

.....
Date July 17, 2023

**RECEIVE AND FILE REPORT BY CZB LLC REGARDING STATUS OF
CITY NEIGHBORHOOD REVITALIZATION EFFORTS**

WHEREAS, the Neighborhood Revitalization Program (NRP) was created by the City of Des Moines and the Polk County Board of Supervisors in 1990 to help stabilize and improve Des Moines' neighborhoods; and

WHEREAS, in 2005, the NRP program was evaluated by The Wisconsin Housing Partnership and Stockard Engler Brigham LLC, and recommendations were made to expand the concept of "revitalization" to include investing in Des Moines' residents as well as in housing and infrastructure, resulting in applicable changes to the NRP at that time; and

WHEREAS, on June 26, 2017 by Roll Call No. 17-1066, the City hired czbLLC to assess the effectiveness of the NRP's efforts from 2005-2017, analyze current neighborhood conditions, and in response, develop an updated framework for neighborhood planning and revitalization work; and

WHEREAS, on June 25, 2018, by Roll Call No. 18-1099, City Council received and filed the final report from czbLLC, entitled "Neighborhood Revitalization Planning Program Review", which contains findings of an evaluation of the effectiveness of the Neighborhood Revitalization Program, an analysis of current conditions in Des Moines' neighborhoods, tools to assist the City with effective strategy development, and recommendations for next steps related to policy, funding, allocation of scarce resources, and organizational structure; and

WHEREAS, on September 24, 2018, City Council directed staff to redesign the Neighborhood Revitalization Program, based on recommendations outlined in a report from consulting firm czbLLC titled Neighborhood Revitalization Planning Program Review. The Council also selected four pilot areas called Special Investment Districts (SIDs) in Drake, Franklin, Highland Park-Oak Park and Columbus Park areas. The plans for these areas were completed in early 2019; and

WHEREAS, on June 24, 2019, by Roll Call No. 19-1048, the City Council approved a resolution authorizing the creation of Invest DSM, Inc., an independent non-profit 501c3 corporation, to coordinate the implementation of City-adopted SID plans for the purposes of neighborhood revitalization; and

WHEREAS, on August 19, 2019, by Roll Call No. 19-1346, the City Council approved a Chapter 28E Agreement by and between the City, Polk County and Invest DSM, Inc. to facilitate the amount and use of funding provided by the City and County to Invest DSM from August 1, 2019 until July 31, 2022 for operating expenses and program and project activities associated with Revitalization Plan implementation; and

WHEREAS, on February 21, 2022, by Roll Call No. 22-0244, the City Council approved a new and updated Chapter 28E Agreement by and between the City, Polk County and Invest DSM, Inc. to continue



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implementation of revitalization plans for SIDs designated by Invest DSM, Inc. Board of Directors and approved by the City Council, along with other terms included in the Agreement regarding funding, representation and timelines from August 1, 2022 until July 31, 2027; and

WHEREAS, the City of Des Moines has continued City-wide efforts through various tools and programs to complement the ongoing SID work, including strengthening its existing programs and exploring new tools for neighborhood improvement that include but are not limited to Blighted Property Rehabilitation (BPR), Improving Our Neighborhoods (ION), City-wide block challenge grant, Blitz on Blight (BoB) and federal funding programs like HOME and CDBG; and

WHEREAS, in 2022, the City decided to evaluate these ongoing efforts City-wide and within the SIDs to identify any needed recalibration of strategies, and on December 1, 2022, the City Manager accepted a proposal from czbLLC and approved the Agreement for Professional Services by and between the City of Des Moines, Iowa and czbLLC, to evaluate neighborhood change, assess market conditions, provide a status report on changes, make determinations, if possible, on the efficacy of Invest DSM’s early work, and offer recommendations as appropriate; and

WHEREAS, the final status report, entitled “Status Report on Neighborhood Revitalization Efforts, 2018 – 2023”, submitted by czbLLC, contains findings and potential recommendations for moving forward.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Des Moines, Iowa, that the attached report “Status Report on Neighborhood Revitalization Efforts, 2018 – 2023” from czbLLC is hereby received and filed.

(Council Communication No. 23-350)

MOVED BY _____ TO ADOPT.

SECOND BY _____.

APPROVED AS TO FORM:

/s/ Chas M. Cahill
Chas M. Cahill
Assistant City Attorney

 **Roll Call Number**

.....

Agenda Item Number

46

Date July 17, 2023

COUNCIL ACTION	YEAS	NAYS	PASS	ABSENT
COWNIE				
BOESEN				
GATTO				
SHEUMAKER				
MANDELBAUM				
VOSS				
WESTERGAARD				
TOTAL				

MOTION CARRIED

APPROVED

Mayor

CERTIFICATE

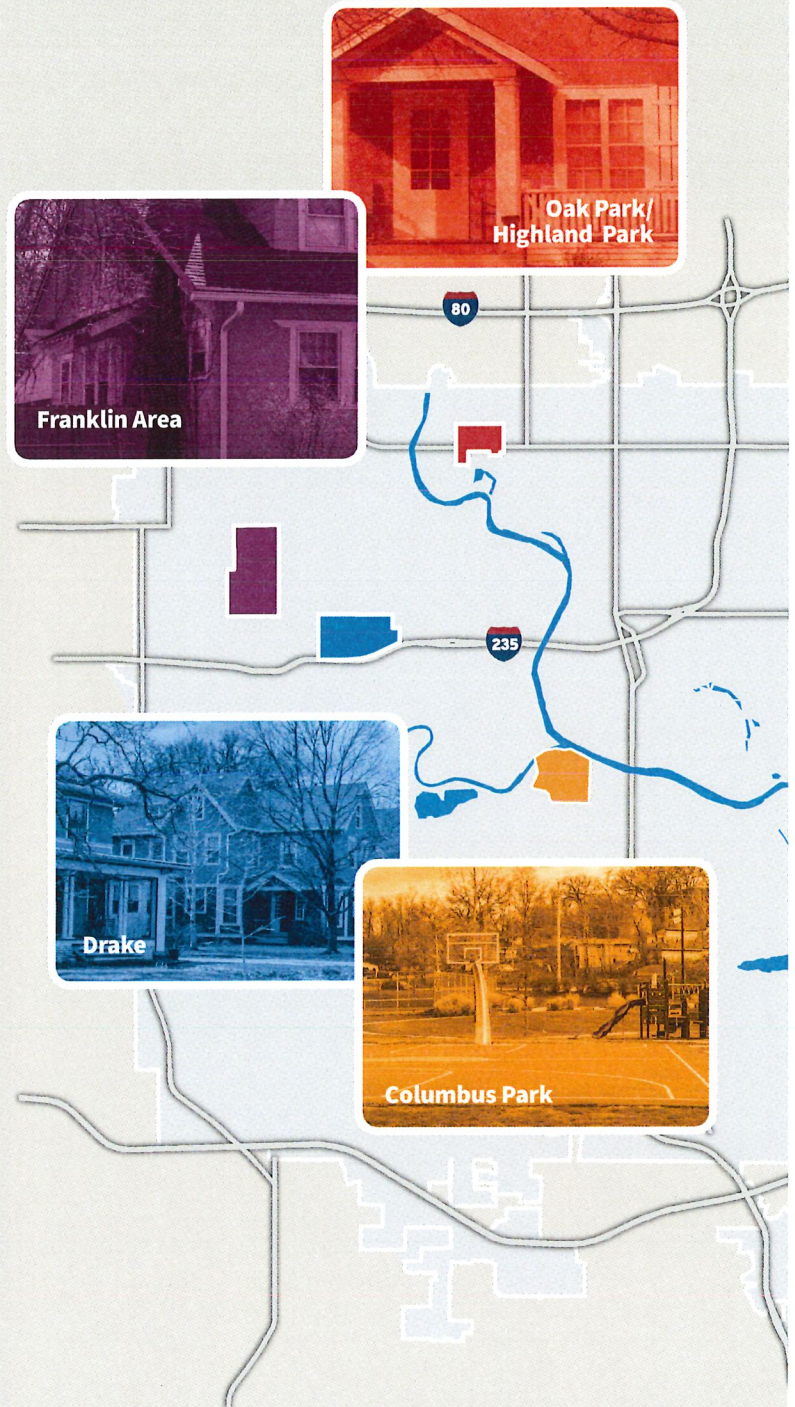
I, Laura Baumgartner, City Clerk of said City hereby certify that at a meeting of the City Council of said City of Des Moines, held on the above date, among other proceedings the above was adopted.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal the day and year first above written.

City Clerk

Status Report on Neighborhood Revitalization Efforts, 2018-2023

City of Des Moines
May 2023



Prepared by
czbLLC

Acknowledgements

The following people have been instrumental in neighborhood revitalization efforts in Des Moines during the years covered in this status report:

Des Moines City Council 2018

T.M. Franklin Cownie, *Mayor*
Chris Coleman, *At-Large*
Connie Boesen, *At-Large*
Bill Gray, *Ward I*
Linda Westergaard, *Ward II*
Josh Mandelbaum, *Ward III*
Joe Gatto, *Ward IV*

Des Moines City Council 2023

T.M. Franklin Cownie, *Mayor*
Connie Boesen, *At-Large*
Carl Voss, *At-Large*
Indira Sheumaker, *Ward I*
Linda Westergaard, *Ward II*
Josh Mandelbaum, *Ward III*
Joe Gatto, *Ward IV*

Polk County Board of Supervisors 2018 and 2023

Matt McCoy, *District 1*
Robert Brownell, *District 2*
Steve Van Oort, *District 3*
Tom Hockensmith, *District 4*
Angela Connolly, *District 5*

Des Moines City Staff

Scott Sanders, *City Manager*
Matt Andersen, *Deputy City Manager*
Chris Johansen, *Director of Neighborhood Services*
Mike Ludwig, *Interim Director of Development Services*
Kyle Larson, *Senior Planner*
Anuprit J. Minhas, *Senior Planner*
Laura Peters, *former Senior Planner*
Phil Delafield, *Community Development Director and Assistant City Manager, Retired*
Erin Olson-Douglas, *Former Director of Development Services*

Invest DSM Board and Staff

Board

Connie Boesen, *Des Moines City Council, At-Large*
John Cacciatore, *PolicyWorks*
Angela Connolly, *Polk County Supervisor*
Jennifer Cooper, *Banker's Trust*
T.M. Franklin Cownie, *Mayor of Des Moines*
Tom Hockensmith, *Polk County Supervisor*
Matt McCoy, *Polk County Supervisor*
Angie Pfannkuch, *Sidekick Development*
Carl Voss, *Des Moines City Council, At-Large*

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Jake Ross, *Construction Specialist*
Matthew Brandt, *Construction Specialist*
Amanda Schlotterback, *Administrative Assistant*

With deep gratitude to the 2022-2023 property conditions survey team:

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Matthew Smith
Ross Halligan
Kailyn Hogan
Kristen Hoss

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Executive Summary

In 2018, czb reviewed neighborhood revitalization programming in the City of Des Moines and recommended a strategic pivot focused on prioritizing middle neighborhoods. With limited resources and a need to prioritize efforts, czb recommended that middle neighborhoods become the first focus, because they were both at-risk and yet also recoverable.

In 2019, the City of Des Moines and Polk County jointly established and funded Invest DSM, a neighborhood revitalization organization designed to strengthen the market in middle neighborhoods by developing and deploying programs and financial products to build resident confidence. Invest DSM substantively began work in early 2020.



In late 2022, the City commissioned czb to quickly assess market conditions, provide a status report on changes, make determinations, if possible, on the efficacy of Invest DSM's early work, and offer recommendations as appropriate.

Key findings included:

Des Moines saw improvement after 2018, but remained in a similar position relative to its regional neighbors.

A key finding of the 2018 strategy was the city's relative market weakness within the broader region. Between 2017 and 2022, Des Moines experienced positive growth in population, households, the number of residents with four-year college degrees, housing values, and household incomes. But in nearly all cases, these rates of positive change were met or exceeded by suburban competitor communities, and Des Moines remains behind suburban communities on a handful of key metrics.

There were important improvements in Des Moines, but the relative hierarchy of neighborhoods remains unchanged.

Citywide, average sale prices increased by about 50% between 2017 and 2022, and assessments increased by 20%. Although the neighborhoods with the softest markets in 2018 experienced the largest gains in both, the rank order of neighborhoods remained the same as in the 2018 analysis. Likewise, a citywide survey of exterior residential property conditions showed that 2023 conditions overall were better than those recorded in 2018, but conditions continued to reflect the hierarchy established in earlier years.

The City has grown its neighborhood toolkit and continues to do so.

The City of Des Moines has more tools than just Invest DSM. Its ability to work across neighborhoods of different market strengths has included nuisance property and demolition tools for some time, and now has been augmented by programs such as Citywide Block Challenge, Improving Our Neighborhoods (ION), and Blitz on Blight. Increasing and honing the tools for working in different areas will be critical for building future market health citywide.

