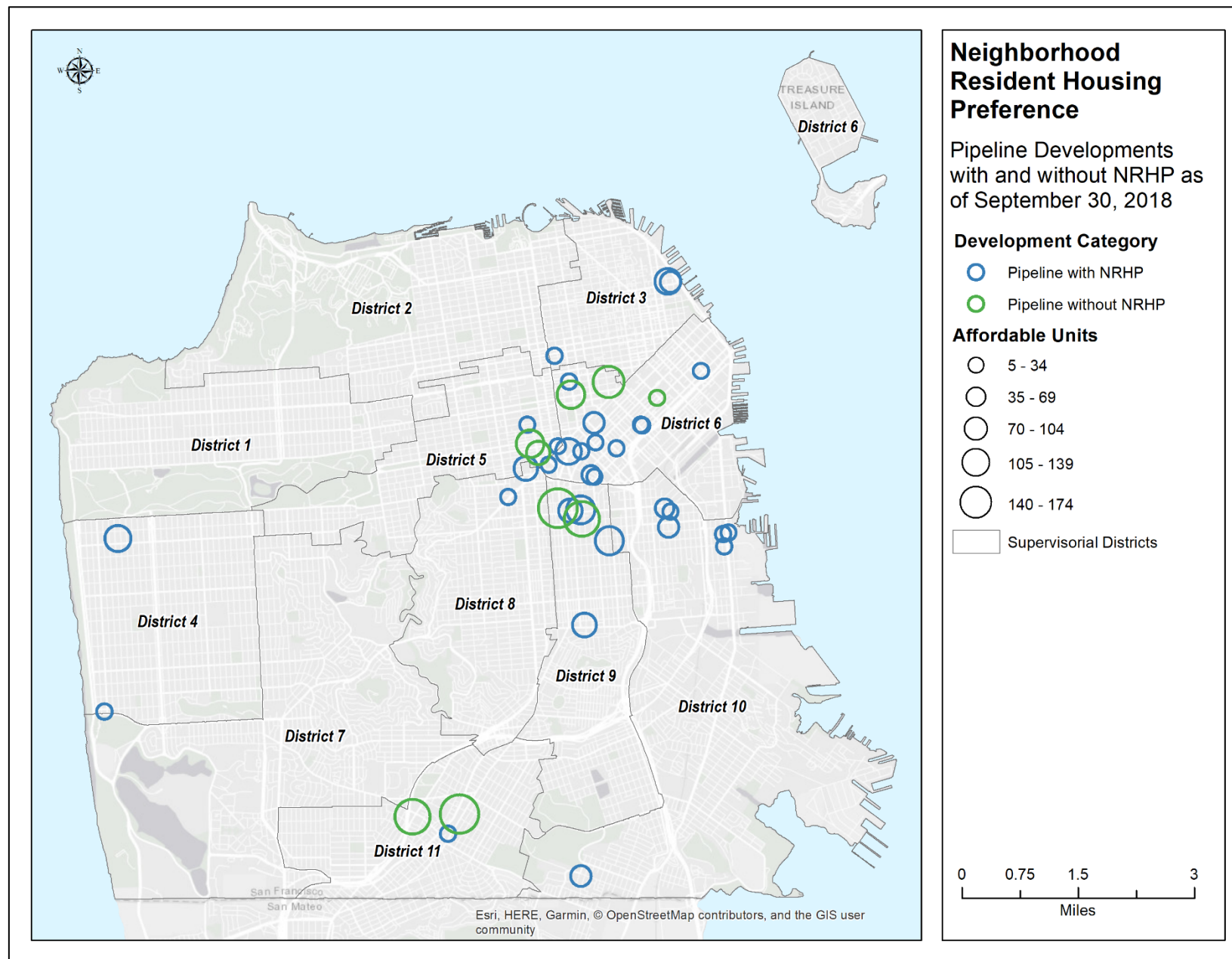Esri, HERE, Garmin, © OpenStreetMap contributors, and the GIS user community

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Pipeline Developments

There are 33 developments with NRHP in the pipeline with a estimated completion by June 30, 2023

