Neighborhood Revitalization Planning Program Review

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czbLLC for City of Des Moines
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czb

Acknowledgements

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Introduction

The City of Des Moines has had a Neighborhood Revitalization Planning Program since the early 1990s, following a report by the consulting firm Stockard and Engler. The firm returned to Des Moines in 2005 to evaluate the first 15 years of progress and recommended adjustments to the City's revitalization programming. The core of the recommendations initially and subsequently was that it was imperative to engage residents in planning, and that decisions about public monies in neighborhoods needed to be made following a process of **citizen engagement at the neighborhood level**. The core observation was that inclusiveness in planning matters. That observation by Stockard and Engler in 1990 and again in 2005 became a key principle for the establishment of what would become, and is today, the way the Community Development Department is organized, the way neighborhood plans are developed, and the way those plans are used.

By 2017, the City decided it was time to evaluate its progress once again. czb was retained in 2017 by the City of Des Moines to evaluate its neighborhood planning and revitalization systems, and to make recommendations for possible changes in the future, should they be needed.

czb's work began in the summer of 2017. The consulting team made seven multi-day visits to Des Moines and conducted numerous meetings and phone calls with stakeholders, nonprofit partners, neighborhood residents, City staff, and the City Council. In addition to work sessions with the City Council, the project also employed a Steering Committee where findings and potential strategic directions were vetted, and a Working Group process in which revitalization system stakeholders conducted a deep dive into data and prioritization excercises in a facilitated sub-process from February through May of 2018. For each visit, czb staff also toured the city extensively and visited surrounding suburban jurisdictions.

This qualitative work was joined by quantitative analysis of demographic, socioeconomic, real estate, and City-provided data sets. In addition, czb collected primary residential property condition data through its proprietary property scoring methodology. The newly created data set provides an accurate picture, in real time, of residential property conditions across the entire City of Des Moines, and, importantly, within the context of Polk County. The mixed qualitative and quantitative analyses provide a solid foundation upon which to evaluate the effectiveness of the City's neighborhood revitalization work. The central questions to be explored were:

1. How did Des Moines define its neighborhood revitalization challenge in 2005 and how did it respond?

2. Was its response effective in meeting the defined challenge?

3. What other factors were at play between 2005 and 2017 that impacted the state of the city's neighborhoods?

4. What is the state of city neighborhoods today and what new challenges may exist?

5. Are changes needed to the neighborhood revitalization system to better respond to current conditions?

6. If so, what changes are needed?

czb did not evaluate past City efforts on a project by project basis; but rather in the overall context of neighborhood and city market strength. In summary, the key findings are as follows, with additional detail to be found in the body of this report:

Achievements

The City's neighborhood revitalization program has succeeded in important and very valuable ways. The programs and processes that led to the **achievements** should not be undermined going forward:

- **Neighborhood associations** have been established across much of the city. They constitute a proven way for citizens to be actively engaged in the evolution of their neighborhoods and especially in determining how City investments in their neighborhoods are to be used.

- **Relationships between providers and the City** are quite strong. An extensive network of nonprofit organizations actively engaged in community development has emerged, with real contributions made towards important goals like affordable housing for low-income households.

- **The City's planning and community development technical capacity** is a notable strength. Planning is complex, and the City has a deep reservoir of talent to lean on in the development and implementation of coherent small area plans.

- **Individual properties** that were in trouble have received positive attention. This is excellent, for it shows the capacity to finance a turnaround exists.

- **Many neighborhoods have built identities** as well as the capacity to manage their relationships both to the development community and with city government. This is one of the most important yardsticks by which neighborhood health can be measured, and so it is good news that some parts of Des Moines are proven and capable advocates for themselves.

- **The neighborhood revitalization planning process** has provided a rational system for focusing City government attention and scarce resources on city neighborhoods. The existing system must constantly sort out competing demands for limited dollars and it does this well.

Challenges

However, conditions have shifted dramatically in the last 15 years, and there are clear **challenges** that merit attention:

- **Suburban growth** has continued at a steady pace. Meanwhile Des Moines, with the important exception of downtown, has not increased in population. This means Des Moines remains in catch-up mode and needs a clear plan to address this.

- **Real estate demand in the city's core neighborhoods** has remained weak, and in some cases has become weaker. As a flywheel effect in the wrong direction becomes ever more stubborn, the virtue of affordability–especially for new immigrant households with limited incomes–increasingly becomes the vice of distress.

- **The lack of real estate appreciation** in the city's taxable property base, deriving from soft residential property values, has created a structural gap between the cost of providing public services and the capacity to pay for them. A city's first duty is to remain solvent and leverage its fiscal capacity in ways that achieve sustainability and, if possible, prosperity without doing so to the exclusion of the most vulnerable. This is only possible if resources outpace operating expenses–a balance sheet objective that today is patently at risk.

- **Physical condition of the housing stock in many neighborhoods is far below acceptable standards.** As residential demand has failed to meaningfully increase in many city neighborhoods, prices have remained low and disinvestment behaviors have become the norm. Deterioration is widespread in core neighborhoods east and north of downtown, while only average conditions dominate most of the rest of the city.

The original insights provided by Stockard and Engler in 1990, and echoed in their 2005 evaluation, emphasized two points especially. One was that the affordability of housing for low-income households was a challenge that required and would continue to require attention, especially in the context of a growing population of new immigrants (likely to be on the margins of the economy and, owing to culture and language, also potentially on the margins of the community). The second was that Des Moines citizens needed to know they would have a say in how their neighborhoods would develop.

Des Moines has responded with vigor on both fronts, establishing coherent affordable housing delivery systems and extremely inclusive planning processes. Regrettably, however, these new systems and processes–successful in responding to the defined challenges of affordable housing and participatory planning–were often misunderstood and consequently mis-described as neighborhood revitalization when in fact they were not.

Des Moines has been practicing two different models for place-based revitalization in recent years with the overall aim of building healthy neighborhoods. One has concentrated significant resources in a defined area with a goal of boosting investor confidence, growing demand, and building a market. In Des Moines, this has traditionally been called economic development and the best example is Downtown and the East Village. Through its economic development approach, the City has succeeded in building a thriving market in the one place where it was categorically imperative to do so.

The other place-based approach has scattered relatively small amounts of money across the entirety of the city with a goal of improving physical conditions on the margins and building positive relations between neighbors, and between neighbors and city government. In Des Moines, this has traditionally been called neighborhood revitalization.

Through its neighborhood revitalization approach, positive feelings have been engendered by building relationships and some sense of community and pride in historically disinvested neighborhoods. **This part of the work has been an unmitigated success and should be celebrated. Furthermore, the activities that achieved these aims should not only be continued, but expanded.** But these achievements, while necessary in revitalization work, have simply not been sufficient to the task of improving the market conditions that reflect neighborhood health.

The City must recognize **both** the value of the existing efforts **and** their limitations in objectively making neighborhoods stronger. The challenge now is to **both** preserve what has worked well for planning and engagement **and** invent new ways of effectively achieving neighborhood revitalization outcomes that have eluded Des Moines in recent years.

How Neighborhoods Work: The Cycle of Investment

A healthy neighborhood is a place where it make sense for residents and owners to invest their time, energy and money. The four factors that move together in a self-reinforcing cycle to determine neighborhood health are the MARKET (or who is there), its CAPACITY (or its willingness and ability to manage the neighborhood), the CONDITIONS (or the resulting visible level of care and investment), and the IMAGE (or the perception of the neighborhood held by the broader market). When demand for living in a neighborhood exceeds the supply, the cycle spins in a positive direction, keeping the neighborhood strong. But it can also move in a negative direction, further eroding an already weakened neighborhood. In a healthy neighborhood:

The **MARKET** must be strong.
Demand must exceed supply and prices must be rising.

Resident **CAPACITY** must be high.
Residents must demonstrate they are managing the neighborhood.

MARKET
Who is living in the neighborhood

CAPACITY
Ability and willingness to manage home and neighborhood

Healthy Neighborhoods

IMAGE
Perception of the neighborhood by broader market

CONDITIONS
Resulting level of care and investment

Neighborhood **IMAGE** must be positive.
Signals sent by conditions have to communicate pride and instill confidence.

Housing and neighborhood physical **CONDITIONS** must be good.
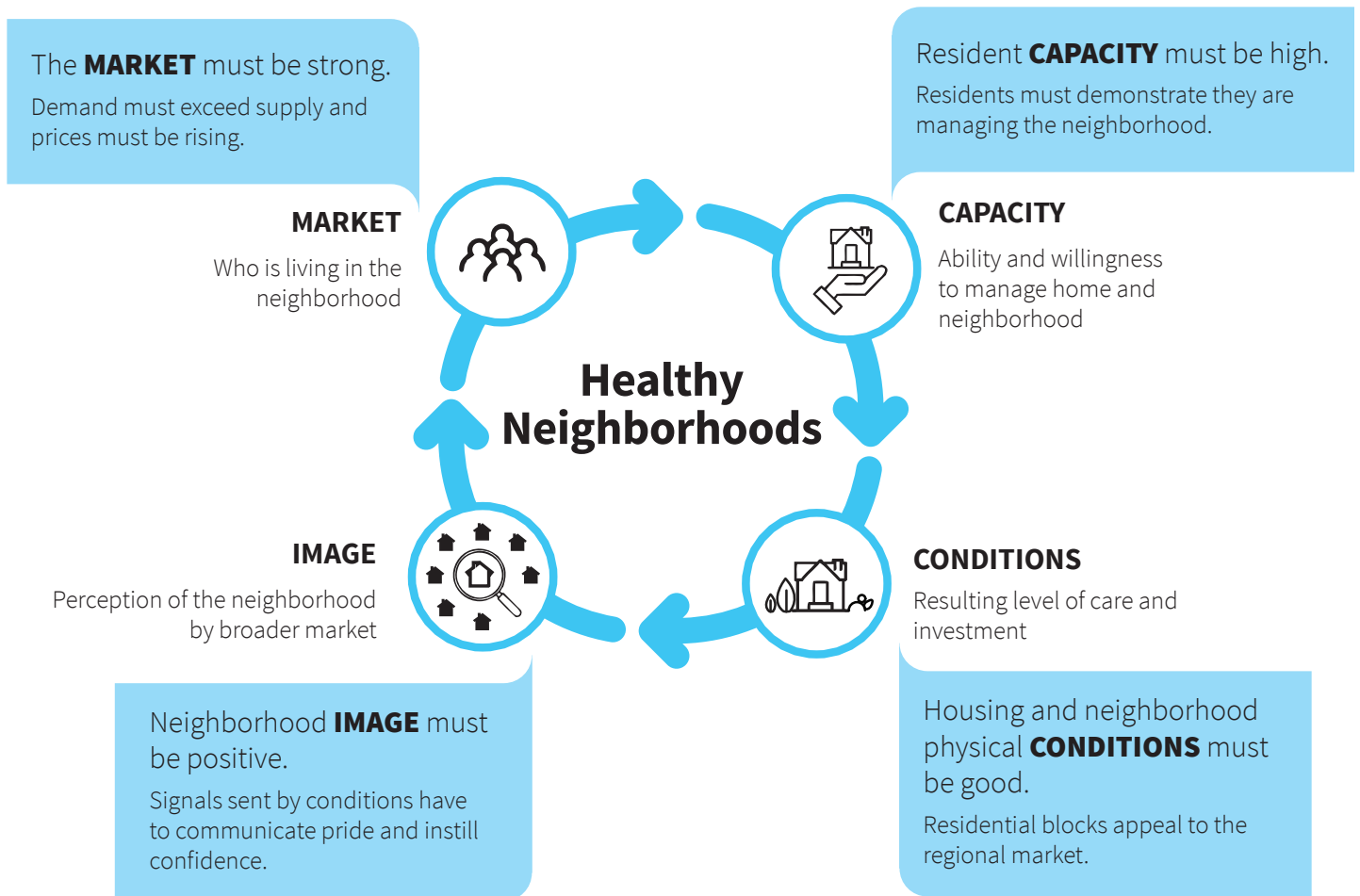Residential blocks appeal to the regional market.