It is generally too early to judge Invest DSM, but early results suggest the efforts are having the intended effects.

In the four Special Invest Districts (SIDs) where the organization has been working, average sale prices of a single-family house generally met or exceeded the citywide rate of increase, as well as the rate of increase for like neighborhoods. Assessment growth generally matched the citywide rate of increase. Property conditions in the SIDs demonstrably improved and investment activity and leverage ratios in the Franklin and Drake SIDs reflect growing property owner excitement about making substantial investments.

czb recommends the following for consideration by the City of Des Moines, Invest DSM, and other partners that may be involved in neighborhood work in the coming years:

Stay the Course in Columbus Park and Oak Park/Highland Park, but Pivot as Needed.

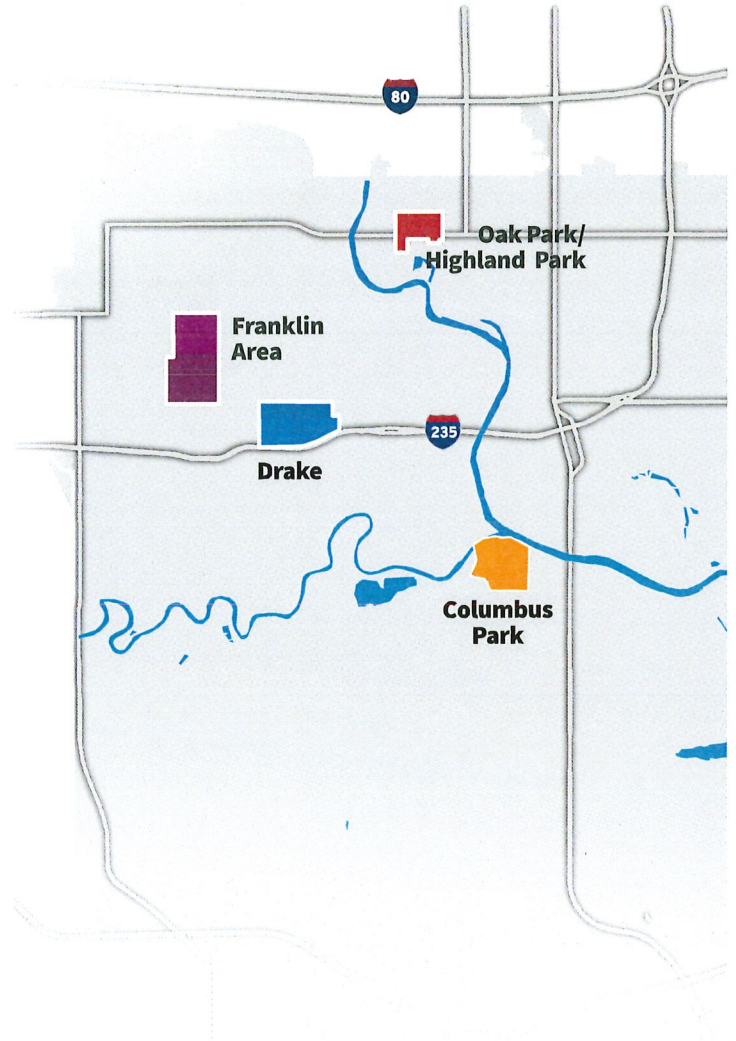
Columbus Park and Oak Park/Highland Park SIDs have softer markets than Franklin and Drake, with different constraints and opportunities. The plans for these areas always accounted for the longer duration required before revitalization goals would be met. Invest DSM should maintain its focus in Columbus Park and Oak Park/Highland Park but use its lessons learned to make adjustments to its approach where necessary.

Expand Drake SID for Bigger Impact.

Invest DSM is positioned to expand the Drake SID and offer its current suite of programming and products in a larger area without undue strain on financial and staff resources. As such, it should expand the boundary westward to the vicinity of 42nd Street, staying between I-235 on the south and University on the north.

Begin Preparations for Franklin SID Transition.

The Franklin SID has been quickly successful and may soon be ready to sustain that market success without Invest DSM help. With other needs in the city, Invest DSM should begin setting conditions for a gradual transition out of Franklin.



Develop New SID “Quick Win” Approach.

With a transition plan in the works for Franklin, planning should begin for a new SID location, and future new locations should be modeled on the Franklin model of rapid success and transition. With this model in place, and by choosing the right areas, Invest DSM can maximize the number of neighborhoods it is able to impact over time.

Continue Implementation of 2018 Strategy with Focus on Strongest and Softest Neighborhoods.

The 2018 strategy was clear that each type of neighborhood—soft, middle, strong—had their own needs, their own part to play in citywide market health, and their own interventions for improvement. The City has done some important work in neighborhoods beyond the middle, but there is more to be done, including pursuit of inclusionary outcomes in the strongest neighborhoods and continued stabilization work in the most distressed.

Background and Introduction

Unacceptable status quo prompted City of Des Moines to chart a new path for neighborhood revitalization.



In 2017, the City of Des Moines solicited proposals from consultants to review the City’s neighborhood revitalization efforts as they had been undertaken since the early 1990s. czb was selected to study past strategy and programming and make recommendations about whether and how neighborhood revitalization should be practiced differently in Des Moines.

In summary, the 2018 review found the following:

The City’s approach had notable successes, including:

There were a number of **capable neighborhood associations** in the community with firm ties to city government.

Many neighborhoods had **clear identities**.

City staff in planning and community development roles who worked on neighborhood issues had **strong technical capacity**.

Partner organizations like Neighborhood Finance Corp. (NFC) and Neighborhood Development Corp. (NDC) were **sophisticated and able to operate at a meaningful scale**.

However, a number of challenges also existed:

The growth and strengthening of suburban communities had continued since the early 1990s and the **City of Des Moines had continued to lose competitive ground** in the region.

Longstanding concentrations of poverty in neighborhoods in too many parts of the city, especially areas north and east of Downtown, had not been alleviated.

The city’s **taxable real estate was not valuable enough** to close a structural deficit in paying for public services.

Physical neighborhood conditions were clearly and demonstrably below an acceptable standard across too much of the city.

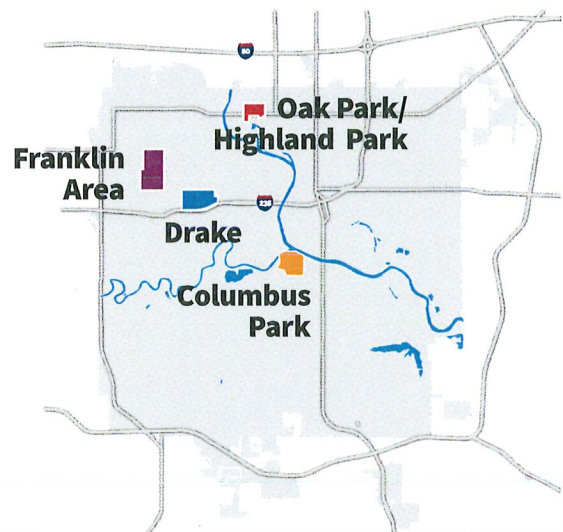
Public and nonprofit **investment of time and money in the city’s most distressed neighborhoods had not shown clear signs of either strengthening the market or alleviating poverty**.

As a result of these findings, and in recognition of the City's fiscal imperative to build demand in its neighborhoods and increase the value of residential real estate, czb worked with senior City Staff and the Des Moines City Council to jointly assess trends and conditions, to come to a determination to try something different, and to forge a new path forward. This new path forward would be focused first on the city's "middle neighborhoods," or those that were vulnerable but recoverable. The strategy was premised on the twin ideas that 1) Des Moines could not afford to allow even moderately healthy neighborhoods to decline (nor could it take for granted that they wouldn't) and 2) that those same neighborhoods in fact offered high leverage opportunities because they were not significantly distressed and their recovery therefore not nearly as lengthy and expensive as might be the case elsewhere.

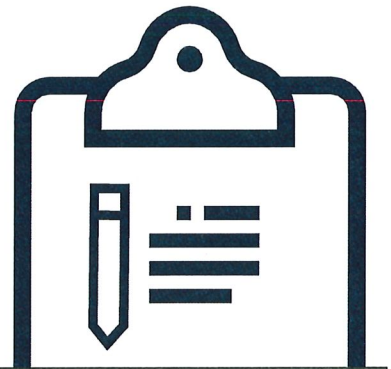
In 2019, the approach ultimately led to the creation of the special purpose entity, Invest DSM, jointly supported by the City of Des Moines and Polk County to implement a middle neighborhoods revitalization approach that would be new, entrepreneurial, and experimental. It operated on similar principles to those that had guided the successful revitalization of Downtown: spatially limited, sufficiently resourced, and patient. Its first four target areas, termed Special Investment Districts (SID), were Franklin, Drake, Oak Park/Highland Park, and Columbus Park. Invest DSM's work commenced in early 2020 just as the Covid-19 pandemic began.

In late 2022, the City commissioned this Status Report to quickly assess any important changes in regional and local market conditions, as well as the early efforts of Invest DSM and results in the four SIDs. The purpose of this report is to inform discussions of adjusted or new neighborhood improvement efforts that might be considered in the coming years.

2019



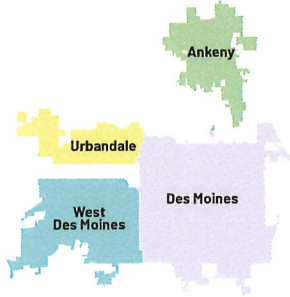
2022



Changes Within the Des Moines Region

Des Moines is improving but still running behind its regional competition.

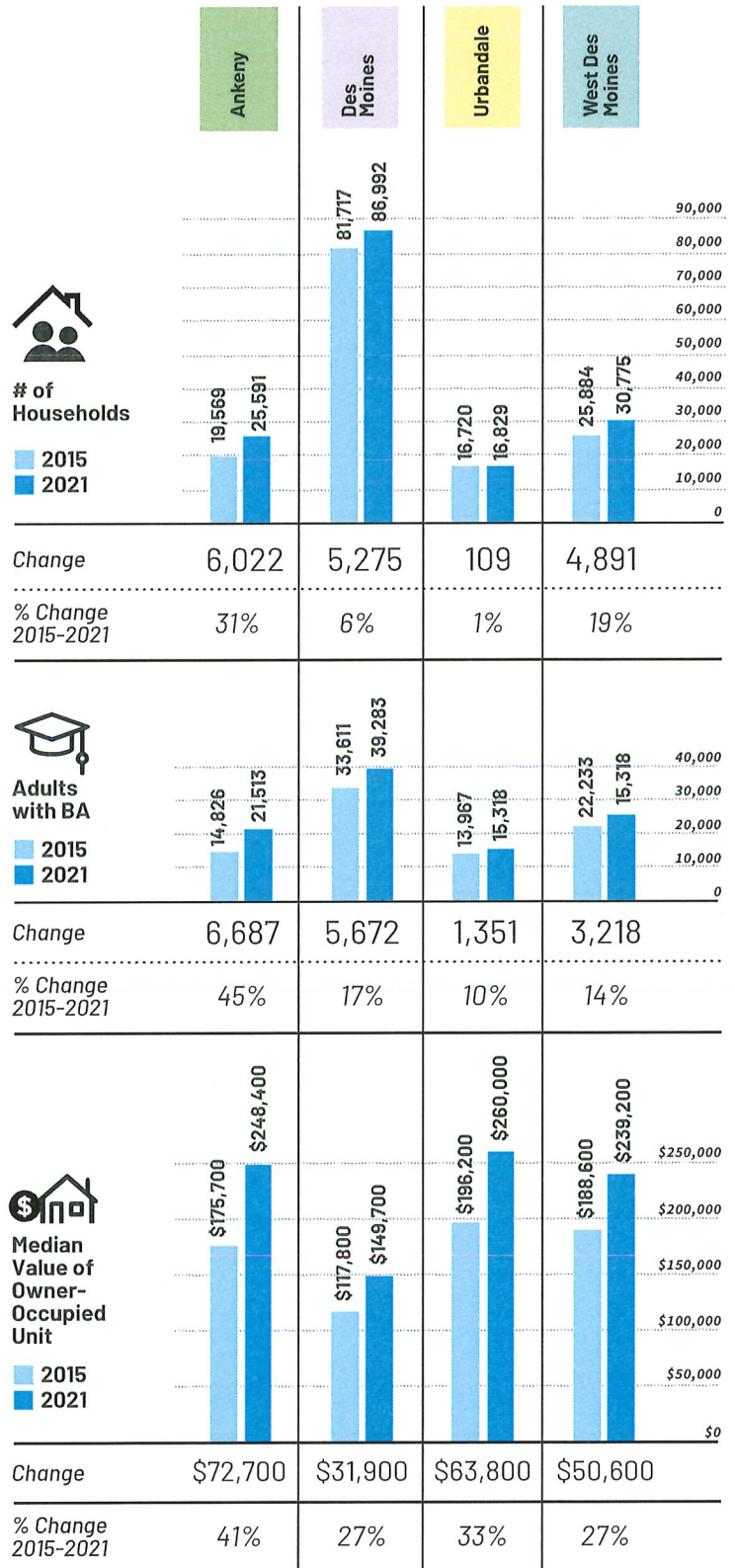
A review of selected indicators shows that Des Moines still lags its neighbors in the region on important fronts. The 2018 Neighborhood Revitalization Planning Program Review used 2011-2015 American Community Survey (ACS) five-year estimates as its most recent data source. The figures provided here compare that data to the most recent version, which is the ACS 2017-2021 five-year estimates. Selected suburban communities offer a chance for specific community-to-community comparisons, while also acting as proxies for the broader metro area. (Comparison to the metropolitan statistical area (MSA) would be ideal, but the federal Office of Management and Budget changed the counties in the MSA during the period in question, making certain comparisons impossible.)



