

Final Policy Paper
Methods of Public Policy Analysis and Presentation

Sarah M. Kelly
Syracuse University
May 2018

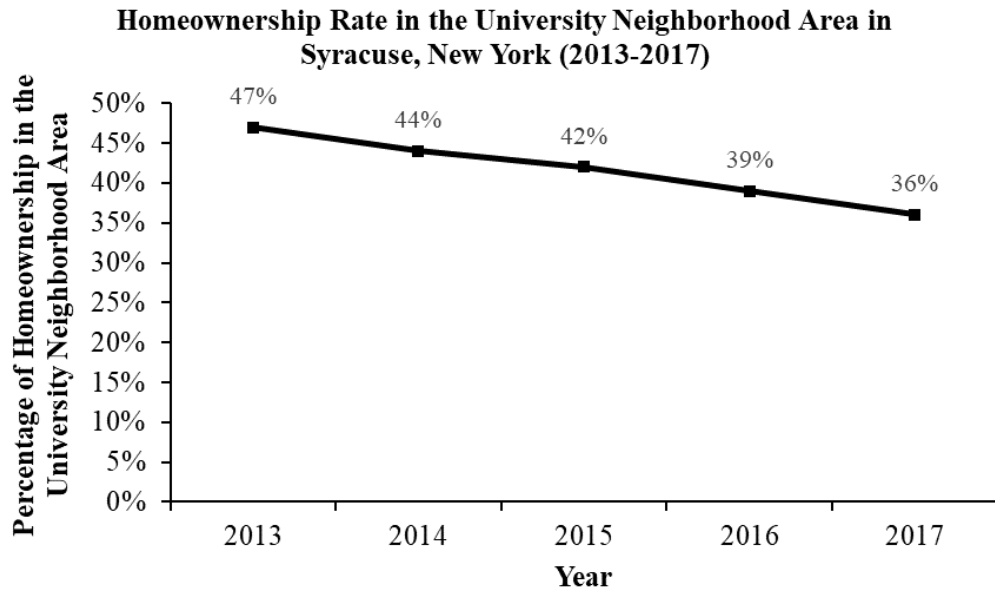
EXECUTIVE SUMMARY

The homeownership level in the University Neighborhood area is too low. Evidence of the problem can be seen below in Figure 1, which shows that the homeownership rate in the Neighborhood has been decreasing for the past 5 years. The causes of this problem are an inability for potential homeowners to afford down payments and mortgages, a lack of desire for the younger generation to be homeowners, and high renovation costs for homes in the Neighborhood. To ameliorate this problem, the University Neighborhood Preservation Association (UNPA) could create a policy to offer a rent-to-own program to increase homeownership in the University Neighborhood. The steps required to enact this program are purchasing the homes, screening and approving applicants, renting the homes for a set amount of time, and then transferring ownership of the home to the participant. The likelihood that this policy will be implemented is low, as it requires significant up-front costs. To evaluate the policy, homeownership rates will be measured through a survey 3 years after the start of the program, which allows a reasonable amount of time for the participant to put money towards owning the home. The target population of the survey is the people who live in the University Neighborhood area, and they will be contacted through 5 different email lists. It is expected that of the 1,500 people on the email lists, 400 people will respond. If homeownership rates increase by 11%, the program will be deemed successful and will continue. If this goal is not reached, the program should not be continued.

POLICY FORMULATION

The homeownership level in the University Neighborhood area is too low. Evidence of this problem can be seen in the trend line graph below, Figure 1, which shows that homeownership in the University Neighborhood area has been declining over the past 5 years.

Figure 1:



Source: Hypothetical

There are a few causes behind this problem. The first, and main cause, is that potential homeowners cannot afford the down payment and mortgage in order to own a home, as many of the potential homeowners do not make enough money for these costs. This can be seen in Figure 2. The second cause is that owning a home is not as attractive to the younger generation, as it ties them down to a certain area. A third cause is that renovation costs for homes in the University Neighborhood, some of which were formally student housing, may be too large for potential homeowners to undertake.