Figure 1: czb Cycle of Investment ©czbLLC

Defining Terms

It is common across the United States for terms like 'revitalization' to be confused in their usage by practitioners, elected officials, and residents alike. For the purposes of this report, the following glossary of terms is provided:

1. Soft, weak, or distressed market

A market where the supply of housing exceeds demand, leading to below-average property values and below-average rates of appreciation that in turn feed declining levels of property maintenance and investment.

2. Middle market

A market where supply and demand for housing are in a general state of balance; this balance is characterized by moderate property values that keep pace with inflation, a high proportion of homes in average condition that show few signs of distress, and acceptable levels of investment in home maintenance.

3. Healthy or strong market

A market where the demand for housing exceeds supply; this condition is characterized by property values that are above-average, a high proportion of homes that are well-maintained through high levels of home reinvestment, and low incidences of property distress.

4. Revitalization

An effort to stimulate housing demand and investment in a middle market that may be vulnerable to decline or in a strategically-located weak market. Revitalization tools and strategies include investments in infrastructure, support for homeownership and home improvements, and cultivation of resident leadership capacity.

5. Stabilization

Outcome sought in a weak market where further decline needs to be stopped for revitalization to become feasible. Stabilization tools and strategies seek to improve quality of life while moving an oversupply of ill-maintained housing into closer balance with existing demand.

6. Right-sizing

A stabilization tactic that uses demolition and vacant land management as the primary tools for balancing markets where supply far outstrips demand.

7. Inclusion / inclusionary

Policies or strategies that are designed to introduce income diversity in markets where affordability is becoming or has long been a barrier to entry for households of low-to-moderate incomes.

Part 1
Evaluation of Neighborhood Outcomes

Gauging the effectiveness of recent neighborhood revitalization efforts – and determining whether or how to adjust those efforts going forward – requires a detailed understanding of how Des Moines' housing market has been performing at the citywide and neighborhood levels. Patterns and trends that describe pricing, condition, and household decision-making all help to indicate whether and where revitalization outcomes are being realized, as well as pinpointing areas where the prospects for revitalization – for cultivating healthier neighborhoods through stronger demand – are brightest.

Part 1 provides a summary of key findings from market analysis of Des Moines and Polk County, as well as observations about the nature and impact of neighborhood interventions.

Des Moines' Housing Market and Neighborhoods: Trends and Conditions

How have housing markets across the city been performing in recent years? What forces have the biggest influence on demand? How do Des Moines' markets compare to suburban competitors?

Program Response and Observations of Impact

What steps have the city and its partners taken since 2005 to revitalize neighborhoods? Have those responses been appropriate and effective?

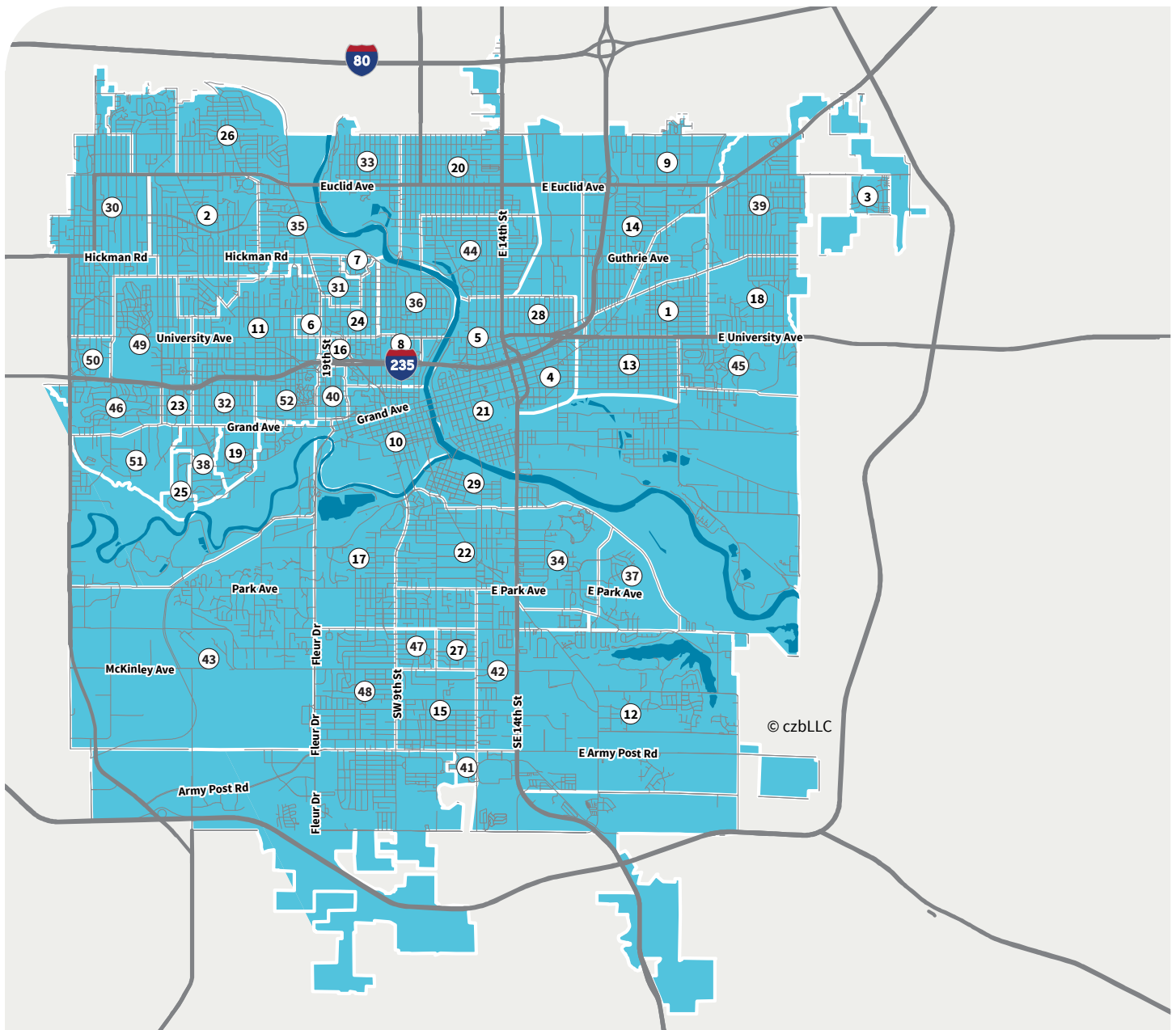# Des Moines' Housing Market and Neighborhoods: Trends and Conditions

Des Moines is one of America's best kept secrets. It has revitalized its core into an exquisitely scaled example of how Midwestern downtowns can not only come back, but become a regional economic and cultural centerpiece. Several Des Moines neighborhoods are so highly competitive that they are able to attract some of the region's strongest buyers as soon as homes come on the market. The city's population has grown from 198,688 to 212,859 the last 16 years, an increase of more than 5,000 households. Indeed, about seven more households have been moving into Des Moines each week on average over the last decade than have been dying or moving out. During this time, the city's median household income grew by 25% and home values by twice that. This is all very good news.

DOWNTOWN'S RECOVERY shows ingenuity, a tolerance for risk, the capacity to improvise during rollout, a sophisticated commitment to urban design excellence, and a willingness to see an idea from notional concept to implemented reality. The long-term positive impact of downtown redevelopment on the city's economy and quality of life is beyond dispute.

RETENTION OF STRONG HOUSEHOLDS in neighborhoods like Salisbury Oaks and River Woods shows that livability in Des Moines is high. In these and other high performing residential areas, property values have grown by an average of 35% the last decade and a half.

DEVELOPMENT OF CORRIDORS such as along Ingersoll Avenue illustrate considerable private sector confidence in the city's future, and the surrounding neighborhoods reflect that, with better than average levels of care in neighborhoods like Greenwood Historic and Salisbury Oaks and increasing residential reinvestment in neighborhoods like North of Grand and Woodland Heights.

THE EMERGENCE OR RESURGENCE OF SOME NEIGHBORHOODS like Beaverdale and Waveland Park confirm the city's capacity to retain and attract professional, middle class households. The vitality of Sherman Hill and the exceptional pride of ownership shown by residents in parts of Douglas Acres, Fairmont Park, Gray's Woods, Somerset and other areas of the city exemplify an important reality of Des Moines which is that it is a great place to live, put down roots, and raise a family.

Des Moines Neighborhoods

1	ACCENT	15	Fort Des Moines
2	Beaverdale	16	Good Park
3	Brook Run	17	Grays Lake
4	Capitol East	18	Grays Woods
5	Capitol Park	19	Greenwood Historic
6	Carpenter (and Drake)	20	Highland Park
7	Chautauqua Park	21	Historic East Village
8	Cheatom Park	22	Indianola Hills
9	Douglas Acres	23	Ingersoll Park
10	Dowtown Des Moines	24	King-Irving
11	Drake	25	Linden Heights
12	Easter Lake Area	26	Lower Beaver
13	Fairground	27	Magnolia Park
14	Fairmont Park	28	Martin Luther King Jr. Park

29	McKinley School/Columbus Park	42	South Park
30	Merle Hay	43	Southwestern Hills
31	Mondamin Presidential	44	Union Park
32	North of Grand	45	Valley High Manor
33	Oak Park	46	Waterbury
34	Pioneer Park	47	Watrous Heights
35	Prospect Park	48	Watrous South
36	River Bend	49	Waveland Park
37	River Wo0ds	50	Waveland Woods
38	Salisbury Oaks	51	Westwood
39	Sheridan Gardens	52	Woodland Heights
40	Sherman Hill		
41	Somerset		

At the same time, there is no getting around the fact that Des Moines is struggling to compete against neighboring Polk County suburbs for middle and upper middle class households able to choose where they want to live, and this comparatively low level of demand has taken a toll on city neighborhoods. While some neighborhoods, like Waterbury, have become stronger, other neighborhoods are struggling to keep pace. For example, Pioneer Park home values should be at an average of $140,864, had they kept pace with inflation since 2005. Instead, they are only at $122,267. Had neighborhood home values citywide stayed on par with inflation over the past 15 years, they would be at $150,887 rather than $119,467. A noteworthy consequence of such lagging values is the roughly $40M property tax revenue shortfall that comes from marginal property values.