Households: Des Moines remains the single-largest jurisdiction in the region, and added households between 2015 and 2021. Its rate of household growth was higher than Urbandale's though Ankeny and West Des Moines increased their number of households at a higher rate. Ankeny in particular is a city that continues to add new housing units at a substantial pace, making it easier to grow its number of households.

Adults with Four-Year Degrees: College degree attainment is an important indicator of market strength, both in absolute numbers and in proportion. Des Moines outperformed both Urbandale and West Des Moines in its increase in the number of adults aged 25 or older with a four-year college degree. Ankeny, however, was a stronger magnet for college graduates during this period than Des Moines.

Median Value of Owner-Occupied Units: The increase in the median value of owner-occupied units was somewhat similar across the selected communities. Des Moines matched the rate of increase in West Des Moines, but lagged Urbandale and Ankeny. No doubt Ankeny's addition of newly built units contributed to its substantial increase in median value. The takeaway, however, is that the median value in Des Moines reflects a relatively lower level of demand compared to suburban neighbors.

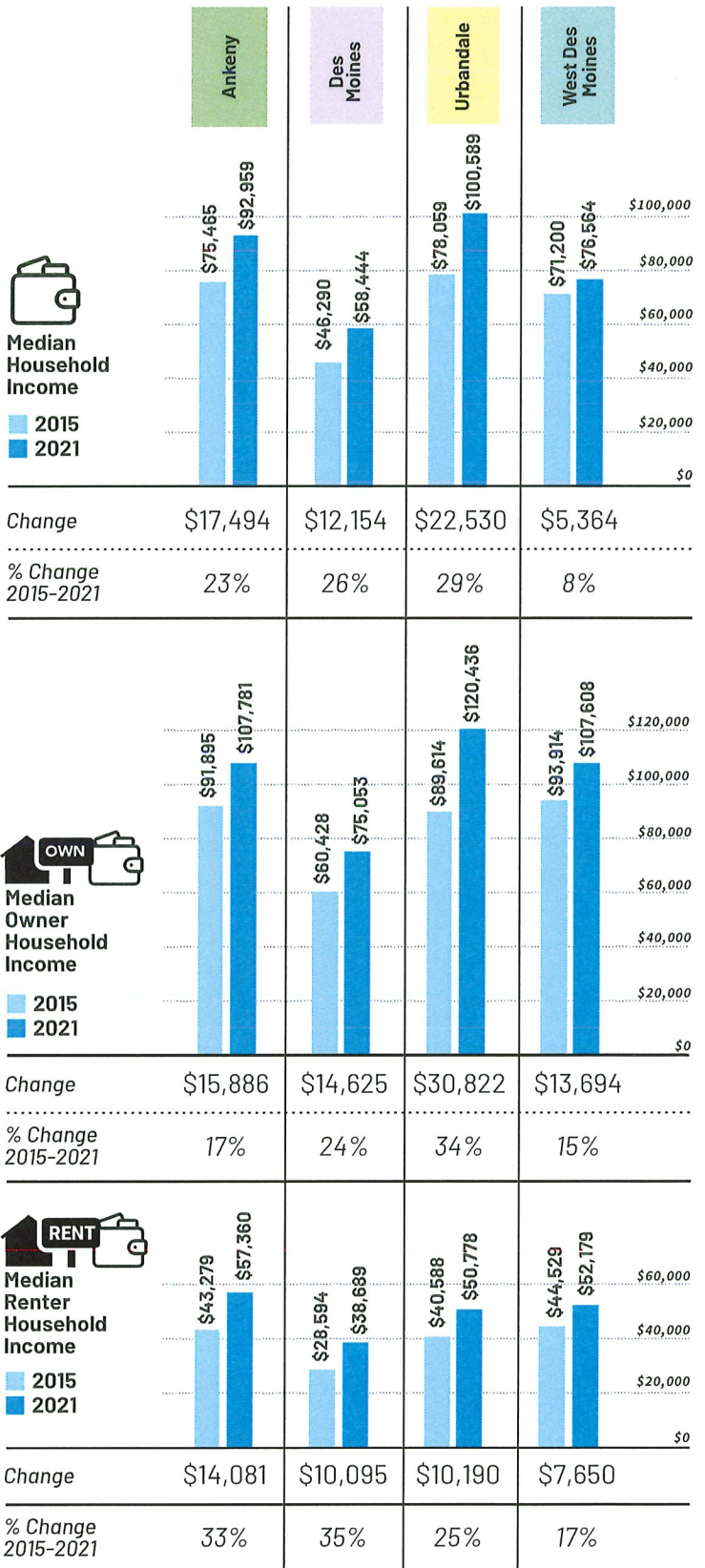


Source: American Community Survey Five-Year Estimates

Median Household Income: The median household income in Des Moines increased in line with those in Ankeny and Urbandale, all of which greatly exceed the increase in West Des Moines. This is a positive for Des Moines in terms of not losing ground, but the median household income of \$58,444 is still far behind other communities and too low for the city to be a strong market.

Median Owner-Occupied Household Income: The median owner household in Des Moines experienced an increase in income that exceeded the rate of increase in Ankeny and West Des Moines. This represents critical forward progress for the city's market health, but the median owner incomes of regional neighbors are still much higher than in Des Moines.

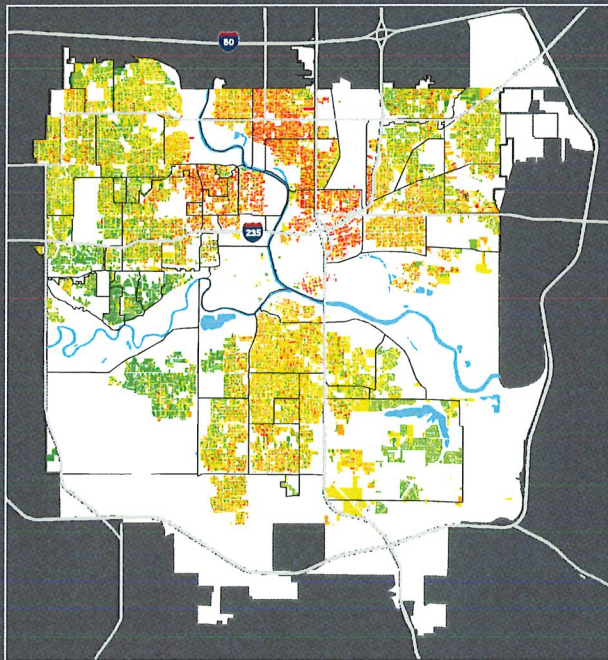
Median Renter-Occupied Household Income: The median renter household income in Des Moines grew at a higher rate than any of the comparison communities. The median renter incomes in Des Moines still remains below \$40,000 per year, however, and is the lowest amongst the comparison communities.



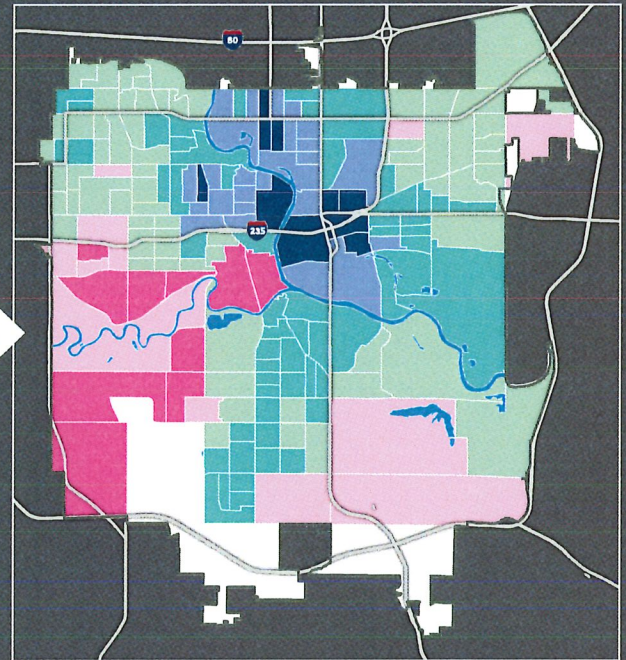
Source: American Community Survey Five-Year Estimates

Changes Within Des Moines

Residential property conditions reveal a geography of demand that still persists five years later.



© czbLLC



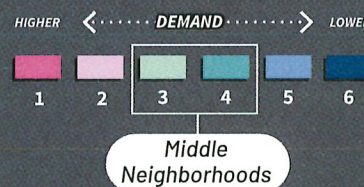
© czbLLC

Des Moines Field Survey Scores



Property Conditions of Residential Structures by Parcel (2017)
Source: Field Survey Completed by czb and Neighborhood Development Division Staff

Des Moines Neighborhood Types

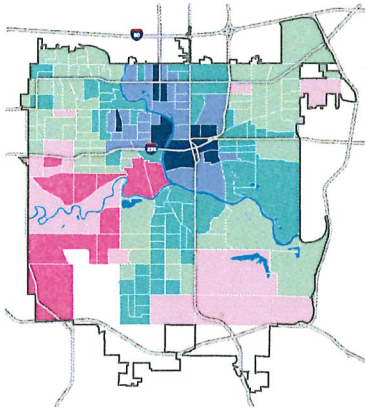


In 2017, every residential structure in Des Moines was assessed and given a score for its condition.

This data (left) correlated with every other data point examined during the review, including assessed values, sale prices, code violations, and others. The property condition scores became an important teaching, decision making, and strategy making tool.

The condition scores, aggregated and averaged up to the Census block group level (right), helped illustrate the different market conditions in the city and shaped a new understanding of what kind of work needed to be done where.

The average scores of the block groups ultimately presented six distinct neighborhood types, reflecting different levels of market strength.

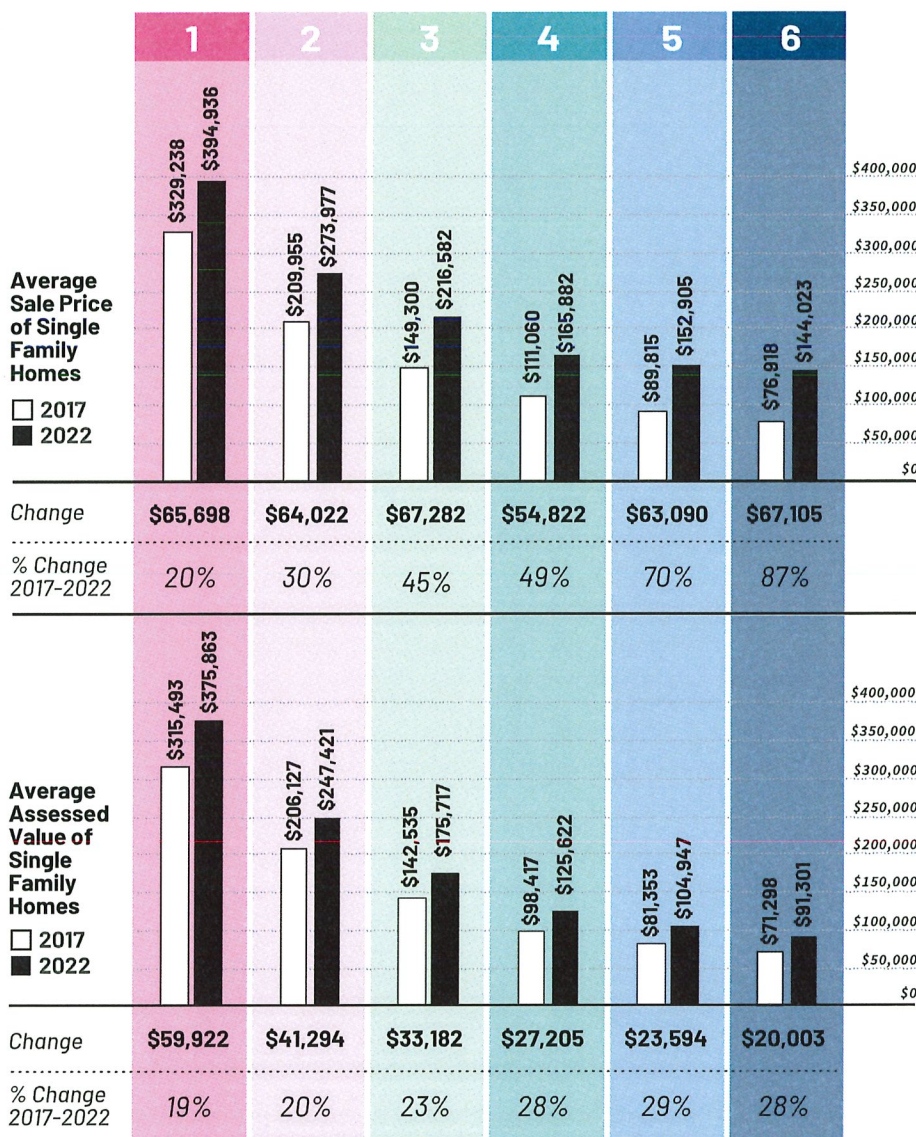


Despite differing rates of increase in sales prices and assessment, the demand hierarchy remains intact.