Neighborhood Resident Housing Preference

Pipeline Developments with NRHP as of September 30, 2018

Development Category

○ Pipeline with NRHP

Affordable Units

○ 5 - 34
○ 35 - 69
○ 70 - 104
○ 105 - 139
○ 140 - 174

☐ Supervisorial Districts

Pipeline Developments

An additional nine developments **without NRHP** are in the pipeline

Neighborhood Resident Housing Preference

Pipeline Developments with and without NRHP as of September 30, 2018

Development Category
- ○ Pipeline with NRHP
- ○ Pipeline without NRHP

Affordable Units
- ○ 5 - 34
- ○ 35 - 69
- ○ 70 - 104
- ○ 105 - 139
- ○ 140 - 174
- ▢ Supervisorial Districts

District 6
District 2
District 3
District 1
District 5
District 6
District 4
District 8
District 9
District 10
District 7
District 11

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Disparate Impact Analysis

Disparate Impact Analysis

Initial Model

- Model assessed disparate impact using two court-informed test
  - Four-fifths test*
    (*Langlois v. Abington Housing Authority, and EEOC*)
  - Standard deviation analysis
    (*Castenada v. Partida*)
- Model used 2016 ACS household income data to estimate income-eligible applicants and occupants.
- Applied to multiple geographies

Disparate Impact Analysis

Initial Model Results

Four-Fifth Test Analysis

Test assesses whether a selection rate for a minority race/ethnic group is less than four-fifths (80%) of the rate for the largest race/ethnic group.

A selection rate less than four-fifths will generally be regarded as evidence of adverse impact.

Number of rates below 80%	1
% of rates below 80%	2%

Supervisorial District	White	Black	Asian	Other	Hispanic
District 1	96%	95%	–	96%	94%
District 2	–	96%	96%	87%	92%
District 3	88%	–	92%	80%	87%
District 4	96%	96%	–	91%	94%
District 5	–	88%	83%	**79%**	81%
District 6	–	89%	90%	88%	89%
District 7	92%	–	91%	91%	89%
District 8	99%	–	94%	90%	95%
District 9	90%	98%	92%	96%	
District 10	85%	–	89%	91%	86%
District 11	93%	97%	–	95%	97%

Disparate Impact Analysis

Initial Model Results

Standard Deviation Analysis (Z-Test)

Test measures the mathematical probability of a nonbiased selection system by statistically evaluating the difference between observed and expected values.

Results greater than two to three standard deviations indicate a possible selection bias.

Number of deviations greater than 3	0
% of deviations greater than 3	0%

Supervisorial District	White	Black	Asian	Other	Hispanic
District 1	0.21	-0.42	0.88	-0.32	-0.54
District 2	1.65	-0.42	-0.66	-0.64	-0.54
District 3	0.00	0.00	1.98	-0.64	-0.54
District 4	0.00	-0.42	1.10	-0.52	-0.54
District 5	0.83	1.67	-0.88	-0.64	-0.54
District 6	-0.21	0.42	0.11	0.00	0.00
District 7	0.41	0.00	0.00	-0.32	-0.27
District 8	1.03	0.00	-0.66	-0.32	-0.27
District 9	-1.08	-0.03	-0.69	0.94	1.63
District 10	-1.24	1.67	0.00	0.64	0.27
District 11	-1.42	0.00	0.66	0.32	0.54

Disparate Impact Analysis

Second Model

- Model evaluated a statistically significant number of sample lotteries using actual applicant data (n=30)

- Applicant data from low-income rental projects for applicability to state-funded multifamily projects

- Randomly selected applicant data from a pool of 5 rental projects in District 10

- Random.org used to select estimated lottery winners

Disparate Impact Analysis

Second Model

Four-Fifth Test Analysis (EEOC Guidelines)

Applicants (Black)	Occupants (Black)	Selection Rates (Black)	Applicants (Asian)	Occupants (Asian)	Selection Rates (Asian)	Four-Fifths Test (>80%)
9,883	72	0.73%	29,060	192	0.66%	91%

Applicants (Black)	Occupants (Black)	Selection Rates (Black)	Applicants (Latino)	Occupants (Latino)	Selection Rates (Latino)	Four-Fifths Test (>80%)
9,883	72	0.73%	19,619	134	0.68%	94%

Applicants (Black)	Occupants (Black)	Selection Rates (Black)	Applicants (Latino)	Occupants (Latino)	Selection Rates (Latino)	Four-Fifths Test (>80%)
9,883	72	0.73%	7,376	52	0.71%	94%