Indeed, many city neighborhoods are still not thriving. Cheatom Park, Pioneer Park, the Fairgrounds, Union Park, Prospect Park, Capitol East, and Highland Park all grew less than 11% from their 2005 appraised values while cumulative inflation during the period was 25%. Even in King Irving where a decade of concentrated efforts between 2001 and 2011 helped housing conditions to substantially improve, the market is still demonstrably weak. And while Drake's east side is improving, it too remains quite fragile.

Average Percentage Change in Assessed Valuation by Neighborhood (2005-2017)
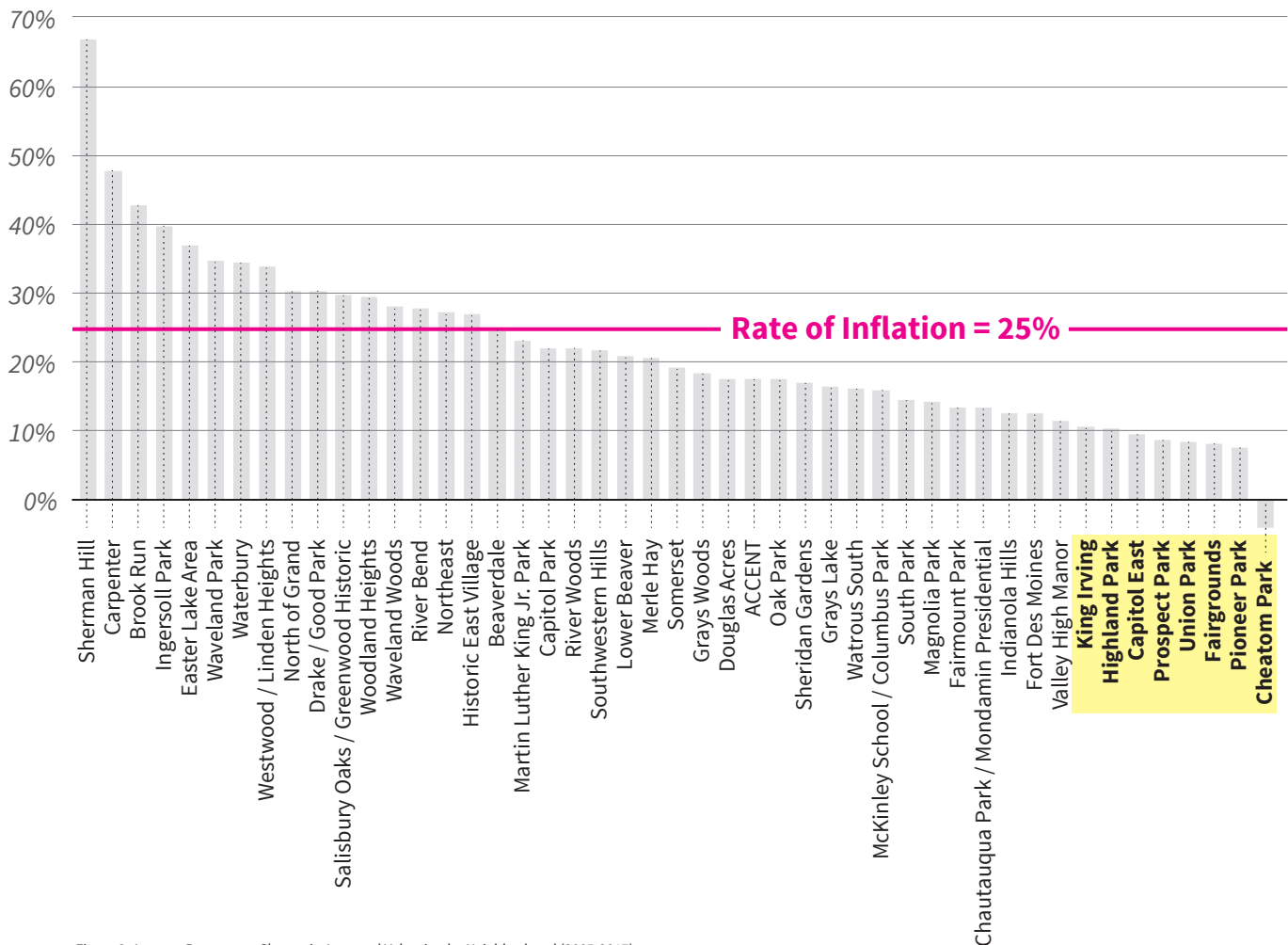
Figure 2: Average Percentage Change in Assessed Valuation by Neighborhood (2005-2017)
Source: czb Analysis of Polk County Assessor's Data
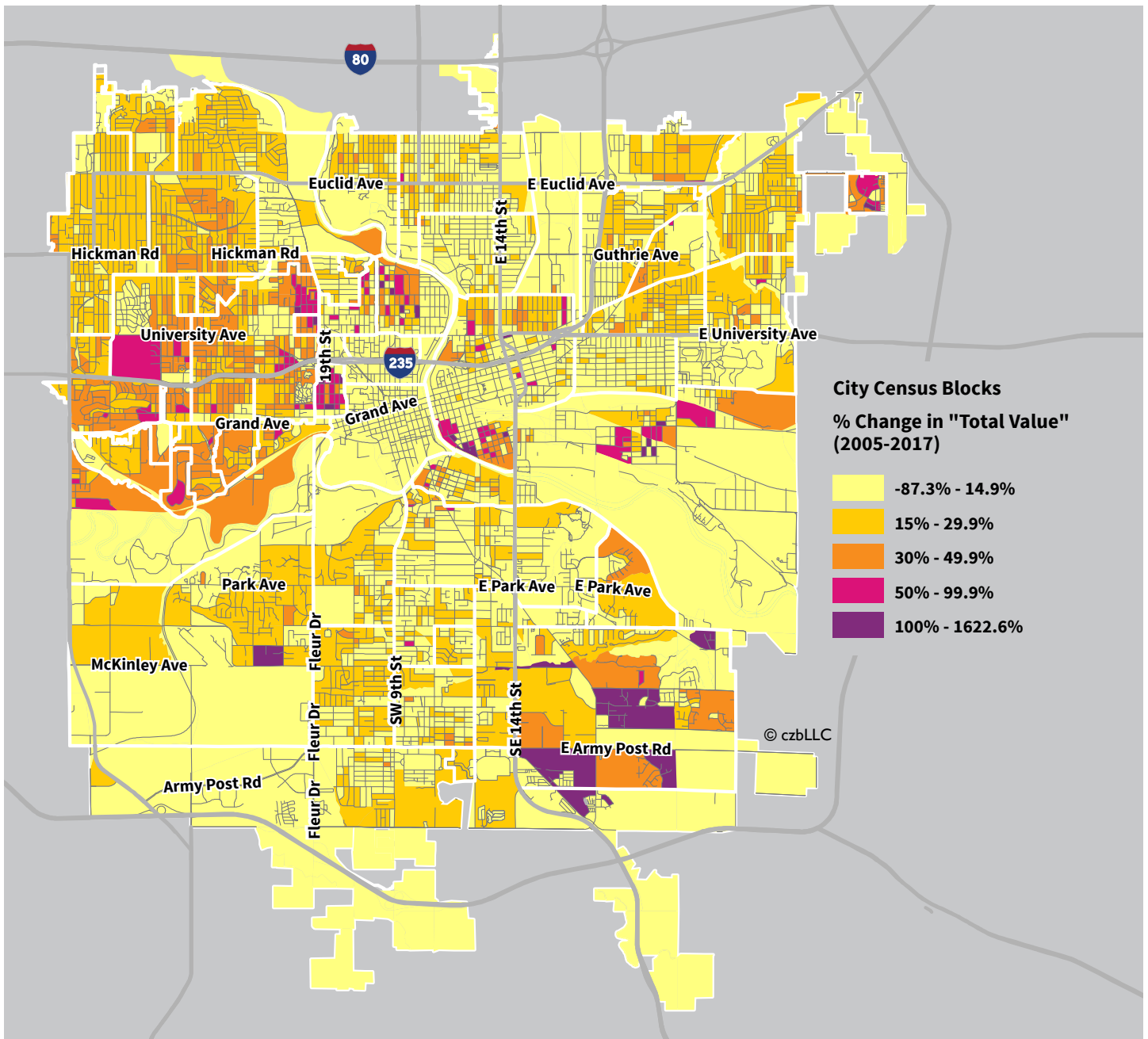
Figure 3: Percentage Change in Total Assessed Value of Residential Property by Census Blocks
Source: czb Analysis of Polk County Assessor's Data

Note on Data Sources and Neighborhood Boundaries

Both casual readers and local Des Moines neighborhood experts may notice certain inconsistencies in the use of neighborhood boundaries throughout this report. czb analyzed dozens of data points related to neighborhood health. Different data sources are available within different geographies, and very few match up exactly to existing Des Moines official neighborhood boundaries. Maps may be presented differently by topic depending on the data source and the nature of the story being conveyed. As examples, some maps may show parcels, others Census block groups, and others modified City neighborhood boundaries. The information, in its totality, paints a picture of existing conditions across the city, as well as possible constraints and opportunities for neighborhood revitalization.

Low values correlate with poor property conditions and both are too widespread.

Patterns of low values and poor conditions are largely the same, revealing that while the city enjoys some pockets of high value property and good condition of residential structures, conditions that are simply too average dominate the city's housing stock, and areas near Downtown – to the east and north – are doing worse. Indeed, amongst the neighborhoods with the least amount of appreciation since 2005, only Pioneer Park residents are maintaining their homes roughly as well as the city overall. But even the average conditions of many other neighborhoods, while not yet showing abject distress, may be a harbinger of negative things to come. Average conditions in Des Moines will generally not be competitive in the regional market, as households with choice look for either special, unique neighborhoods in the city, or predictable and stable housing options in the suburbs.