Analysis of sales and assessment data for single-family houses over the five year period 2017-2022 illustrates the hierarchy of neighborhoods by demand. The neighborhood types, ordered by their relative housing demand from strongest to weakest, maintained their positions in 2022. While weaker demand areas performed better than stronger areas on a percentage basis, it was not enough to upset the order.

Des Moines Neighborhood Types

HIGHER ← DEMAND → LOWER



Source: czb analysis of data from City of Des Moines and Multiple Listing Service

Sales

Between 2017 and 2022, the city's average sale price increased by 51%. The neighborhoods that performed better on a percentage basis had the lowest 2017 average prices, and the neighborhoods that performed worse on a percentage basis had the highest 2017 average prices. This is a common pattern and should not be taken as evidence that softer neighborhoods are durably strengthening. Lower priced areas start from a lower base, meaning the percentage increases can easily appear large. Soft demand neighborhoods are also prone to frenzies of investor activity that boost sales volume and prices but do not strengthen the neighborhood.

Assessments

Assessments generally lag sales. Citywide, assessments increased just over 20%, on average, during the five year period. Softer neighborhoods generally outperformed the citywide increase while stronger neighborhoods generally underperformed. This mimics the sales pattern, as would be expected.

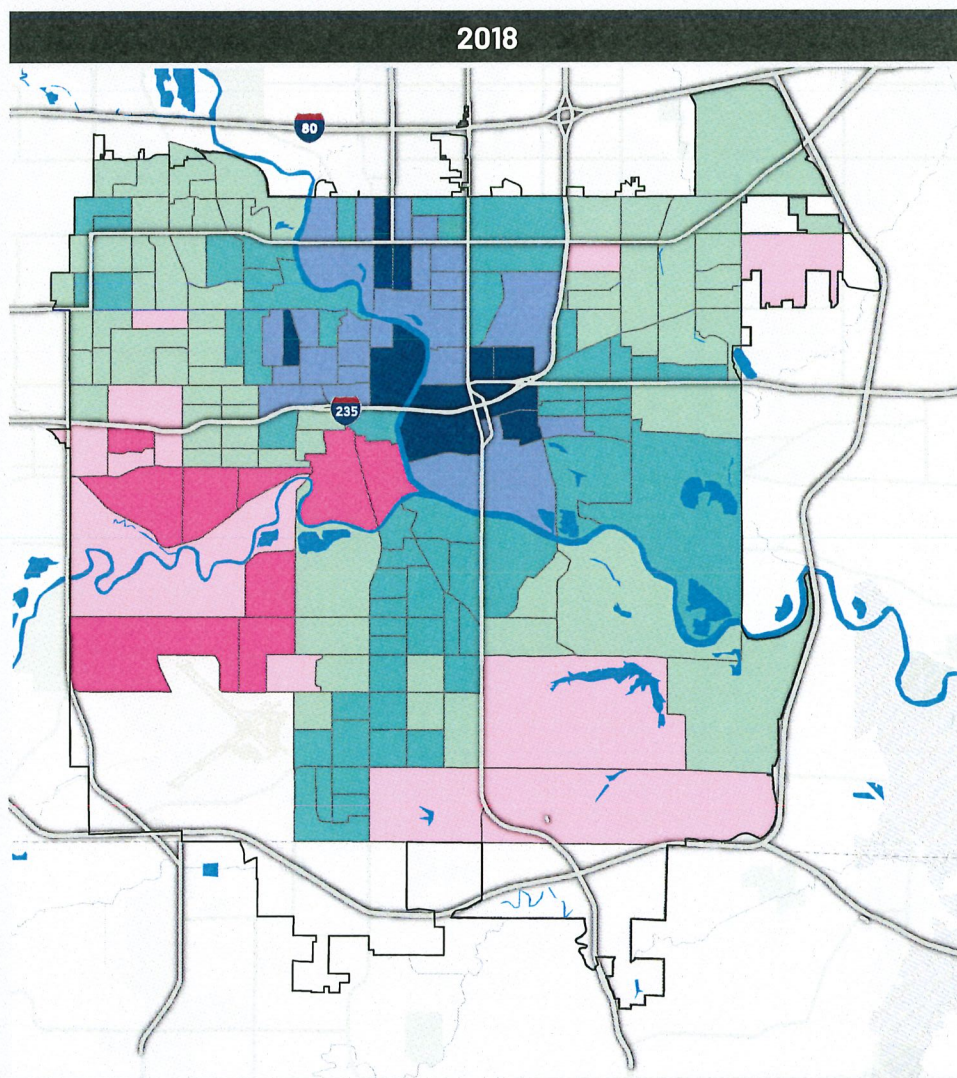
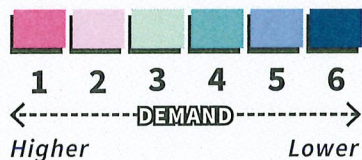
Updated property conditions assessment reveals changes across the city.

In 2018, the demand typology, built from the property conditions assessment, showed clear patterns across Des Moines. The map below, from 2018, uses Census block group boundaries to show variation across the city's geography.

Property conditions were best, and demand highest, in the city's western end, centered along Ingersoll Avenue and Grand Avenue. Conditions and levels of demand were lowest in the areas north and east of Downtown. The areas that could be called "middle neighborhoods" were found south of the river, and in the northeast and northwest parts of the city, beyond the soft demand areas ringing Downtown.

In 2022 and 2023, a new property conditions assessment was completed. Overall, conditions across the city appear to have improved somewhat. At the block group scale, small improvements can tip an area into the next category. Because property

Des Moines Neighborhood Types by Block Groups

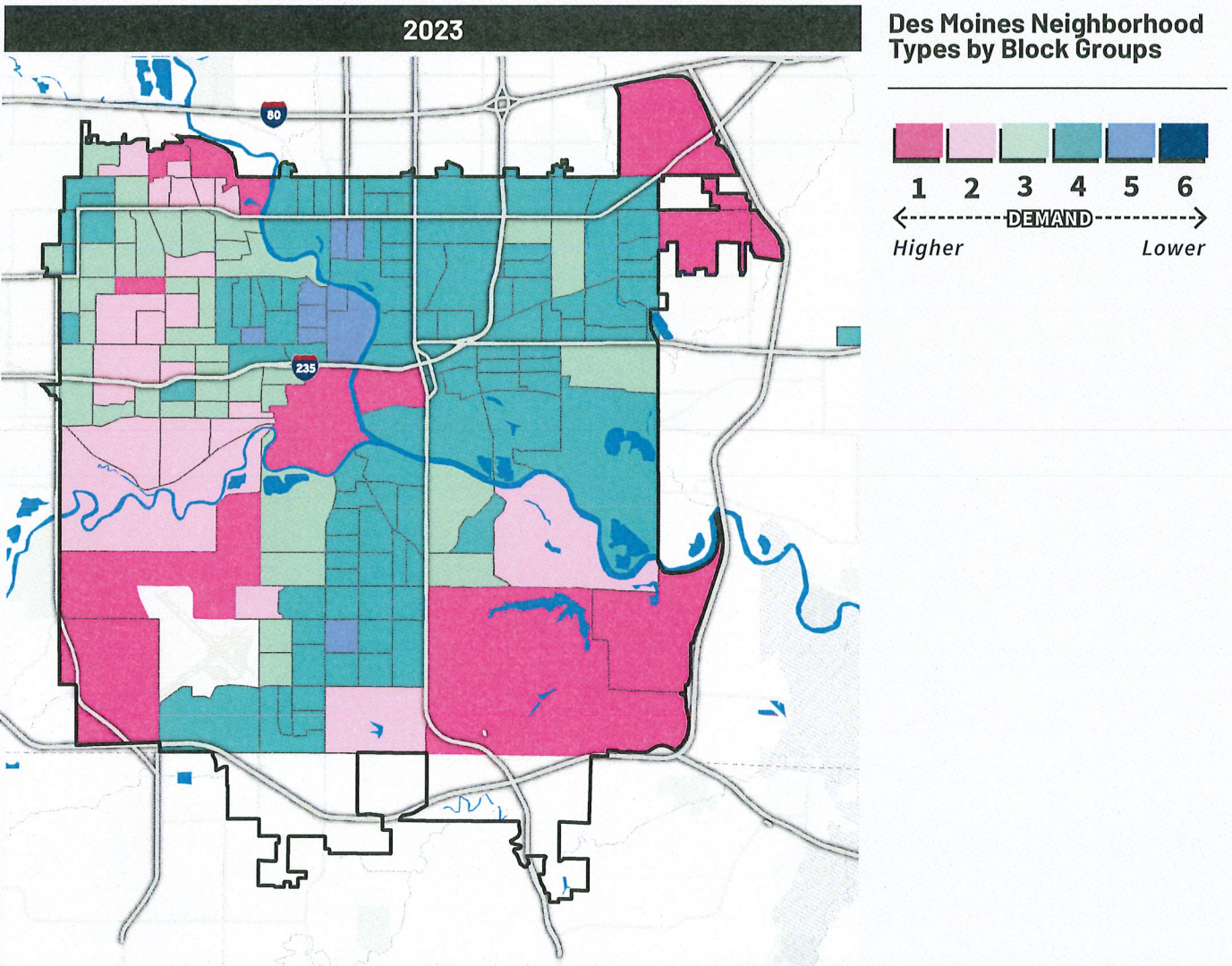


Source: czb

conditions generally trended in a positive direction, any movement of a block group from one demand category into another was also generally in the positive direction. This was most notable in two types of cases.

First, areas of only a small number of residential properties that experienced new construction saw their averages change, and thus their demand categories also changed. Examples include the block group covering the East Village, which now includes new residences on the northern edge, and block groups on the northeast, southwest, and southeast corners of the city where new houses have been built.

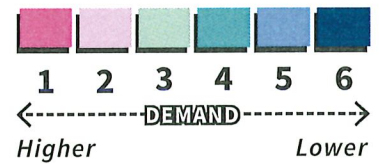
Second are those areas where distressed properties dragged down the averages in 2018, and where rehabs or demolition of those properties therefore made a substantial difference in the block group average. The best examples are neighborhoods east and north of downtown. The decrease in the number of visibly distressed properties in the softest neighborhoods means that there is no longer a justification for the sixth and lowest demand category.