Figure 2:

Participants' Response to "Are You a Renter or Homeowner" by Income (2017)

	Renter	Homeowner	Total	
Yearly Income Below \$30,000 (n=273)		75%	25%	100%
Over \$30,000 (n=114)		37%	63%	100%
Total (n=387)		64%	36%	100%

To ameliorate this problem, the University Neighborhood Preservation Association will develop a rent-to-own program for future homeowners who cannot currently afford to pay a mortgage. The goal of this policy is to increase homeownership in the University Neighborhood area by providing an affordable living option that will let the participants save money to put towards owning the home.

POLICY IMPLEMENTATION

The first step to implementing this policy is for UNPA to buy 4 houses that will be the properties for the rent-to-own program. Next, UNPA will send out applications for potential participants in the program, and then select 4 participants from those who applied. The chosen participants will enter into a contract with UNPA and will have 2 options to pay for the program, with an agreement to buy the home after a set amount of time. The first option will be to pay rent to UNPA for the property at a cheaper rate than what would normally be expected of the home. As the participants are paying a cheaper rate, they save money that will then be put towards owning the home. The second option will be to pay rent to UNPA for the property at a more expensive rate than what would normally be expected of the home. The extra money that is paid in rent will go towards owning the home in the long-term. After the set amount of time, the participant will pay UNPA the necessary costs to own the home and will take full ownership of the home.

Rebecca Shafer Mannion, the Executive Director, along with Khristopher Dodson, President, Brad Hunt, Treasurer, and Steve Harris, Secretary, will be in charge of implementing this program. Brad Hunt will be the main officer in charge of administering this program, as he will monitor the finances of the homes and the participants to make sure the participants are on track to be able to buy the home. Hunt will also be in charge of monitoring UNPA's finances to make sure the program is feasible for UNPA to undertake. Members of the Board of Directors will also be involved in the implementation and execution of the program. The Board of Directors will be interested in this policy, as it will increase home ownership in the University Neighborhood, which is one of the main goals of UNPA. However, the Board of Directors will most likely be opposed to this policy as the upfront costs are significant (the average home price in Syracuse is \$89,900). Campus Hill and University Area Apartments, local landlords who own properties in the University Neighborhood Area, will oppose this program as it plans to increase homeownership rather than rental properties.

This policy is not likely to be passed. The program does not require a new hire to run it, so the administration of the program could be done by current officers of UNPA. However, it does require significant up-front costs to buy the houses. Due to the significant costs to start and maintain the program, UNPA will be against this policy.

POLICY EVALUATION

To measure the impact of the policy, a survey will be designed to measure the homeownership rate in the University Neighborhood 3, 6 and 9 years after the program starts. These time periods were chosen because it is unlikely the homes in the program will be purchased within a time frame shorter than 3 years, as the participant will still likely not have enough money. The survey will ask respondents questions such as “are you a homeowner in the University Neighborhood,” “did you recently move into the University Neighborhood area,” “have you previously heard of, or have you participated in UNPA’s rent-to-own program,” and “what could UNPA do to further increase homeownership in the area.”

The survey will be sent out to the target population to determine home owners versus renters and how the respondents best feel the University Neighborhood area can increase homeownership. The target population for this survey will be the people who live in the University Neighborhood area. The sampling frame for the survey will be 5 email lists that represent the University Neighborhood. The email lists include the Southeast University Neighborhood Association (SEUNA), the Ed Smith elementary school, the Nottingham High School, the Westcott Neighborhood Association and the Thornden Park Association. In total, there are 1,500 people on the email lists who will be sent the survey. The estimated sample size is 400 people. The survey will be sent out every year, for at least 9 years, to determine if homeownership rates are increasing. The biggest threat to the representativeness of the survey is that people who have recently moved into the University Neighborhood area may not be involved with any of the associations that make up the 5 email lists. The biggest threat to the accuracy of the survey is that respondents may not understand what areas are included in the University Neighborhood, so answers regarding homeownership could be inaccurate if the respondent does not live in the area.

The criteria that will be used to determine if the policy should be continued is whether there is an 11% percent change over the first 3 years. 3 years was chosen as the first time period because it is unlikely the participant will have put enough money towards the home to buy it before then.