**Residential Parcels with Buildings
Assessed Value**

- Less than $100,000.00
- $100,000.00 - $124,999.99
- $125,000.00 - $149,999.99
- $150,000.00 - $299,999.99
- $300,000.00 or More
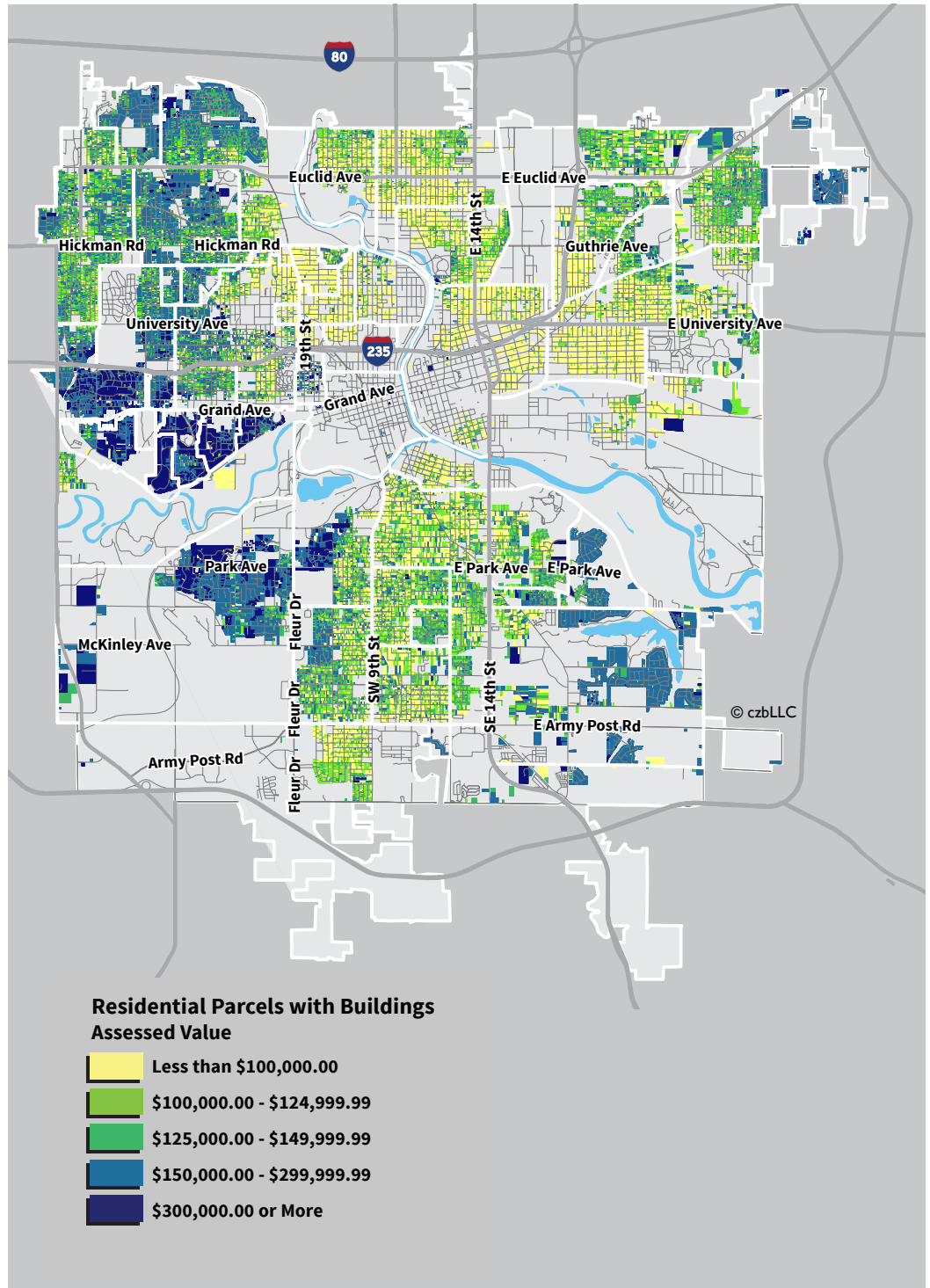
Figure 4: Assessed Value of Residential Parcels (2017)
Source: czb Analysis of Polk County Assessor's Data

Field Survey Scoring

VERY HEALTHY

1 Excellent condition

"Staying on top of the details"

2 Good condition

"Doing well"

3 Average condition

(neither distressed nor showing signs of obvious pride and investment)

"Could go either way"

4 Moderate distress

(disinvestment becoming apparent)

"Several red flags"

5 High level of distress

(significant disinvestment apparent)

"Red flags overwhelming"

VERY UNHEALTHY

Des Moines Residential Parcels

Field Survey Scores

- 1
- 2
- 3
- 4
- 5

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Figure 5: Property Conditions of Residential Structures by Parcel (2017)
Source: Field Survey Completed by czb and Neighborhood Development Division Staff

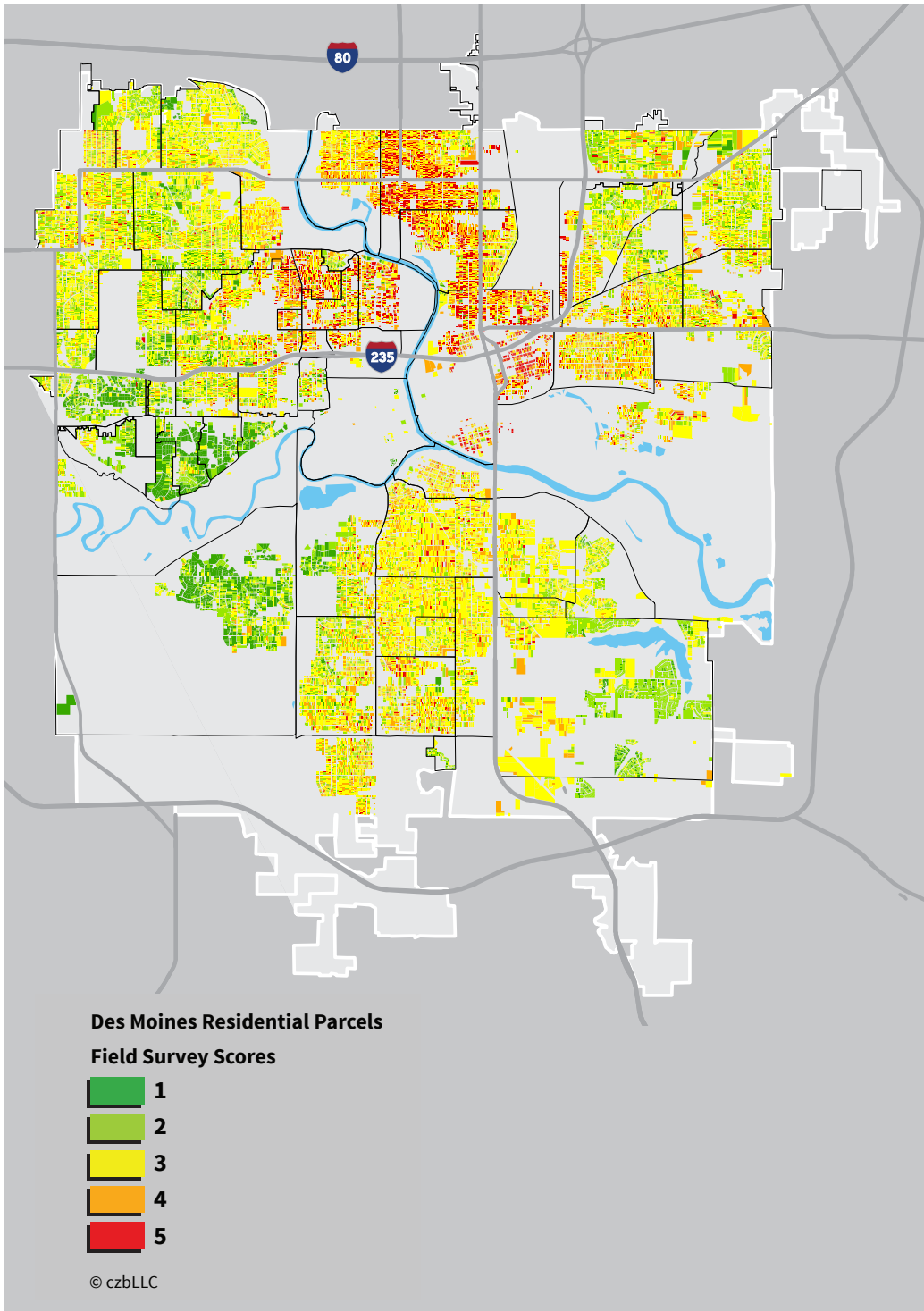| NEIGHBORHOOD	% OF HOMES GOOD OR EXCELLENT	SLIPPING OR BAD	AVERAGE SALE PRICE (2000-2016)
Salisbury Oaks / Greenwood Historic	84%	8%	$347,093
Brook Run	79%	2%	$196,995
Downtown Des Moines	78%	2%	$252,375
Somerset	77%	2%	$155,838
Southwestern Hills	75%	3%	$195,129
Easter Lake Area	74%	5%	$181,466
Westwood / Linden Heights	73%	5%	$289,431
Waterbury	73%	5%	$261,172
Ingersoll Park	56%	8%	$234,212
Northeast	52%	13%	$175,948
River Woods	42%	4%	$150,388
Waveland Park	46%	7%	$145,367
Waveland Woods	37%	5%	$140,014
Beaverdale	38%	9%	$135,444
Douglas Acres	42%	15%	$99,312
Sheridan Gardens	35%	13%	$101,894
North of Grand	37%	18%	$118,322
Sherman Hill	40%	23%	$186,045
Lower Beaver	23%	7%	$138,801
Merle Hay	27%	15%	$111,276
Grays Lake	33%	23%	$123,586
Fairmount Park	31%	21%	$88,924
Pioneer Park	18%	10%	$111,532
Valley High Manor	26%	22%	$90,559
Woodland Heights	31%	27%	$83,418

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

| NEIGHBORHOOD	% OF HOMES **GOOD OR EXCELLENT** **SLIPPING OR BAD**	AVERAGE SALE PRICE (2000-2016)
Grays Woods	24% / 23%	$82,293
South Park	14% / 15%	$96,046
Magnolia Park	14% / 16%	$95,817
Watrous South	23% / 25%	$90,106
Drake / Good Park	25% / 33%	$106,025
ACCENT	19% / 31%	$69,930
Indianola Hills	9% / 23%	$80,550
Fort Des Moines	17% / 31%	$77,615
Prospect Park	6% / 28%	$86,475
McKinley School / Columbus Park	6% / 34%	$58,244
Fairgrounds	11% / 42%	$60,402
Chautauqua Park / Mondamin Presidential	12% / 55%	$61,983
Oak Park	4% / 47%	$74,561
Union Park	8% / 51%	$77,530
Cheatom Park	8% / 52%	$48,633
River Bend	8% / 61%	$62,175
Historic East Village	7% / 62%	$54,221
King Irving	7% / 62%	$48,038
Highland Park	5% / 62%	$71,743
Carpenter	7% / 66%	$63,181
Capitol Park	5% / 69%	$55,905
Martin Luther King Jr. Park	3% / 68%	$56,317
Capitol East	2% / 86%	$42,103

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

Poverty is too high and too concentrated in certain areas of Des Moines.

The parts of the city that are struggling have poverty rates above 25%. Significantly, of the 26 such census tracts in the county, all 26 are in Des Moines. Seventy-three percent of the county's poor households live in the city, weakening property values, imposing high costs on the City, and presenting significant challenges to the neighborhoods where they live, not least of these challenges being that the poor living in them are almost certain to not escape poverty living in the very neighborhoods they can (barely) afford. Neighborhoods with such concentrations of poverty do not have the incomes nor the resident capacity to drive higher property values nor revitalization. According to a data set jointly developed by the Reinvestment Fund's Policy Map and Brown University, based on Census and ACS data as far back as 1990, the most concentrated and persistent poverty exists in the neighborhoods in and adjacent to Downtown Des Moines, in neighborhoods such as King Irving, Cheatom Park, River Bend, Capitol Park, MLK Park, and Capitol East.