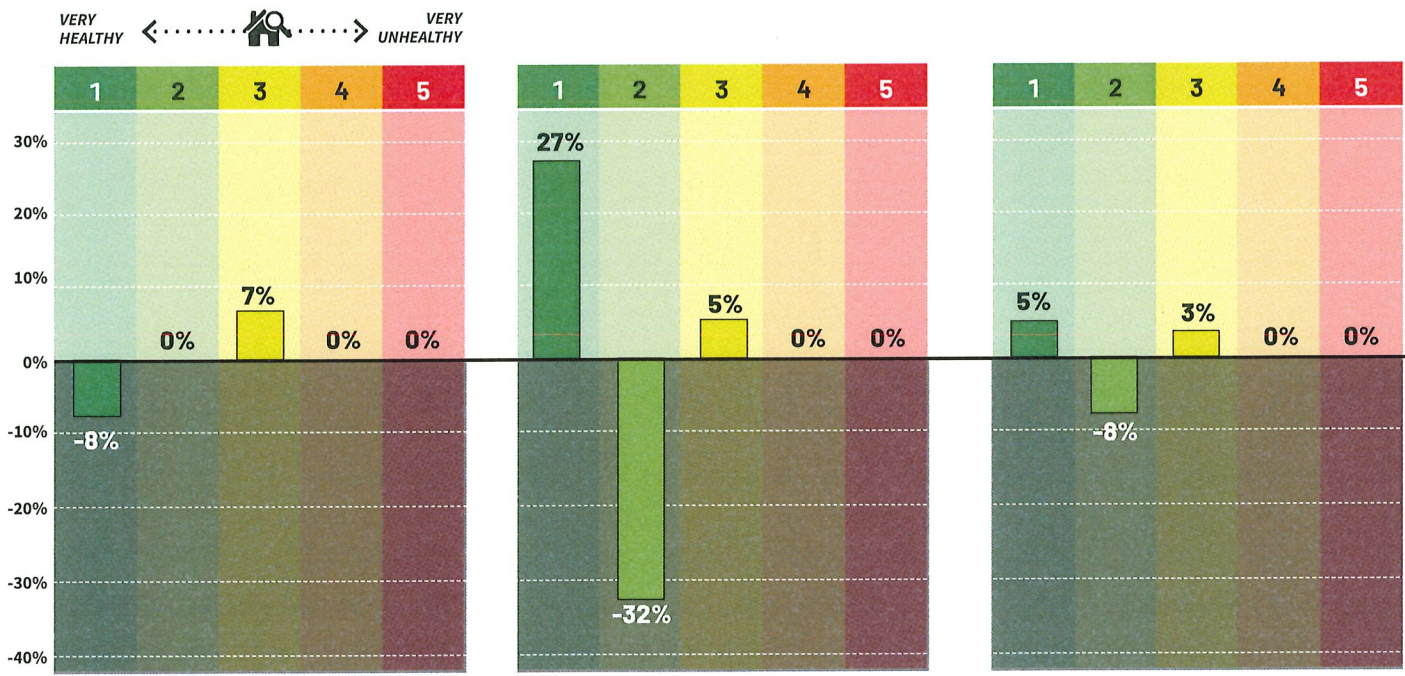
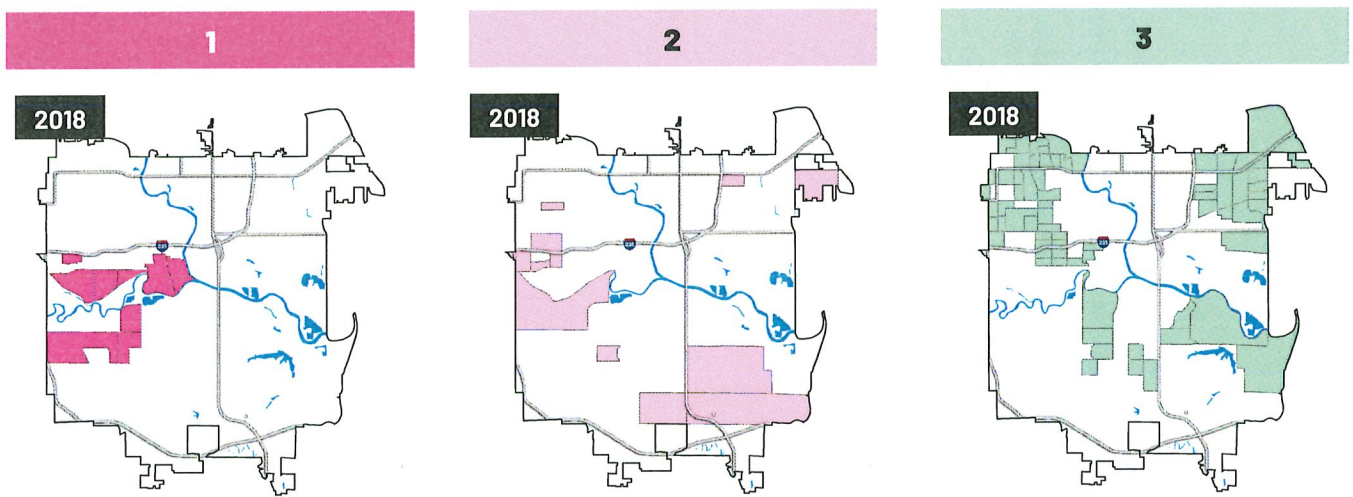
Source: czb

Physical property conditions improved in most neighborhood types between 2018 and 2023.

Most neighborhood types saw improvement in property conditions, but the nature of the improvement varied. The general trend in the three strongest demand geographies was a movement from average conditions to above average conditions, suggesting these neighborhoods experienced increased investment by property owners in ways visible from the street. An exception is the strongest neighborhood type, or Type 1, which saw fewer properties with the highest score and more properties with an average score in 2023.

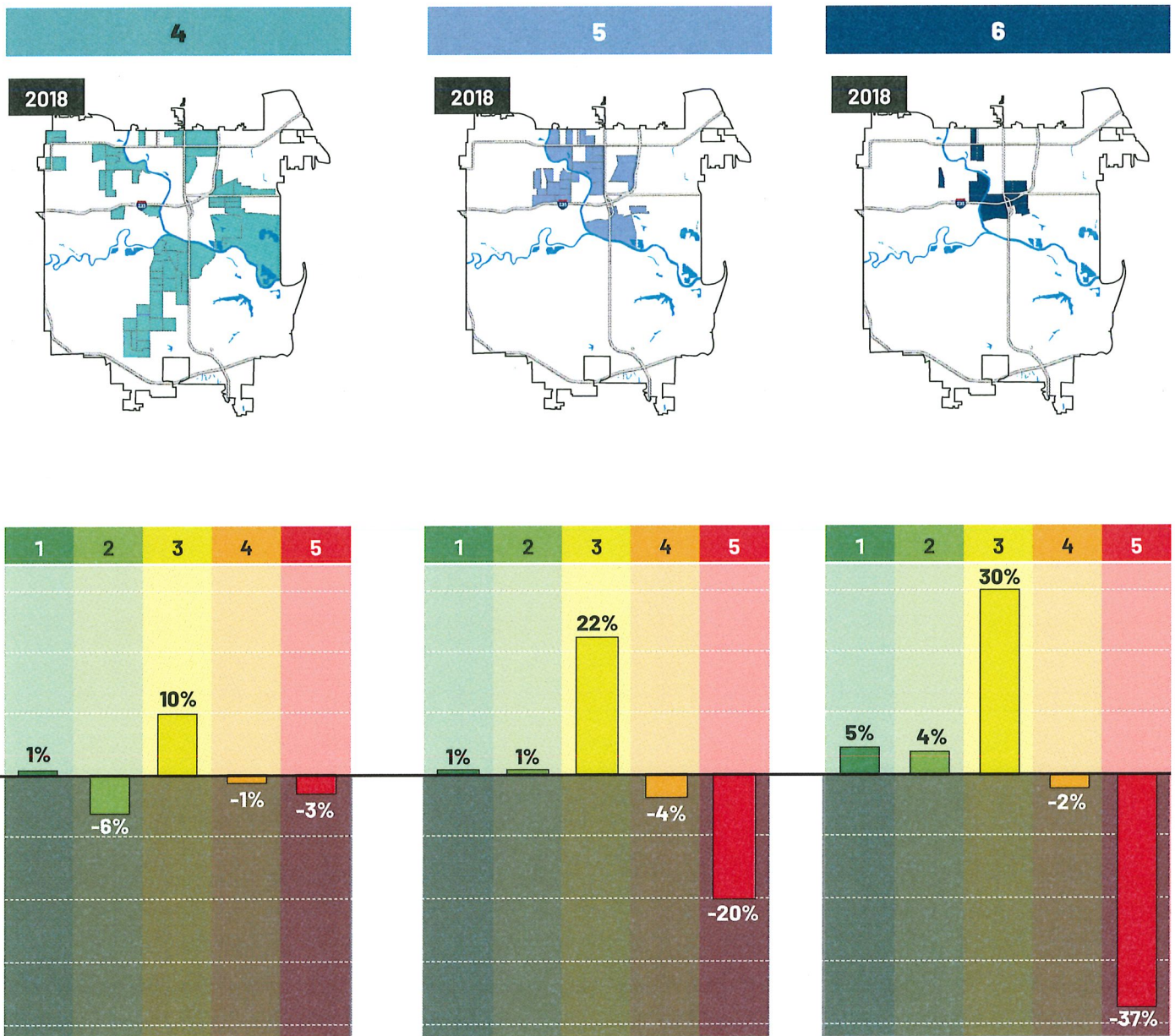


Percentage Point Change in Distribution of Property Scores for the Six Neighborhood Demand Types, 2018 vs 2023



Source: czb

The three softer demand geographies generally benefitted from the reduction in the number of distressed properties, which may have resulted from owner investments, nuisance property actions, and/or demolitions. As the number of below average or distressed properties, or what the scoring system labels as "unhealthy" properties, is reduced, the proportion of average or better properties naturally increases. The Type 4 neighborhoods experienced fewer properties with an above-average score in 2023.



Invest DSM and Special Investment Districts

Invest DSM was a new kind of revitalization organization.

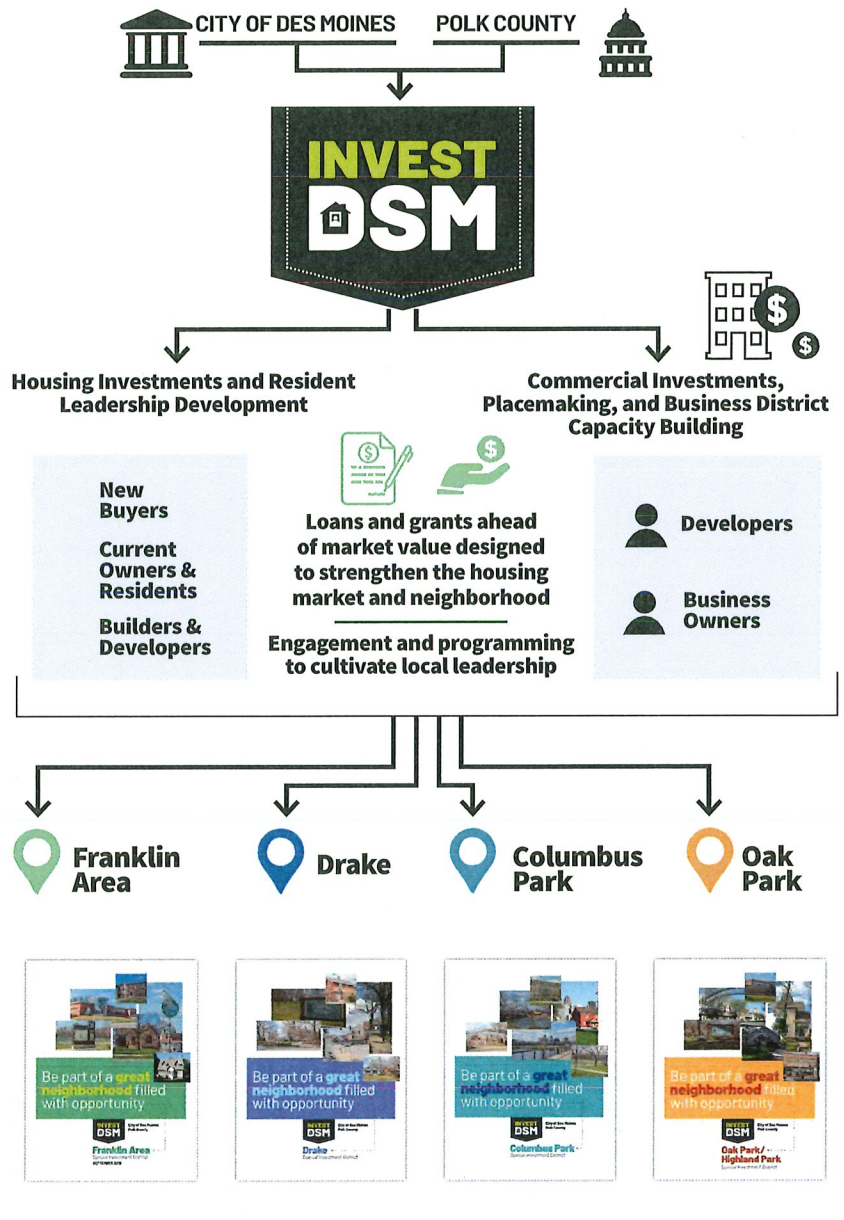
An updated approach to neighborhood revitalization—with a new focus on middle-market neighborhoods—required a commitment of new resources and an organization specially designed to do the work.

Invest DSM was established in June 2019. Working with resources provided by the City of Des Moines and Polk County, DSM was established to fill a previously unmet need to:

- Promote and finance home renovation projects to make the housing stock more marketable and competitive.
- Provide financing to support investments in neighborhood commercial districts within specific areas.
- Market specific areas to ensure a steady stream of strong homebuyers.
- Support efforts to grow the leadership capacity of neighborhood residents and stakeholders.