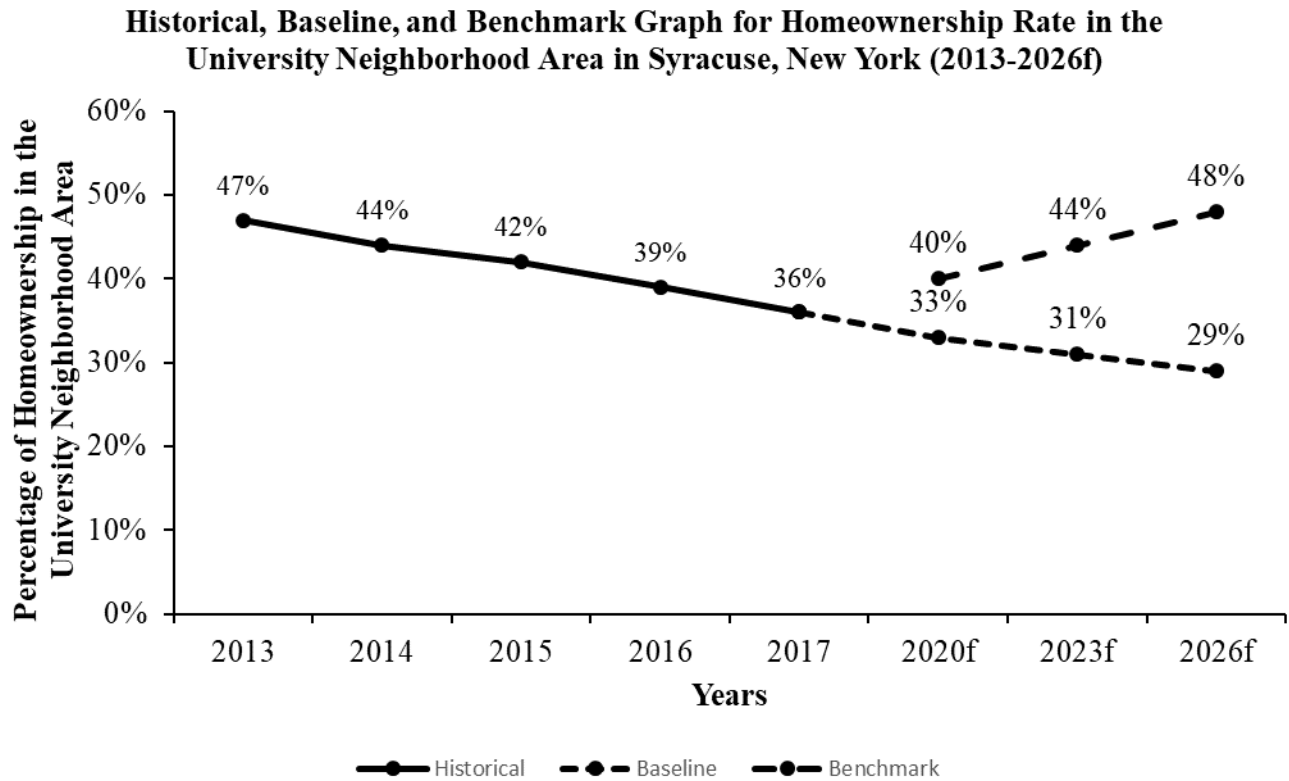
$$\begin{aligned}\text{Percent change} &= [(\text{New figure} - \text{Old figure}) / \text{Old figure}] \times 100 \\ &= [(40-36) / 36] \times 100 \\ &= 11\%\end{aligned}$$

If the goal is not reached, the program should not be continued. The figures for this criteria were determined based on the benchmarks set for the program. If the goal of the benchmarks are reached, the program should be continued as it will have shown that it increases homeownership in the University Neighborhood.