Polk County Census Tracts

Income Quintile of Med. HH. Income

- 1
- 2
- 3
- 4
- 5

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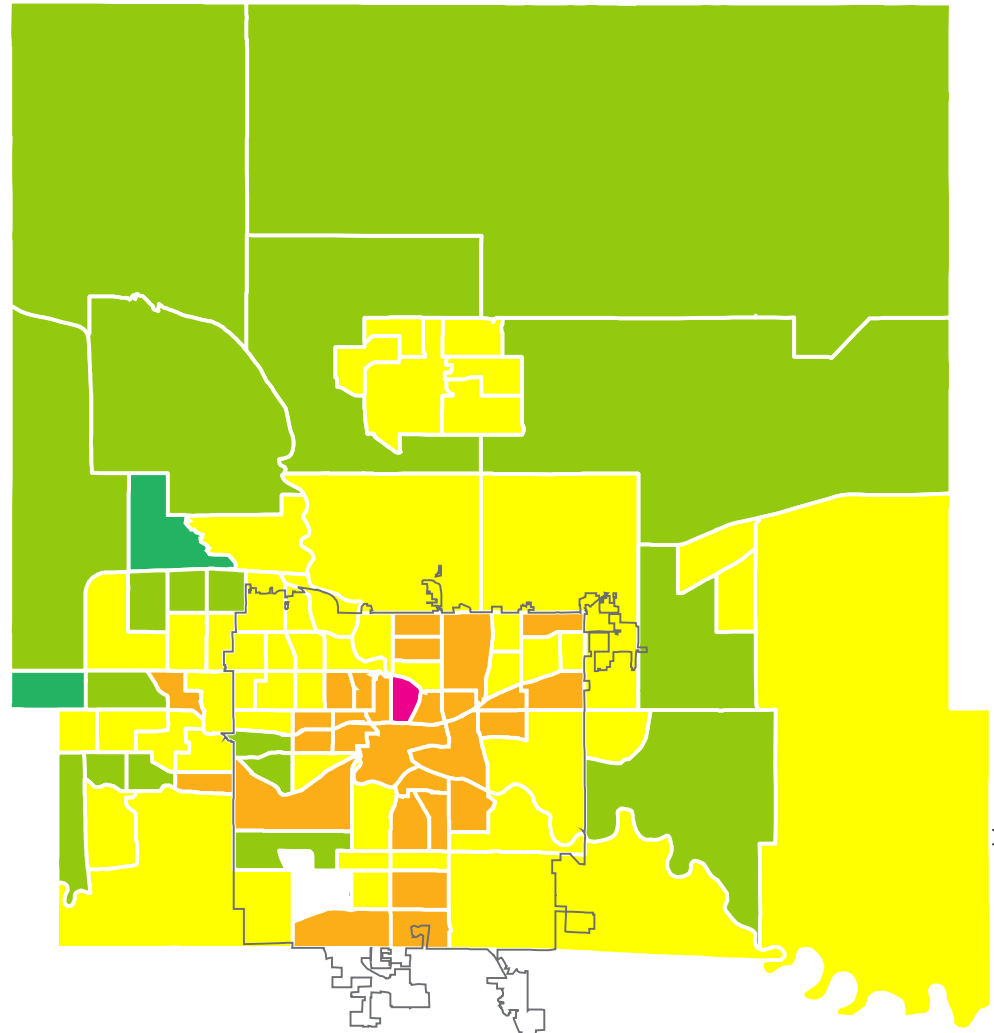
Snapshot: Geography of Income

The map above shows where the median household income of each census tract falls within the county's income distribution, which is expressed in quintiles (i.e. bottom 20% of households, second 20%, third 20%, fourth 20%, and top 20%). A median income in a lower quintile indicates a concentration of households with low incomes in the census tract.
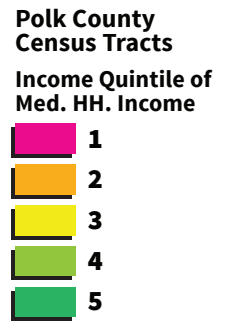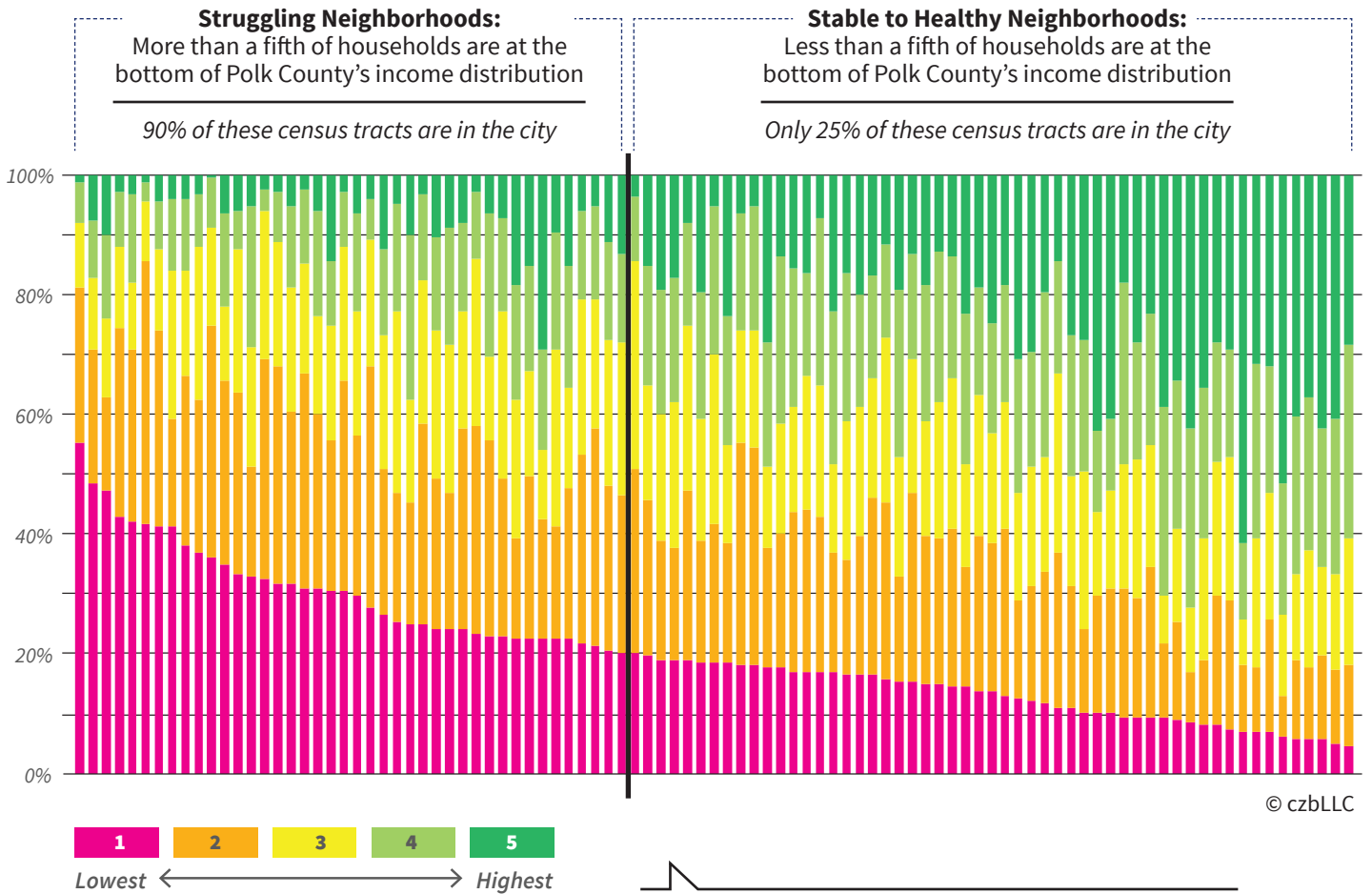
Figure 6: Income Quintile of Median Household Income by Census Tract, Polk County (2015)
Source: czb Analysis of Data from the 2011-2015 American Community Survey 5-year Estimates

Income Distribution by Quintiles, Polk County Census Tracts 2015

Struggling Neighborhoods:
More than a fifth of households are at the
bottom of Polk County's income distribution

90% of these census tracts are in the city

Stable to Healthy Neighborhoods:
Less than a fifth of households are at the
bottom of Polk County's income distribution

Only 25% of these census tracts are in the city

© czbLLC

| 1 | 2 | 3 | 4 | 5 |

Lowest ← → *Highest*

Snapshot: Geography of Income

The chart above shows the breakdown of incomes in each
county census tract. The established pattern of poverty in
distressed city neighborhoods and higher incomes found
nearly entirely in the suburbs means many Des Moines
neighborhoods continue to lose the battle for middle and
upper middle class households.

Figure 7: Income Distribution by Quintile, Polk County Census Tracts (2015)
Source: czb Analysis of Data from 2011-2015 American Community Survey 5-year Estimates

Strong households are not choosing the city.

Many of the ringing jurisdictions are doing a far better job providing a lot of house for the money for families who want move-in-ready houses, have little confidence in Des Moines Public Schools, and view the housing stock in Des Moines as too old or run down or in neighborhoods they consider to be unsafe. These suburban jurisdictions are making a promise to much of the region's middle class that they can have the best of Des Moines–easy access to Downtown for example–without actually having to live in Des Moines. This in turn drives taxes down in the suburbs while increasing the quality of services, pushes purchasing power up so retail quality stays high, and keeps suburban schools performing at a comparably higher level.

Education

Consider, as a proxy for strong households today and into the future, the key market segment of college graduates aged 25-44. During the first 15 years of the 21st century, as city living was reportedly being rediscovered by the young and well educated, the city–outside of Downtown–was clearly unable to compete for that segment. Nearly 9 out of every 10 young college grads added to Polk County from 2000 to 2015 ended up in the suburbs. The other one landed in the city, but with a 71% chance of her residence being Downtown and not in a city neighborhood.

Income

Since 2000, while the city's median household income grew by 25% - ordinarily a reason to celebrate - Polk County's and the State's rose by 34% and 38% respectively. So while median income in Des Moines did grow, Des Moines actually fell further behind both the county (by 8.2%) and the state (by 10.7%) in this important regard. This is noteworthy because each increment of eclipsed purchasing power becomes a larger increment of multiplied taxable residential home value. Unless the competition is capturing weaker households, every "success" in growth by weak households puts the city further behind. For every five new households earning on average more than $60,000 a year moving into Polk County outside Des Moines, one is moving into Des Moines earning about $50,000 a year. This divergence, if left unchanged, will continue to add more cost than revenue to the city and more revenue than cost to the suburbs.

College graduates, Age 25-44 (2000-2015)

	2000	2015	Increase	% Increase
Polk County Total	**41,578**	**54,016**	**+12,438**	**30%**
Suburban Polk County (No Des Moines)	**25,627**	**36,636**	**11,009**	**43%**
Des Moines Total	**15,951**	**17,380**	**1,429**	**9%**
Downtown	**140**	**1,165**	**1,025**	**732%**
Des Moines (No Downtown)	**15,811**	**16,215**	**404**	**3%**

Table 1: Change in College Graduates Aged 25-44, Des Moines and Polk County (2000-2015)
Source: 2000 Census and 2011-2015 American Community Survey 5-year Estimates

Median Household Income (2000-2016)

	2000	2016	Increase	% Increase
Des Moines	**$38,408**	**$48,088**	**$9,680**	**25%**
Polk County Total	**$46,116**	**$61,684**	**$15,568**	**34%**
Iowa	**$39,469**	**$54,570**	**$15,101**	**38%**

Table 2: Change in Median Household Income, Des Moines, Polk County, and Iowa
Source: 2000 Census and 2012-2016 American Community Survey 5-year Estimates

Suburban home values are outperforming those in Des Moines.