What made Invest DSM different was its mission to strengthen neighborhood markets by encouraging home owners to move their capital off the sidelines and into their own properties, and by extension their neighborhoods. The soft markets with the greatest potential are those in which home owners have the ability to pay for needed upgrades but lack the confidence to do so. Invest DSM was built as a confidence-creation mechanism. To meet this mission would require experimentation on a trial and error basis because it had not been tried before. The City of Des Moines and Polk County broke the mold of local governments by taking a risk—calculated and informed, but a risk nonetheless—and placing a smart bet on high potential middle neighborhoods.

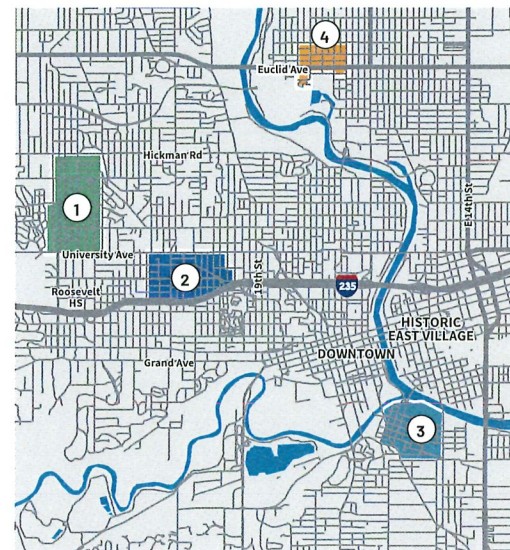
The City of Des Moines and Polk County made strong funding commitments to Invest DSM and have equal representation on the organization's board of directors.



- More marketable housing stock
- Greater interest from regional homebuyers
- Stronger property values and tax base
- More vibrant commercial districts
- Confident neighborhoods
- Strong neighborhood-based leadership

Four Special Investment Districts were chosen for a new approach.

Four discrete areas were chosen as pilot locations for the implementation of the new middle neighborhoods strategy through Invest DSM's work. The four areas were called Special Investment Districts (SIDs), and were smaller than most neighborhoods in Des Moines. The boundaries of the SIDs were specifically drawn to concentrate revitalization activity, as opposed to diluting it over too broad an area. While all four SIDs were in the middle of the demand spectrum, they had very different characters, opportunities, and challenges. The variation across the four allowed for the pilot period to function as an experiment of sorts, revealing what kinds of activities would bear fruit under what kind of neighborhood conditions.



Four Special Investment Districts

1 Franklin Area

Charming homes on tree-lined streets with friendly neighbors; top-rated schools, convenient location; walk and bike to neighborhood icons including Snookie's, Waveland Cafe, the Franklin Avenue Library, and the re-activated Franklin Jr. High.

2 Drake

Beautiful historic homes on stately boulevards in an eclectic and diverse neighborhood, home to Drake University, friendly neighbors, and unique community events.

3 Columbus Park

Little Italy on the rivers, spectacular views of downtown, affordable single-family homes plus upscale, modern apartments.

4 Oak Park/Highland Park

Historic neighborhood business district surrounded by well-built homes plus beautiful McHenry Park overlooking the river – a great value close to downtown employment and amenities.

Four SID plans guide Invest DSM's work.

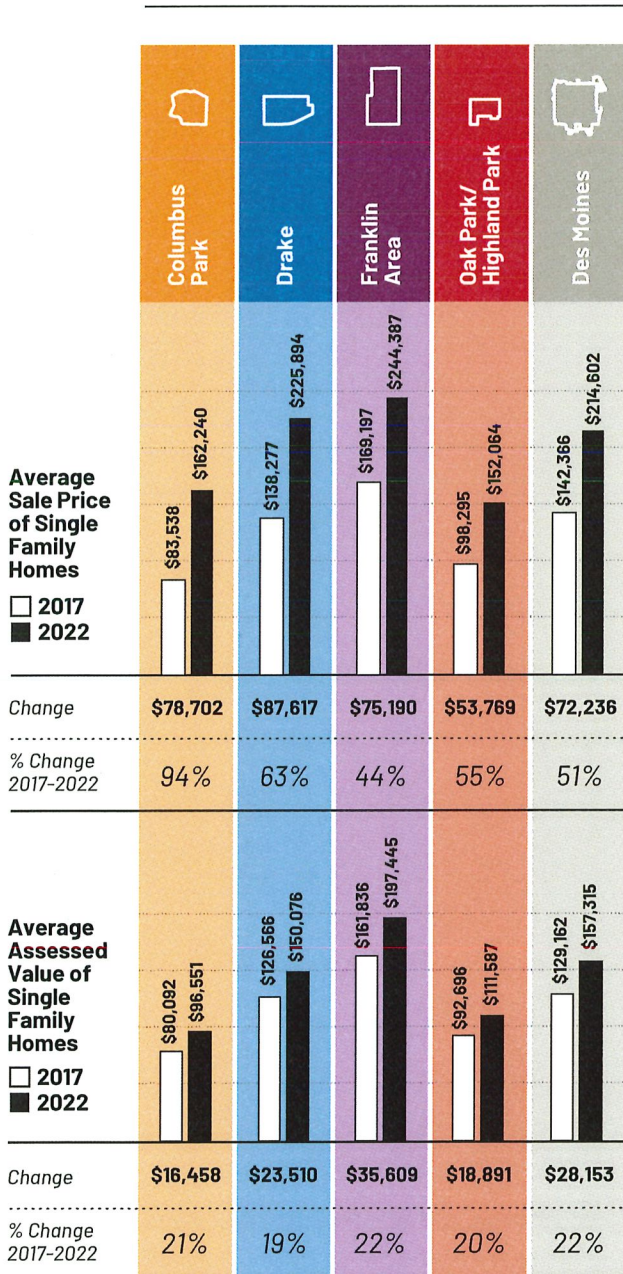
Each SID plan engaged neighborhood residents to develop a brand and vision that future implementation efforts would make true. The plans' visions were tied to outcomes, the achievement of which would signal progress toward the visions. Each plan also came with an action plan that would provide concrete guidance and accountability.



SID Performance

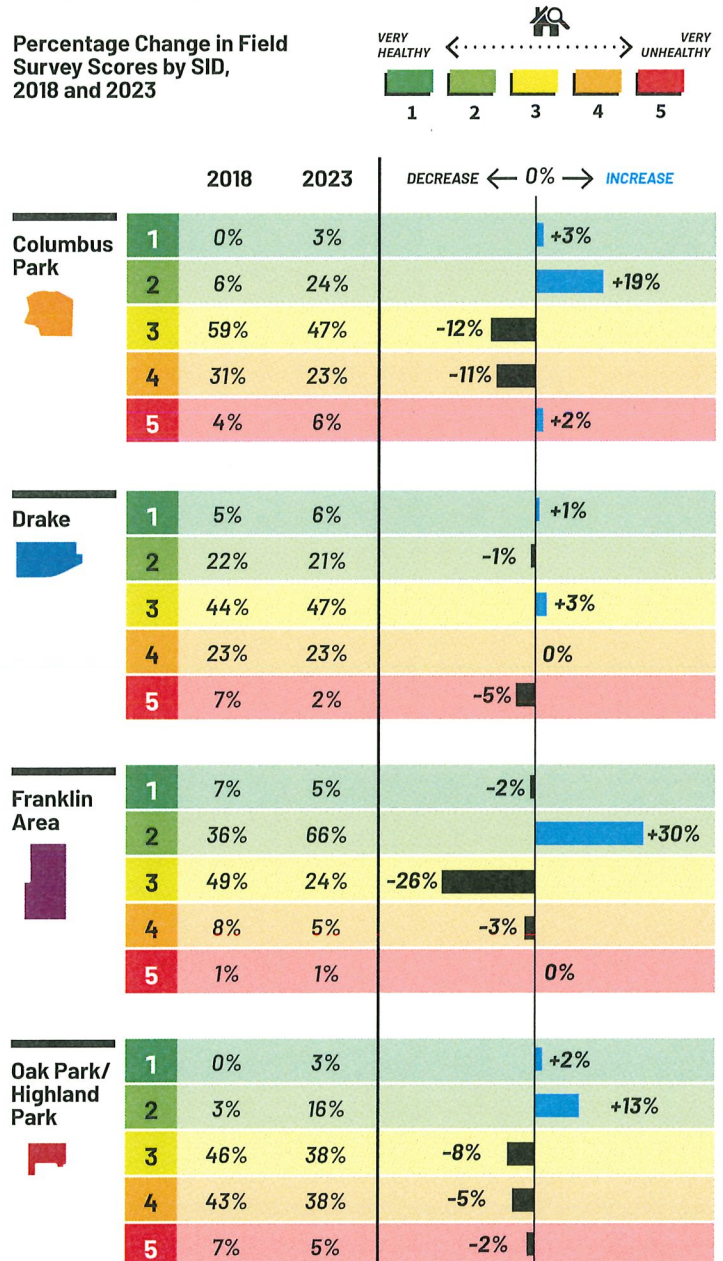
SIDS mostly kept pace with citywide real estate market, with improved property conditions the most visible success.

The 2017-2022 change in average sale price for the SIDs varied widely. The Oak Park/Highland Park SID was closest to the citywide average and, along with Columbus Park and Drake, outperformed the citywide average change. Oak Park/Highland Park and Columbus Park are the weakest demand SIDs, and their above average increase tracks with the citywide trend of softer areas increasing by greater percentages than average. Drake is a diverse area subject to outlier sales that skew the average. Franklin, as the strongest demand SID increased its average sale price by an admirable 44%, but underperformed the citywide average as is the pattern for stronger areas. Both the sales data and assessment data bear out the position of the SIDs within the typology, however, both in 2017 and 2022.



Source: czb analysis of data from City of Des Moines and Multiple Listing Service

Percentage Change in Field Survey Scores by SID, 2018 and 2023

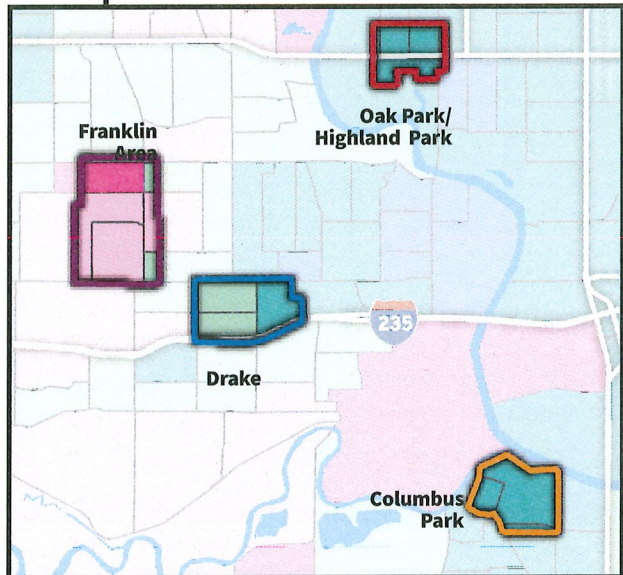
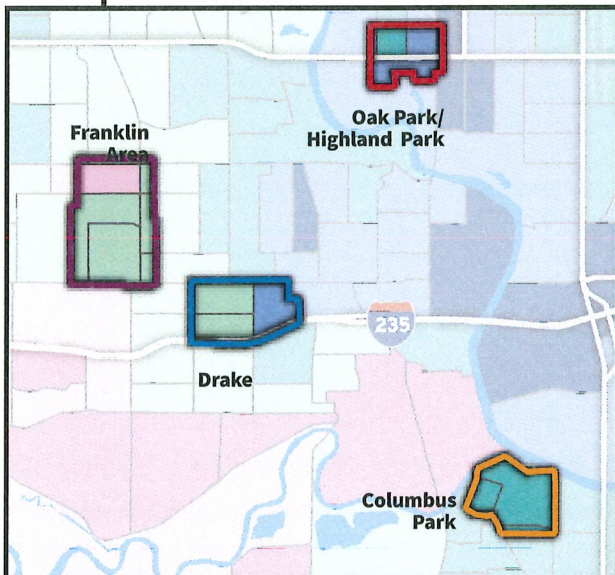
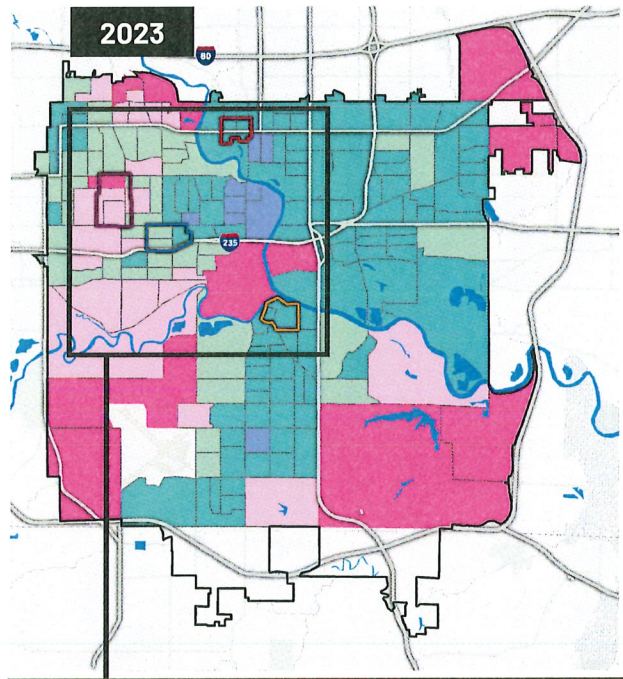
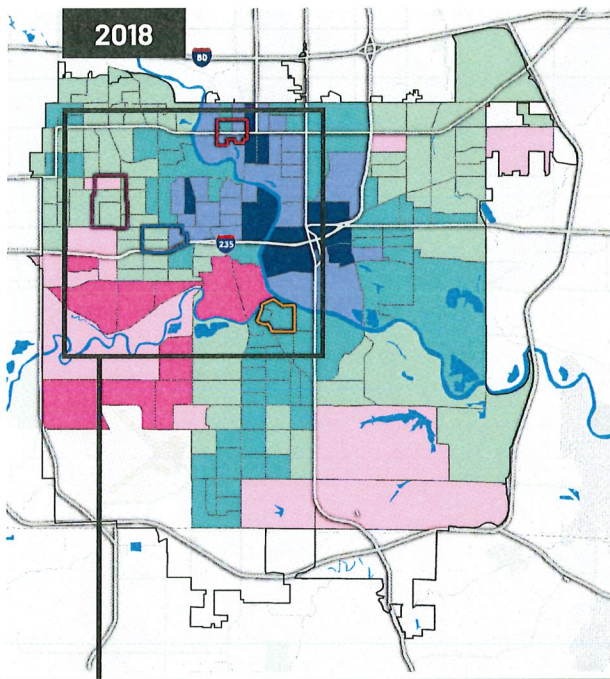
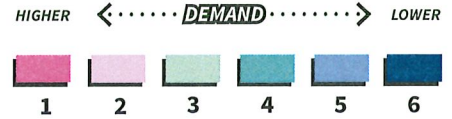