Applicants (Black)	Occupants (Black)	Selection Rates (Black)	Applicants (White)	Occupants (White)	Selection Rates (White)	Four-Fifths Test (>80%)
9,883	72	0.73%	6,196	40	0.65%	89%

Standard Deviation Analysis (Z-Test)

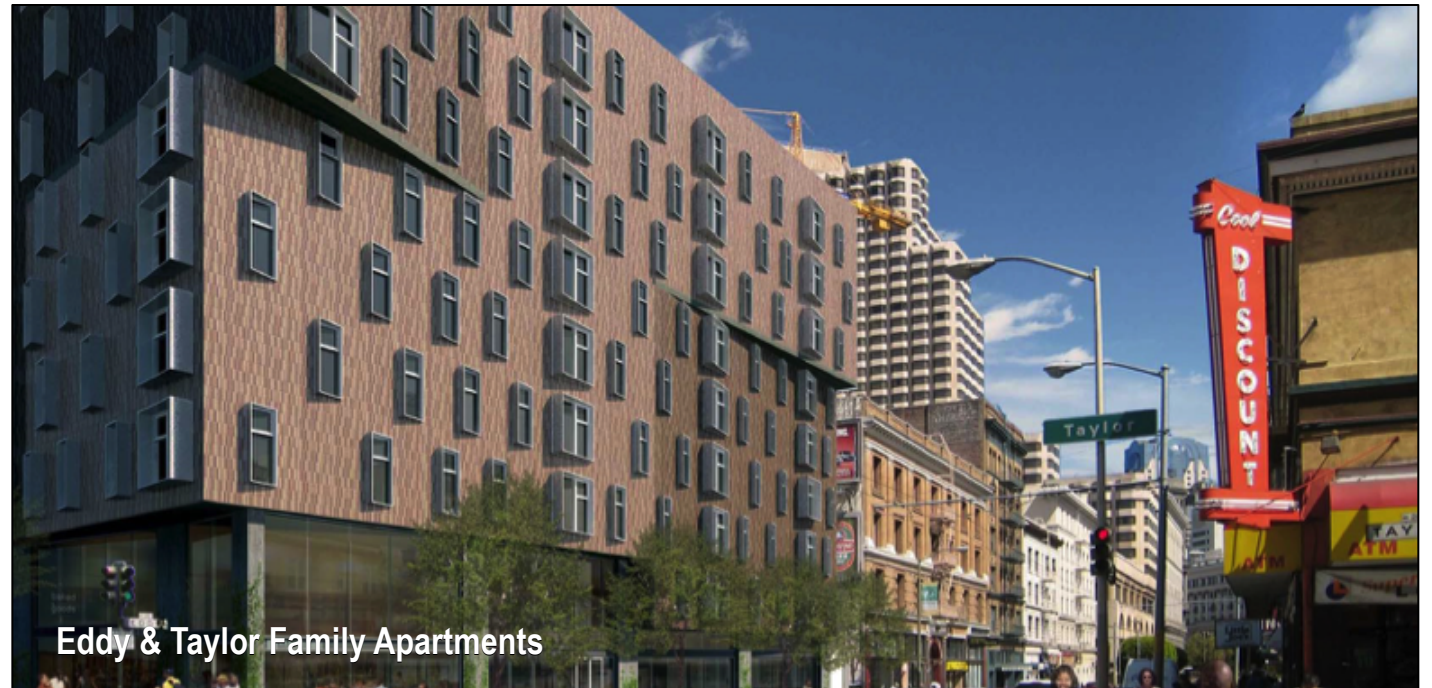|	Asian	Black	nic/Latino	White	Other	Unknown
Occupancy w/o Neighborhood Preference	197	67	133	42	50	103
Standard Deviation	7.90	5.99	7.90	8.92	4.86	7.17
Occupancy w/ Neighborhood Preference	192	72	134	40	52	102
z-score	-0.63	0.83	0.13	-0.22	0.41	-0.14

Conclusions

- A 25% neighborhood preference does not result in disparate impact

- Consistent with Uniform Multifamily Regulations

- Neighborhood preference improves neighborhood resident occupancy take-up (150%)

- Applying NRHP to HCD-funded developments at 25% will improve transparency of housing lotteries and enhance income equity

Next Steps

Upcoming Projects

- Eddy & Taylor Family Apartments (December 2018)

- 455 Fell Street (January 2019)

Eddy & Taylor Family Apartments