Home Values

Not surprisingly, median homes prices evolved similarly. In 2000, the Des Moines median home value was 25% less than the county's; by 2016 it was 34% less. The reason for this is simple: population growth outside the city is a function of the middle class buying homes in Polk County, reasoning they can have a great house and great schools in the suburbs and quick access to Des Moines' fantastic downtown without being a city resident. At the same time, growth inside the city is being driven almost entirely by lower income immigrant households with limited financial resources.

Change in Median Home Value Selected Communities (2000-2016)

Community	2000	Increase 2000-2016
Grimes		$80,900
Bondurant		$78,300
Urbandale		$73,600
Waukee		$71,900
Pleasant Hill		$61,900
Norwalk		$64,400
Ankeny		$62,600
Clive		$59,500
Windsor Heights		$59,400
West Des Moines		$57,700
Carlisle		$57,100
Altoona		$54,800
Indianola		$53,100
Johnston		$50,200
Des Moines		$39,900

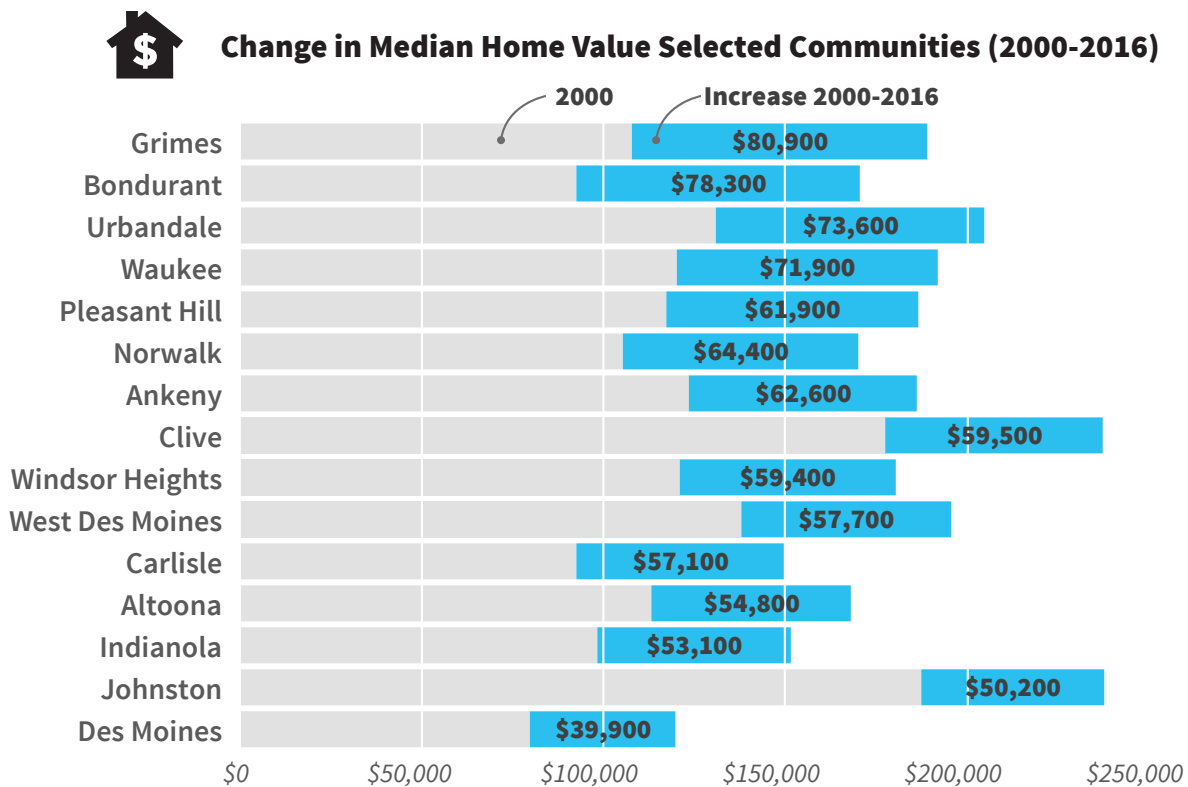$0 $50,000 $100,000 $150,000 $200,000 $250,000

Figure 8: Change in Median Home Value for Selected Communities (2000-2016)
Source: 2000 Census and 2012-2016 American Community Survey 5-year Estimates

Program Response and Observations of Impact

Tactically, Des Moines has developed a number of critical tools for neighborhood revitalization.

A Neighborhood Planning Staff and process to work with neighborhoods in crafting small area plans.

A Neighborhood Finance Corporation to undertake residential lending activities across the city.

A Neighborhood Development Corporation to spur commercial reinvestment in places where the market is uncertain.

A Neighborhood Based Service Delivery program for public safety and code enforcement activities.

A Neighborhood Infrastructure Rehabilitation Program for augmenting capital investment in neighborhoods according to their adopted plans.

The Neighborhood Revitalization Program has operated in essentially the same way since its inception. The Program established a process for formally recognizing neighborhood areas with organized Neighborhood Associations, then periodically selecting neighborhoods interested in developing an Action Plan through a competitive application process. The most recent rounds of selection were in 2006 and 2011. In 2011, for the first time, the City accepted applications from neighborhoods with plans more than 10 years old. Neighborhoods were selected based on the availability of City resources to address concerns citizens identified, the capacity of the Neighborhood Association to partner in involving area stakeholders, and with the intent to balance across city geography and by type of neighborhood (ranging from stable to distressed). Since 2005, an effort has been made to take a broader approach in distressed neighborhoods, bringing in other community organizations to help address socio-economic or people-focused issues.

Once selected as a "Designated" neighborhood, Neighborhood Development Division staff led neighborhood stakeholders through a process of identifying opportunities and challenges, setting goals, and identifying implementation strategies, action steps and responsible parties. Designated neighborhoods also gained access to NIRP (Neighborhood Infrastructure Rehabilitation Program) funding and NFC (Neighborhood Finance Corporation) lending. For those neighborhoods coming through the Program for a second time in the 2011 round, the City partnered with a graduate studio class at Iowa State University to lead the planning process. Typically, once the Plan was complete and adopted by the City, the Neighborhood Association became the primary owner and advocate for implementation, with Neighborhood Development Division staff available for support and to monitor progress. Other City departments addressed action items under their purview as their work plans and budgets allowed. Aside from NIRP and some occasional CDBG funding, the City did not dedicate funds for plan implementation. In recent years, Neighborhood Plans mainly included action items that were feasible for the City or other partners to address in a short time period with existing resources. After an appropriate amount of time, ranging from 3-7 years, staff evaluated the Plan's progress with the Neighborhood Association, and if the action steps had been mostly accomplished, the neighborhood graduated to "Charter" status. Neighborhood Plans did not typically identify indicators for success or specific measureable outcomes. Rather, a Plan's completion was determined based on effort towards achieving the identified goals and the need for City staff to move on to select new neighborhoods for the planning process.

czb's determination is that these efforts have succeeded on two fronts:

1. Neighborhood associations have been established across much of the city and many neighborhoods have built identities and capacity for managing their relationship to city government.

2. The neighborhood revitalization planning process has provided a rational system for focusing City government attention and scarce resources on city neighborhoods.

Both of these objectives are important for political and good governance reasons. Neighborhood relations and rational planning for both capital investments and the deployment of basic services are components of urban management which should not be ignored. But the data are clear in showing that revitalization has not occurred in a consistent or sustained way across the city and czb has drawn the following conclusions:

1

The city and its partners have **not explicitly had as their goal the increased demand for residential real estate in the city** and thus higher property values. Neighborhood-related work, as it has been practiced in Des Moines, has been done by many people and organizations with a variety of goals. Increasing real estate values has not been chief among them.

2

The City's toolkit has been **deployed too broadly with resources diffused across too many neighborhoods** to make a meaningful impact in any one of them. In short, resources have been spread too thin.

3

Where choices have been made about which neighborhoods should receive intervention ahead of others or more resources than others, they have been **chosen based on their need to be delivered from distress and not on the realistic opportunity for revitalization**.

4

The City has been **operating without a defined strategy to solve problems related to its neighborhoods**, whether problems of competitiveness, market health, or something else. The City's strategy, de facto, has been to spread neighborhood revitalization programming to as many parts of the city as possible. As mentioned above, this has political and good governance justifications but it does little to revitalize neighborhoods.

Neighborhood Association Leaders' Views of Neighborhood Revitalization Programming

czb spoke with two dozen residents who participated in the neighborhood planning process between 2005-2017, from the following neighborhoods:

Merle Hay	**Lower Beaver**	**River Bend**
South Park	**MLK Jr Park**	**Capitol Park**
Douglas Acres	**Beaverdale**	**Sherman Hill**
Drake	**Capitol East**	**Woodland Heights**

The City's Role in the NRP

Amongst neighborhood residents interviewed by the consulting team, there was a widespread perception that the City's Neighborhood Development Division is severely understaffed. Many pointed to 2008 – 2009 as the timeframe in which the City staff were "decimated." Residents also cited a lack of coordination among City departments as a major obstacle to neighborhood revitalization efforts. As one resident put it, "we don't know who to call; who is in charge of organizing all of the departments to implement the City's vision for the neighborhoods?" As a result, expectations of City Hall have been low in recent years but there is a growing realization that the tactics of yesteryear may be appropriate today – "we must again attend City Hall meetings and stand up and yell to have our voices heard." Many commented that the lack of staff has rendered the NRP ineffective in the broadest sense and all of those interviewed believed the Neighborhood Revitalization Board (NRB) lacked a clearly defined role in relation to revitalization outcomes, and was thus ineffectual.

On a more positive note, everyone interviewed praised the effectiveness of the Neighborhood Based Service Delivery (NBSD) program in the early years of the City's neighborhood revitalization efforts. But they noted it too has declined in recent years. The presence of a local police officer at a neighborhood meeting was identified by almost everyone as an important indicator of the City's commitment to the neighborhoods. Today, the absence of that officer at the neighborhood meetings is noticeable and the desire for an "Officer Friendly" in each neighborhood is significant.

The Effectiveness of the Nonprofit Organizations as Partners in the NRP Efforts

Generally, residents had less to say about the Neighborhood Development Corporation (NDC), Home Inc. and the Neighborhood Finance Corporation (NFC), but not for a lack of opinions. Rather, residents reported a lack of understanding of what each organization does ("What is their role? What is their goal?") and how their efforts are coordinated, if at all. Those who were more familiar with the nonprofits felt that NDC and NFC were too diffused, too spread out, and questioned the need for this geographic creep over the years.