Source: czb

Improved property conditions tipped many SID sub-areas into a stronger market type.

Perhaps the most striking changes came from improvements in the property condition scores in the SIDs. (See previous page.) Specifically Columbus Park, Oak Park/Highland Park, and Franklin all saw sizable increases in the proportion of "2" scores and decreases in scores of "3" or "4." Scores in the SIDs increased sufficiently that the block group map reflects shifts of certain block groups wholly or partially within SIDs from one demand category into another. This is true in Drake, Franklin, and Oak Park/Highland Park.

Des Moines Neighborhood Types by Block Groups



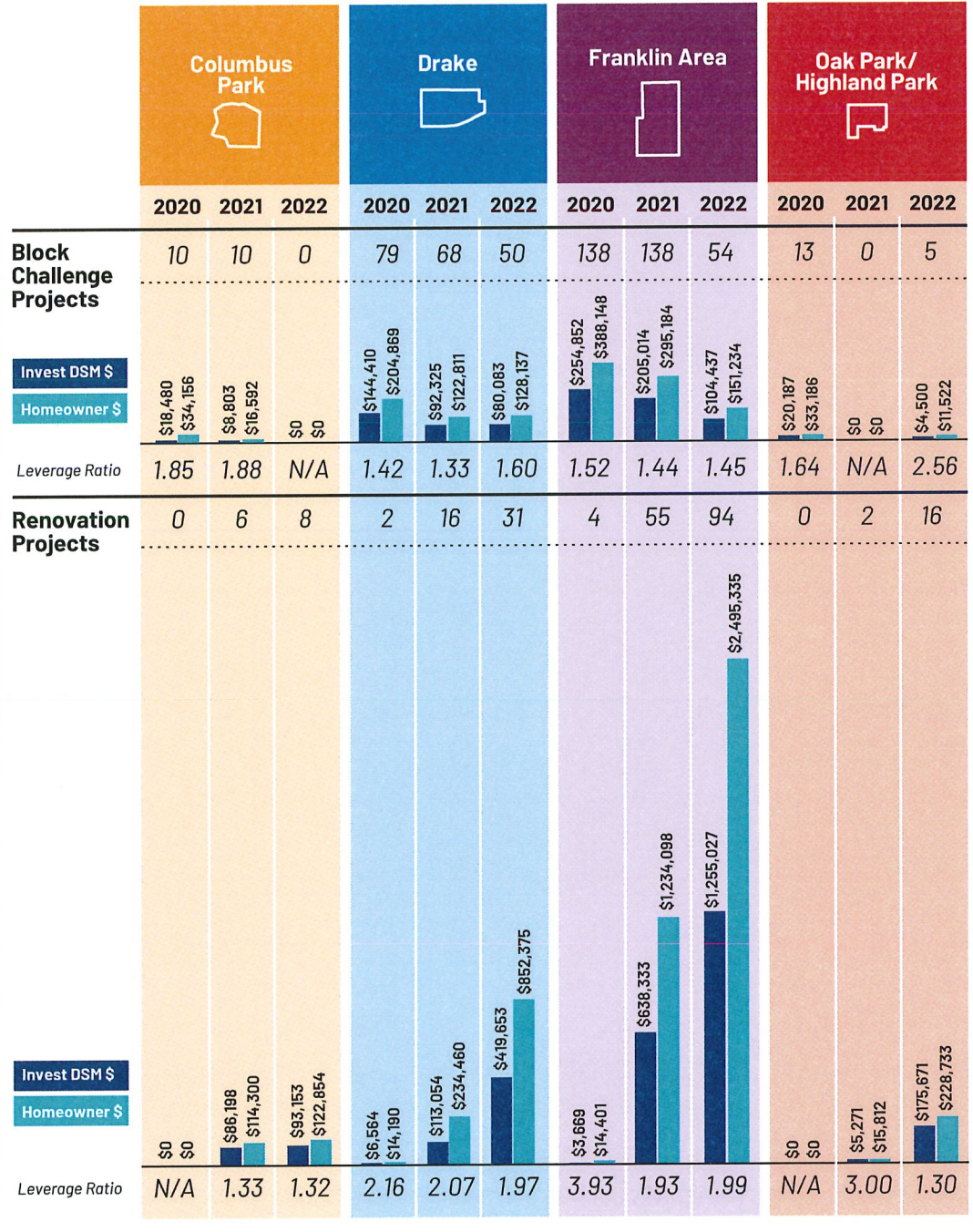
Source: czb

SID Performance

Invest DSM has succeeded in unleashing homeowner investment in Franklin and Drake.

Hundreds of homeowners in Franklin and Drake took advantage of Invest DSM's Block Challenge and renovation programs from 2019 through 2022. In so doing, homeowners spent hundreds of thousands of dollars each year on smaller Block Challenge projects, and a total of multiple millions on home renovation projects during 2021 and 2022. Incentivizing homeowners to spend their own money on upgrades to their properties is at the core of Invest DSM's mission and it appears to be succeeding on that front. **For each dollar Invest DSM spent on Block Challenge projects in Franklin and Drake, property owners spent roughly \$1.50. For renovation projects in those two SIDs, it was nearly \$2.00 of private investment for every Invest DSM dollar.**

Leverage ratios have been positive in Columbus Park and Oak Park/Highland Park as well, but activity has been far less overall.



Source: Invest DSM

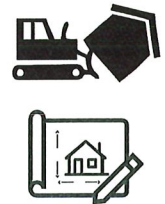
Numbers alone cannot tell the story.

Quantitative data are critical for understanding market conditions and assessing progress, but they are often insufficient for grasping the entire story. Conversations with local staff and stakeholders yielded insights that help shed light on what the numbers are saying, and what might come next. The following perspectives on opportunities and challenges in the SIDs were extracted from those conversations.

Columbus Park



Columbus Park's 2019 plan noted that neighborhood capacity was limited and would need to be grown over time. It also described challenging housing conditions, stemming at least partially from the nature of the residential stocks which were not built to last in the first place. The plan recognizes that **demolition and new construction will be necessary** for a stronger Columbus Park market, and that these activities have long lead times. As such, a lack of market progress reflected in three years of data should not be a surprise, nor assumed to be cause for changing course.



Drake



Of all the SIDs, Drake may have been the most tantalizing, seen by many as the highest upside opportunity. Drake's location, as well as the character and size of its housing stocks, make it a place the market would like to be, but many of the properties in need of substantial rehab have large gaps that owners could not reasonably close. That is, until Invest DSM helped shoulder some of the risk. In this way, **Drake was perhaps the perfect choice for Invest DSM as an organization that could clear market hurdles impossible for any other organization.** Drake's large residential structures continue to offer opportunity, as well as risk, meaning Invest DSM will be busy. Key to success in this SID is working with homeowners. In the future, rental properties may merit additional consideration as the current focus blocks strengthen, and if tools and resources are refined for the additional work.



Franklin Area



For reasons somewhat different from those in Drake, Franklin is a worthy second candidate for the perfect Invest DSM match. **A sizable core group of homeowners with capacity to invest in their homes have made Franklin seemingly the lowest risk area for Invest DSM activities.** Franklin was and is a relatively stable set of residential blocks at the upper end of the middle part of the demand spectrum. The housing stocks themselves lack the upside of those in Drake, but strong resident attachment to the neighborhood and organized resident leadership have paved the way for Invest DSM to help property owners make the most of their houses. Indeed, **Franklin has taken the most advantage of Block Challenge and renovation programs from Invest DSM.** Unfulfilled neighborhood desires for more hyperlocal retail may continue to persist, however, as demand is satisfied by areas along 42nd and University.



Oak Park/ Highland Park



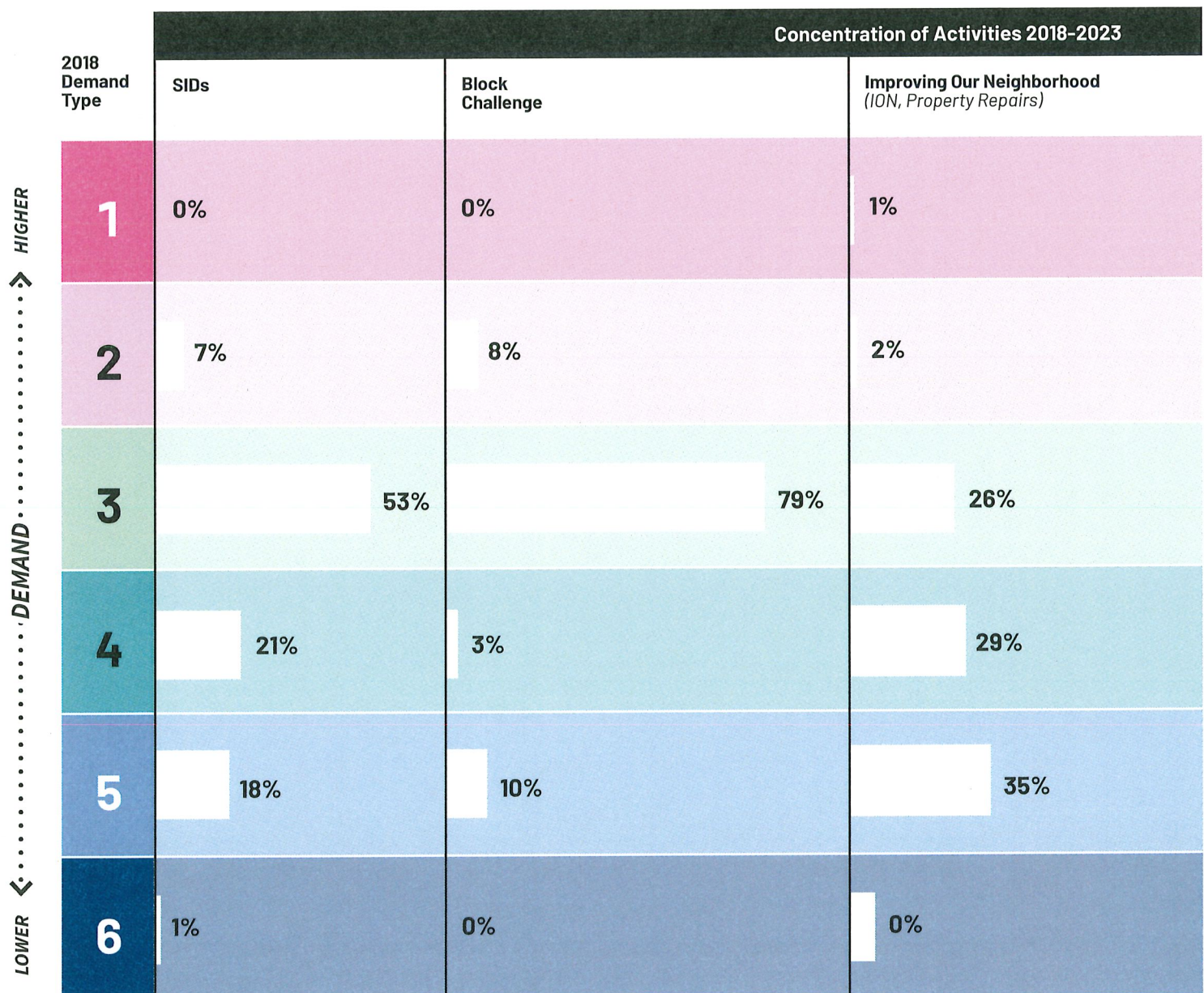
Like Columbus Park, limited neighborhood resident capacity and modest residential stocks are reported as explanations for a lack of market progress. However, the **6th Avenue business district is lauded by all as a clear success, with a perception of improved business activity and property conditions.** The challenge of applying Invest DSM's current tools to residential properties seen as undesirable for buyers in the market may require revisiting some assumptions and pieces of the approach in this SID.