There are three ways the benchmarks for this program could be chosen. The first method the benchmarks could be chosen by is absolute analysis. This method requires choosing an absolute level for the benchmark. For this program, an example of an absolute level benchmark would be “100% of residents living within the University Neighborhood area own their home.” The problem with this benchmark is that it is unrealistic and simplistic, which almost defeats the purpose of benchmarking. The second method the benchmarks could be chosen by is comparative analysis. This method sets benchmarks in comparison to the average. For this program, an example of a comparative analysis benchmark would be “the program will increase homeownership in the University Neighborhood area by 20% more than the Northside neighborhood.” The problem with this benchmark is that it is costly and time consuming to compile the data necessary for a comparison, and it also assumes that the neighborhoods are similar enough to be compared. Third, and the most appropriate method to determining the benchmarks for this specific program, is analysis over time. This method requires setting a goal over time for the benchmark. For this program, an example of an analysis over time benchmark would be an “increase in homeownership in the University Neighborhood by 11% in the next 3 years.” This method of benchmarking is

better than the other methods because it is more credible, as the existing performance is known and it bases the benchmark off of that. The benchmarks that were set are reasonable increases based on the program’s potential success of the initial 4 homes and future homes in the program. The baseline percentages were based on the historical decrease of 2-3% over the last 5 years (2013-2017).

Figure 3:



Source: Hypothetical

STUDYING THE LINK BETWEEN POLICY OUTPUTS AND POLICY OUTCOMES

One major policy output indicator of the policy is the homes rented by UNPA.

One major policy outcome indicator of the policy is whether or not the participants become owners of the home.

It would be difficult to determine whether or not the policy output has the intended impact on the policy outcome. The first issue is data problems. The survey could possibly be sent to people who do not live in the University Neighborhood, which would create false data regarding homeownership rates in the Neighborhood. Also, residents who have recently moved into the Neighborhood may not be on any of the email lists, so they would not be able to answer the survey and give accurate information regarding the homeownership rate. Due to these reasons, the data may not be completely accurate. The second issue is that it will be difficult to prove if the rent-to-own program contributes to an increase in homeownership due to outside factors. These confounding variables include possible tax breaks or raises, income increases or decreases, and other government policies that could impact the housing apartment. Also, an increase in student-specific apartments could draw students out of the University Neighborhood and open up homes to potential homeowners.

DECIDING WHAT TO BENCHMARK

UNPA offers a Homebuyers Assistance Program, which provides grants and loans to improve homes in the University Neighborhood. Approved applicants must buy property in the UNPA target area, and will own and occupy the property for 10 years.

1. Monetary cost of the program – The monetary cost for this program includes the required funds for the program. It does not include the staff required to run the program, as staff are volunteer-based. It would be feasible for UNPA to benchmark the monetary cost of this program, as it provides the same range of funds to each participant, and the funds come from Ordinance 553, described below, only increasing to reflect the Consumer Price Index. However, it would not be useful to benchmark the monetary cost because the monetary cost comes from an outside source, so UNPA is only responsible for distributing the funds that it receives.
2. Workload of the agency for the program – The workload of this program is simply the workload required by the UNPA member to process applications and distribute funds. It would be feasible to benchmark the workload that an employee does, as a set number of applications and funds distributed could be determined. It would be useful to benchmark the workload, as UNPA can determine if it is doing too much or too little work with the program.
3. The effectiveness of the agency's program – The effectiveness, or impact, of the program would be determined by whether or not homeowner rates increase due to the financial assistance. Determining the effectiveness would not be as feasible, as it involves data collection from residents in the University Neighborhood, which requires more work and money. However, it would be very useful to benchmark the effectiveness of the program, as it would determine if the program is accomplishing its goals and if it should be continued or not.
4. The efficiency of the agency's program – The efficiency of the program relates the monetary cost of the program to the workload of the agency required to execute the program. The efficiency would be feasible to benchmark because the monetary and workload costs are easily calculated. It would be useful to benchmark the efficiency of the program because if the program is determined to be inefficient, UNPA might decide to alter or terminate the program.

The most important area to benchmark is the effectiveness of UNPA's program. The program provides monetary grants and loans to homeowners, which are provided by Ordinance 553. This ordinance is an agreement between the City of Syracuse and Syracuse University, and requires Syracuse University to pay an annual fee to fund services addressing students' impact on surrounding neighborhoods. Therefore, the monetary cost of this program is of little significance to UNPA. The workload for the program is only processing applications and distributing funds, so this is not as important. The efficiency is important to determine if the workload and monetary costs are comparable. Effectiveness, however, is the most important to benchmark because it determines if the program is accomplishing its initial goals. If the program is not effective and does not increase homeownership rates in the University Neighborhood, it should either be terminated or changed to provide more assistance to increase homeownership in the area.