The Effectiveness of the Nonprofit Organizations as Partners in the NRP Efforts

The following anecdotal input does not necessarily belong in a specific category but is noteworthy as the City prepares to revamp the NRP:

- Many of the neighborhood representatives felt that too much of the initial burden was placed on them in the process, e.g. work with Iowa State University to prepare a Neighborhood Plan, reach out to the City to initiate the partnership, etc.

- The City and the nonprofits "must respect the bumps and scars of each neighborhood."

- Many of the neighborhood representatives suggested the City should revise the existing zoning codes that allow landlords to "chop up" a house and lease it to many tenants.

- The City should be mindful of the fact that not everyone believes that all neighborhoods should gentrify; many also felt that each neighborhood should maintain its "funk."

What all this adds up to is both a fairly simple story and, at the same time, a complex set of interconnected challenges. The data - home values, sales transactions, demographics, and level of care by residential property owners - clearly show the following:

1. Overall, Des Moines is in better condition than it was 20 years ago, but the suburbs are in much better shape, so the distance between the two is actually growing.

   TRANSLATION

   The City of Des Moines is doing well enough, when compared to many of its peers cities, but is failing to successfully compete against its own suburbs for middle and upper class households who increasingly buy outside the city and, in spite of Des Moines revitalized downtown, live their lives outside the city.

The question is whether the City of Des Moines has the ambition and will to compete vigorously for its share of strong households in the region.

2. Parts of Des Moines–because of significant, expertly deployed effort–are doing really, really well. But others parts–in spite of and sometimes because of City efforts–are struggling as much today and in some cases more than 20 years ago. The parts of the city that are struggling have poverty rates above 25%; significantly, of the 26 such census tracts in the county, all 26 are in Des Moines.

   TRANSLATION
   Seventy-three percent of the county's poor households live in the city, weakening property values, imposing high costs on the city, and presenting significant challenges to the neighborhoods where they live, not least of these challenges being that the poor living in them are almost certain to not escape poverty living in the very neighborhoods they can (barely) afford.

The question is whether the City of Des Moines has the ambition and will to change this.

3. Between the parts of Des Moines doing spectacularly well–like Ingersoll Park or River Woods–and those in abject trouble–such as Capitol East, MLK Park, River Bend–are two dozen in between neighborhoods like Union Park, Douglas Acres, Fairmont Park, Drake, Merle Hay, and Oak Park. These in-between neighborhoods are not in trouble, but they could be, and to lose them would imperil the city's long term fiscal health. The market strength of these middle neighborhoods is by no means a sure thing given the older housing stocks and - compared to the suburbs - the lower level of property owner reinvestment in homes.

TRANSLATION

The health of these neighborhoods is a priority for the city's long-term health.

The question is whether the City of Des Moines has the ambition and will to ensure these middle neighborhoods remain communities of choice.

4. Significant effort and money have gone into remaking Downtown and the work has paid off handsomely. Less money but still very considerable effort has gone into both revitalizing the city's most distressed neighborhoods and improving the lives of low-income households. These efforts have unfortunately shown nominal progress in creating healthy neighborhoods.

TRANSLATION

In part for lack of sufficient resources, but also in part for want of a different approach, two thirds of the city's neighborhoods require attention - either to ensure stability of the city's middle or to address abject distress at the bottom.

The question is whether the City of Des Moines has the capacity–defined as both ability and willingness– to take what it learned from its exceptional work Downtown–a finite geographic focus, overwhelming resources for an extended period, and a clear and attainable set of outcomes to work towards and measure along the way–and apply it to its neighborhoods.

5. Underlying the entirety of the Des Moines housing market are a finite number of very influential variables that shape, and are in turn shaped by, market and socio-economic conditions. These variables require attention.

✔ For decades, most Des Moines home owners have expressed only marginal confidence in the city's market, and have failed to invest accordingly, thus depriving large numbers of the city's residential properties with appropriate levels of care and capital improvements.

✔ Municipal policies have failed to hold property owners to account for substandard conditions, too rarely enforcing the right code at the right time. The City has lacked the resources, the tools, and the focus to hold both homeowner and rental properties to a level of maintenance that inspires confidence in city neighborhoods. Where the City seeks revitalization outcomes, "good enough" is not good enough. Furthermore, the City has avoided relatively inexpensive prevention and is now faced with significant bills for treatment.

✔ The City and its nonprofit partners have deployed millions of housing dollars focusing on outputs (i.e. number of housing units built or rehabbed, number of low-income families assisted) as opposed to outcomes. Because these investments have not been strategically made, the results have been isolated to helping a specific household or improving a specific property rather than creating a healthy neighborhood.

✔ Pockets of blight have the upside of affordability and, for immigrants seeking cultural affinity, a place newcomers not only can afford but can feel a part of; nevertheless, these same attributes can and often do doom a neighborhood to distress if there is not sufficient demand in the local economy to keep everyone gainfully employed.

✔ Development in Des Moines has not been intentionally inclusive. Poverty has gotten worse even while significant parts of the city have become quite vibrant. In the neighborhoods where such activities have occurred, conditions have not gotten better except on an isolated basis, and during this time, disinvestment on too many blocks has taken hold and become self-fulfilling.

To conclude, the systems in place for coping with poverty, for addressing neighborhood distress and property blight, and for stimulating reinvestment in recoverable areas are not working as well as they need to. Now the inescapable question is whether the City and its partners badly enough want them to work to make some fairly substantial changes. The suburbs are outcompeting the city on numerous fronts. *How serious is the city about competing within the region for working families?*

Most of the troubled blocks in Des Moines were just as troubled last year, five years ago, ten years ago, and 20 years ago. Little has changed despite sometimes significant effort and money.	→ *Can the City commit to addressing conditions in ways that strengthen the neighborhoods?*
Many parts of Des Moines are neither doing especially well nor in trouble.	→ *What does the City want to do about this?*
Downtown's recovery is no accident. Its recovery offers many lessons.	→ *Can those be vigorously applied elsewhere?*
Confidence to reinvest above market conditions remains elusive throughout most of Des Moines.	→ *What is the community willing to do to change this?*

Part 2

Strategies and Tools for Moving Forward

Effective neighborhood policymaking requires clarity about the following in each neighborhood housing market: the problems to address, the outcomes to aim for, the tools most likely to achieve those outcomes, and how to consistently make good decisions as new challenges and opportunities arise. At a citywide level, these considerations must be coupled with an effective process for prioritizing limited resources and putting neighborhood goals within the context of long-range city plans and investments.

Part 2 provides tools to assist the City with effective strategy development, including a market typology, principles for neighborhood revitalization, a demonstration of good decision-making across different areas of the city, and an outline of short-term neighborhood revitalization policy steps.

Demand- and Outcome-Oriented Neighborhood Typology

How many distinct types of markets exist in Des Moines? Which outcomes are appropriate for each type – and which programs and resources align with those outcomes?

Planning Principles for Neighborhood Revitalization

Which principles for decision-making are most helpful in achieving neighborhood revitalization outcomes? What does it mean to put those principles into practice?

Demonstration of Revitalization Strategies and Tools

What does successful implementation of revitalization strategies look like? How can appropriate tools and principles be used to cultivate stronger demand and investment?

Next Steps

What steps could the City take to better align its comprehensive plan, zoning code, neighborhood programming, and decision-making processes with neighborhood revitalization outcomes?

Demand- and Outcome-Oriented Neighborhood Typology

Communities that use outreach strategies to engage residents – which is vital to neighborhood revitalization and has been a critical part of Des Moines' efforts – tend to gauge success or effectiveness by the number of surveys collected, or interviews facilitated, or attendance lists from meetings. In other words, they tend to focus on the outputs of their activities. In so doing, they tend to pay too little attention to the outcomes that matter to neighborhood revitalization: residents exercising leadership on their blocks and making investments of their time, energy, and money in ways that meaningfully influence housing demand and real estate values.

This tendency to focus on outputs rather than outcomes usually happens for one of three reasons, and often for some combination of all three.

First, conventional approaches to neighborhood revitalization make the fundamental error of conflating demand with need.

Responding to need – with, for example, housing subsidies – may address a low-income family's housing cost burden. Unless this is expressly coupled to ensuring that the subsidy helps to stabilize a block, however, servicing the needs of struggling families will almost never translate into attaining revitalization goals.

Indeed, the poster child for conventional community development is the ill-fated – if very well-intentioned - Sandtown-Winchester development in West Baltimore. Beginning in 1989, $130M was spent attempting to revitalize 1,000 of the roughly 3,750 homes in the neighborhood that was then - and remains today - part of a section of Baltimore in which about half the children live below the poverty line, nearly a quarter of adults are out of work, and the homicide rate is more than double the citywide average. In short, aspirations for revitalizing demand in the housing stock and the tools assembled to achieve that goal were a poor match for the underlying problems of generational poverty that continues to dominate the Sandtown-Winchester market.

Consequently, it may prove vital for the City of Des Moines and its community development partners to hone in on the problems they want to solve in the areas where they want to work. Aligning an accurate diagnosis with the appropriate intervention can be potentially invaluable.

Second, conventional approaches tend to focus on the outputs as if they were the objective.

Many community development lending institutions measure their success by their loan volume. A few of the better ones measure their success by loan performance. While the latter is better than the former, it remains insufficient for the purposes of neighborhood revitalization.

If housing cost burdens were the problem to solve for, then loan volume to low-income buyers is the right measure of success. If low homeownership rates among low-income buyers were the problem to solve for, then volume and mortgage performance are the right measures of success. Neither will necessarily produce a street that is better managed by residents and more widely marketable and thus more likely to be a part of increased property values. When increased property values are the measure, home owner equity becomes part of the value proposition. When greater demand for housing in a formerly overlooked neighborhood is the result, a growing tax base becomes part of the value proposition.

Likewise, many community development initiatives measure their success by their housing production. A few do a bit better by aiming not only for units produced but the development of better units. Unfortunately, the key to future demand by potential future residents is the expression of present-day pride by current residents. While the homes themselves are part of the equation, and a key part, they are rarely the main determinant of who stays and reinvests and who sells and leaves and who buys and enters; that is a function of pride of residency which is a manifestation of the degree to which residents communicate self-confidence and a sense of community in ways that make the larger market want to move in.

Third, the scale of work is too large or too small to have the right impact.

Residential life on a block or a number of blocks near to one another in a neighborhood is fundamentally organic. Owners age and sell and leave; new and younger families move in. Mothers-in-law arrive and stay. Families planning for a child discover they are having twins and need more space. People get promotions and get fired. The decision-making that every household makes amidst the swirl of family needs and market dynamics eventually boils down to what makes the most sense to them at a particular moment in time.

Redevelopment is the very definition of a complex undertaking, and to engineer a turnaround of neighborhoods as complex as the Fairgrounds or Drake or Magnolia Park – each beset by homes no longer easily marketable in their current condition and thus to some degree underwater – is to manage the risk both of penciling out rehabilitation but tying that to the larger ambition of growing demand. Rarely can this occur via one-offs; it is very difficult to redevelop a block too weak to be repositioned by merely fixing a few homes. Generally, a combination of at least 15% of a middle market block needs to be positively influenced and the working area needs to be between 400 and 800 households.