A Neighborhood Improvement System in Progress

The revitalization toolkit has grown, and should continue to do so.

The 2018 neighborhoods strategy recommended that all types of neighborhoods receive tailored attention based on their conditions and opportunities, subject of course to resource availability. As resources increased, the amount of work that could occur also increased. Beyond its partnership with Polk County to establish and support **Invest DSM**, the City of Des Moines has continued to pursue **nuisance property abatement** as well as **demolition** activity when necessary. In addition, it has added capacity through its **Blitz on Blight, Improving Our Neighborhoods (ION)**, and citywide **Block Challenge** programs. The table below illustrates how those program have been distributed around the city based on 2018 demand type categories.



Source: czb

The distribution of programmatic efforts largely matches with what the 2018 strategy envisioned, with demand-building revitalization efforts like Invest DSM and Block Challenge concentrated in true middle neighborhoods, and stabilization efforts like nuisance abatement and demolition concentrated disproportionately in softer neighborhoods, though with some crossover as would also be expected. And the updated property conditions data suggest these efforts are making progress. As the City moves ahead, and continues the proper application (perhaps at an increased volume) of interventions to the right areas, it should also give attention to tools not yet fully built. **There is additional work left to do on inclusionary affordable housing in strong areas, demand preservation and revitalization across middle areas, and stabilization work such as land banking in soft areas.**

			Implementation Steps					
			Future Opportunities					
	Nuisance Properties	Demolition (Including Blitz on Blight)		Citywide Housing Strategy	Invest DSM Strategic Plan	Block Challenge	Demand-side tools TBD	Land Bank
	1%	1%	Inclusionary Affordable Housing	✓				
	4%	3%	Inclusionary Affordable Housing Demand Preservation	✓				
	23%	17%	Revitalization Efforts <ul style="list-style-type: none"> • SID expansion • Non-SID demand preservation • Land Banking 	✓	✓	✓	✓	✓
	36%	34%	Property Repairs (ION) Nuisance Abatement Demolition Land Banking	✓		✓		✓
	25%	31%	Property Repairs (ION) Nuisance Abatement Demolition Land Banking	✓				✓
	11%	14%	N/A - No Longer a Demand Category					

Conclusions



Since 2018, there has not been a fundamental change in the relationship of Des Moines to the region, nor of Des Moines neighborhoods to each other.

The years 2018-2022, and especially 2020-2022, may have felt like a lifetime, but in Des Moines area market terms, little truly shifted. Whatever happened in employment and housing markets happened across the region, and many preexisting patterns and trends simply continued despite the ups and downs. Within Des Moines, increases in single-family sale prices and the resulting changes in assessed values played out in predictable patterns. Softer neighborhoods experienced larger than average increases while stronger neighborhoods saw smaller than average increases. In the end, the **relative positions of neighborhoods did not change.**



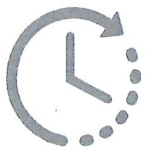
Physical conditions across the city are better overall than in 2018.

A strengthening market, combined with specific public sector efforts, like Invest DSM and Blitz on Blight, have shown up in the city's neighborhoods in the form of improved property conditions. Homeowner improvements make more sense in a stronger market, and strategic attention to distressed properties in key locations raises the minimum expectations for neighborhood stability.



Des Moines has been busy with efforts to continuously improve the city, on multiple fronts.

The City has continued on its prior trajectory and even made improvements in important areas. Invest DSM is an obvious accomplishment, but **Downtown showed more signs of strengthening both in the number of households and the number of highly educated residents.** The data also suggest, at least preliminarily, that the Ingersoll corridor continues to grow its numbers of higher-income and highly educated resident after years of City focus. The City also began to leverage private sector development activity to make **gains in inclusionary affordable housing by tying** incentives to mixed-income outcomes.



Too little time has passed to assess Invest DSM's efforts, but preliminary signs are positive.

Invest DSM opened its doors in late 2019, only to run headfirst into the Covid-19 pandemic within its first few months. And, in any case, it **only has three years of operational history at the time of this report.** The early data that do exist suggest that a substantial amount of homeowner investment has been unlocked by Invest DSM's efforts, especially in Franklin and Drake. And the updated property conditions survey indicates **a general improvement in physical conditions.**



Qualitatively, **all four areas where Invest DSM is working look much better than three years ago**, especially important blocks that have received focused attention. Key properties on important blocks have received signature quality improvements. Those involved in small-scale real estate activities are excited about what is happening in Drake, and residents of Franklin have found even more reason to deploy their own capital to upgrade their homes and properties for the long-term. The **6th Avenue business district in the Oak Park/Highland Park SID is a success story** noted by everyone with whom czb has spoken. Without Invest DSM there is likely no Hiland Bakery today, nor a reinvigorated Chuck's.





Franklin and Drake SIDs were the right fit for Invest DSM as envisioned and designed.

Invest DSM was established and designed to strengthen neighborhood markets by encouraging property owners to invest instead of keeping their capital on the sidelines. This means Invest DSM's first job is to solve a "willingness to pay" gap, not an "ability to pay" gap. The revitalization promise of Franklin and Drake was that property owners likely wanted to spend more to improve their properties, but were justified in viewing those investments as risky. **Invest DSM's tools help to defray those risks and bring existing capacity to bear.** The early data and feedback suggest this is just what has been happening.



Expansion of Invest DSM geography is far from a "no brainer."

Expectations, Tools and Resources



Projected activities for 2023 and 2024 within the four SIDs will stretch the existing Invest DSM organization. It may already be **at the point where it needs additional staff resources.** This is true even before contemplating any geographic expansion. Furthermore, 2020-2022 have revealed the kinds of conditions under which Invest DSM can be quickly successful—homeownership rates, capacity of home owners, characteristics of physical stocks—and **expectations, tools, and resources would have to be carefully considered before Invest DSM could effectively be moved into new areas.**



Columbus Park and Oak Park/Highland Park SIDs require expectations management, and patience.

By contrast, the same latent homeowner capacity does not exist in Columbus Park or Oak Park/Highland Park. czb regards, for different reasons, both Oak Park and Columbus Park as not yet ready for the kind of pump-priming work that is taking place in Franklin and Drake. In **Oak Park/Highland Park, more time is needed to build relationships in the neighborhood, cultivate an understanding of Invest DSM's programs and goals, and demonstrate what success can look like,** given the predominance of smaller and more modest homes. **Columbus Park, on the other hand, is in need of substantial redevelopment rather than the kind of surgical, resident-led reinvestment Invest DSM was designed to undertake—** something that is reflected by Invest DSM's parcel acquisitions, holding, and infill plans to date. Meeting the goals in Columbus Park will take more time, and be more expensive on a per-unit basis, than in other SIDs.



Softer demand neighborhoods have different problems to solve, and require new tools.

The 2018 Neighborhood Revitalization Planning Program Review laid out a strategy in which focused attention on middle neighborhoods was urgently important, but it was a comprehensive document with interventions for all types of neighborhoods, including those at the bottom of the demand typology. Invest DSM has been preliminarily successful in showing which types of activities can be quickly successful in which types of neighborhoods, and **as the City contemplates revitalization work for softer areas—like the two softer SIDs or even softer neighborhoods categorized as being below "middle" in the demand typology—it will need to think about creating a toolbox that is different from Invest DSM's.** Closing relatively small "willingness to pay" gaps is very different from the substantial "ability to pay" gaps that are found in softer neighborhoods.



New and different tools



Recommendations

The following recommendations relate to expansion of existing neighborhood revitalization efforts, either in geography or in lines of work, and perhaps in both. These possible new efforts relate mostly but not exclusively to Invest DSM. None of these recommendations come without qualification, as all would have resource implications of some kind. Any of these recommendations, or any combination of them, would require feasibility analysis of some kind, and additional small area planning work.

1 Stay the Course in Columbus Park and Oak Park, but Pivot as Needed

Invest DSM is committed to the Columbus Park and Oak Park SIDs for at least the first ten years of the implementation period. The organization knew it would take a longer commitment in these locations than in the other SIDs in order to achieve the goals established at the outset, and the first few years of data reflect as much. But progress is being made, conditions are improving, and Invest DSM is deeply involved in catalytic residential and commercial projects that promise to transform the SIDs as they come to fruition.

Invest DSM should not be afraid to make strategic and tactical adjustments as it gains experience, shifting its approach in order to maximize opportunities or limit efforts in areas that prove to be not especially effective. For example, the residential stocks in Oak Park are proving to have less new buyer appeal than was anticipated, so a shift to a rental strategy may be wise, or a boundary adjustment may make sense in order to bring new opportunities for residential investments. The organization's strategic plan may be the place to ask and answer some of these questions, and revisions to the SID plans may be appropriate.

2 Expand Drake SID for Bigger Impact

Invest DSM has gained invaluable knowledge in its Drake work, and appears ready and able to expand to nearby areas that resemble those to which the organization has become accustomed, and in which it has proved it can succeed. In particular, a westward expansion toward the vicinity of 42nd, with University and the interstate as northern and southern boundaries, would unlock an eager new market for Invest DSM products in a place that needs only a small push to solidify its status as a regionally competitive neighborhood. What distinguishes this opportunity from other expansion possibilities is its clear similarities to market types in which Invest DSM knows it can succeed. The need for feasibility analysis is less than would be required for other locations.

3 Begin Preparations for Franklin SID Transition

The Franklin SID was perhaps the best positioned to take advantage of Invest DSM offerings or, put another way, Invest DSM was made for neighborhoods like Franklin. Though the activity in Franklin and the property conditions in 2023 both seem to suggest that the area was never in need of Invest DSM, thinking so would be a mistake. In fact, Franklin was a place where homeowner capacity was on the sidelines. Invest DSM got that capacity off the sidelines and into the game. It is true, however, that Franklin's success and movement toward a stronger market means it will soon outgrow Invest DSM. As that occurs, the organization should begin to plan a transition, which may involve shifting boundaries, and may involve eventually moving on from the area.

4 Develop New SID “Quick Win” Approach

The benefit of a future transition away from Franklin would be new capacity to take on another SID. Invest DSM should take its learnings from Franklin, including the speed of success, and consider choices for new locations in which it can have similar quick wins. A new approach in which Invest DSM enters a SID, takes only a few years to achieve success, and then moves on to another new location would be an efficient way to cover the maximum number of areas and do the most good. As part of this new approach, the metrics for success should be spelled out so that entering and exiting new SIDs are done with clarity and transparency. Transition periods should also be intentionally designed, so that Invest DSM can smoothly wind down one SID while simultaneously starting up another.

5 Continue Implementation of 2018 Strategy with Focus on Strongest and Softest Neighborhoods

Invest DSM received significant focus and attention in the early years of implementation because the 2018 strategy stressed the need to prioritize efforts on middle neighborhoods, especially with limited resources. However, the strategy was about more than just the middle neighborhoods and Invest DSM-like work. The strategy also emphasized inclusionary work in the city’s strongest neighborhoods and stabilization work in the softest neighborhoods, both of which are critical to the future success of the city and its households. Regional and citywide patterns of economic segregation are a root cause of fiscal challenges in Des Moines, and all types of neighborhoods have a role to play in changing this reality.

The City should continue to explore inclusionary opportunities in a citywide housing study, building on the efforts it has already made in requiring mixed-income outcomes for projects in which it is a partner, via TIF or other means.

The City should also continue to build its toolkit for intervening in distressed neighborhoods, aiming its efforts at building a floor in the market and preparing these areas for a future when demand-building revitalization activities will be appropriate options. Among the tools the City needs, but does not yet have, is a land bank which can efficiently accept or acquire, and dispose of troubled properties in a way that does not harm neighborhood market health.

Status Report on Neighborhood Revitalization Efforts, 2018-2023

City of Des Moines
May 2023



Prepared by
czbLLC