Therefore, revitalization ambitions in Des Moines are more apt to materialize when demand is not conflated with need (even while responding to need is a formal commitment of the City to its residents), when all efforts are intentionally tied to the aim of residential real estate appreciation, and when the scale of interventions are large enough to move the local market in durable ways.

All of this requires clarity about the exact nature of the problems to address in different neighborhoods and a shift away from an output orientation – an annual 'home repair day', for example – and move towards one aimed at market-based outcomes. A home repair day is benign, of course; there is nothing wrong with the activity, and it can be inspirational and valuable. But all activities incur opportunity costs and can become meaningless if not explicitly tied to the core issues particular blocks may face. What may prove effective for Des Moines is the deployment of a number of well-funded tools that are explicitly knitted together towards stimulating demand in service of rising property values.

Knowing which outcomes are appropriate to pursue on which blocks, and which tools, therefore, should be knitted together is difficult in any city such as Des Moines where market conditions vary considerably. A market typology is a tool that can make sense of this work by categorizing market environments and connecting them to specific outcomes and appropriate tools.

A typology, for example, can break a large geography into smaller parts – not for the sake of establishing smaller work areas, or for parochial political purposes, but to separate areas by market conditions in order to apply only the right tools to the right locations. In other words, the typology can illustrate how some parts of Des Moines are "ready" for revitalization and others need more time to stabilize first.

Why? Conditions are different. The costs of recovery are different. The probabilities for recovery are different. The composition of the community is different. The typology allows a conscientious user to differentiate market types so as to differentiate goals and objectives, and then to intervene in as many places as it can afford to do so, but always mindful of the different challenges that different neighborhoods pose.

This approach can allow for the user to look at a large area – the City of Des Moines – and break it into manageable categories based on differentiated conditions and, within categories, shared challenges. Over time, the typology can become as granular as the City wants, down to the census sub-block level, or, with planning, down to the street level.
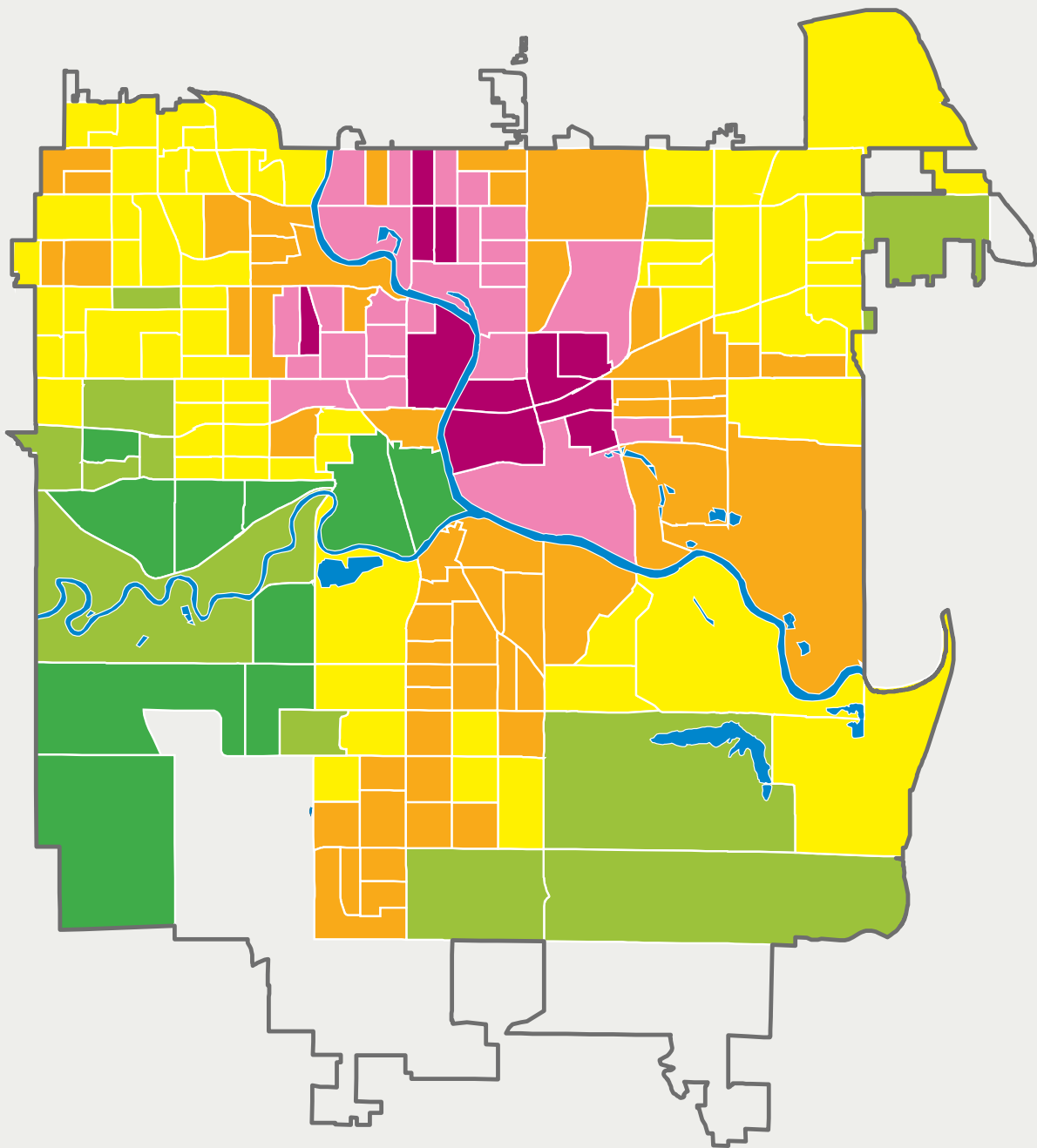
Des Moines Neighborhood Types
Based on Average Field Survey Score

VERY HEALTHY ←···················→ *VERY UNHEALTHY*

| 1 | 2 | 3 | 4 | 5 | 6 |
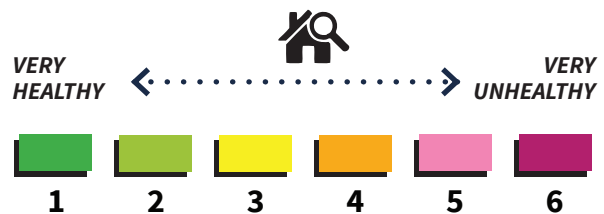
© czbLLC

DES MOINES SUBMARKETS BY CONDITION AND INTERVENTION POSSIBILITIES

The following typology prototype for Des Moines demonstrates the potential value of such a tool for guiding neighborhood strategy. The six types presented below – based primarily on housing conditions – correlate to specific neighborhood geographies and feature conditions that are conducive to particular forms of intervention.

Average Field Survey Scoring

VERY HEALTHY ← .... → *VERY UNHEALTHY*

Type	1	2	3	4	5	6
# of Neighborhoods	4	5	15	12	9	3
Avg Sale Price	$271,007	$205,937	$127,351	$82,839	$62,452	$51,442
Total Properties	2,798	3,750	22,248	19,328	9,611	2.053
Homes in **Excellent** Condition	2,143	2,758	7,294	3,352	632	69
% Homes in **Excellent** Condition	77%	74%	33%	17%	7%	3%
Homes in **Deteriorated** Condition	89	164	2,889	5,357	5,450	1,482
% **Deteriorated** Homes	3%	4%	13%	28%	57%	72%
Gap	73%	69%	20%	-10%	-50%	-69%
Potentially Valuable **Intervention**	Inclusion	Inclusion	Revitalization + Inclusion	Stabilization + Revitalization	Stabilization	Stabilization + Rightsizing

Strong submarket considerations within Des Moines

In the city's nine strongest neighborhoods where the overall average sales price in 2016 was $238,472 and where 75% of the homes are in excellent condition, residential real estate has a high and very leveragable principal basis. It appears likely to appreciate at the same or better rates than any submarket in Iowa. This means that new infill development is likely, so long as the city's overall economic trends are maintained. When new future infill - or redevelopment - occurs, the market and political tendency will almost always be exclusionary in nature (Epstein and Axtell, 2007, Fischel, 1985 et al).

These nine neighborhoods have an acute shortage of units affordable to teachers and first responders. Therefore, inclusionary tools can begin to address such challenges if the community prioritizes this. The more that workforce housing ambitions can become a reality in these areas – whether through traded development rights and in lieu fees channeled to the Polk County Housing Trust Fund, or on-site unit production – the better.

# of Neighborhoods	TYPE **1** 4 Neighborhoods	TYPE **2** 5 Neighborhoods
GOALS Potentially Valuable **Intervention**	**Inclusion**	**Inclusion**
RESOURCES	• Line item commitment in City budget for affordable housing • Forward commitment from Polk County Housing Trust Fund • Cash from sources such as a housing levy, affordable housing bond, developer proceeds • Density and/or height considerations in exchange for inclusionary offsets • Land considerations in exchange for affordable housing • Transferred development rights	
ACTIVITIES	• Mixed-income development • Development rights trading mechanism • Negotiated zoning variances and entitlements	
INPUTS	• Redevelopment capital • Time holding property • Developer/city planning staff collaboration	
OBJECTIVES OUTPUTS	• Mixed-income residential housing projects	
IMPACTS	• Slow erasure of economic segregation across Des Moines • Reduction in commuter demand • Increased air and water quality • Reduced negative externalities	
OUTCOMES	**Increased Economic Diversity**	

Distressed submarket considerations within Des Moines

At the other end of the demand spectrum, Des Moines' 12 most challenged neighborhoods probably do not need any more affordable housing development. These include three neighborhoods in exceptional distress (Capitol Park, Martin Luther King Jr Park, and Capitol East) and nine that are likely facing substantial obstacles to even basic stability on some blocks (Mondamin Presidential, Oak Park, Union Park, Cheatom Park, River Bend, Historic East Village, King Irving, and High Park).

For example, Union Park is a large Des Moines neighborhood comprised of 1,941 residential properties. The average sales price in 2016 in Union Park was just $77,530, already affordable (on average) to a family with an annual income of just $25,843. Union Park today is exceptionally affordable, in other words, and made so by the reality that scattered throughout Union Park are 934 troubled properties and that across all of Union Park less than 1% of the residential properties (as of 2017) were kept to a truly high state of repair. If

# of Neighborhoods	TYPE **5**	TYPE **6**
	9 Neighborhoods	**3 Neighborhoods**
Potentially Valuable **Intervention**	**Stabilization**	**Stabilization and Rightsizing**
GOALS — RESOURCES	• **Bond proceeds** • **Sales tax proceeds**	• **Bond proceeds** • **Sales tax proceeds**
ACTIVITIES	• **Landbanking** • **Cleaning and greening** • **Block-level pride/sweat equity projects** • **Resident leadership development** • **Intensive code enforcement** • **Intensive police enforcement** • **Demolition of derelict property** • **Conditional property upgrade assistance**	• **Landbanking** • **Cleaning and greening** • **Block-level pride/sweat equity projects** • **Resident leadership development** • **Intensive code enforcement** • **Intensive police enforcement** • **Demolition of derelict property** • **Conditional property upgrade assistance** • **Re-zoning**
INPUTS	• **Demolition tools (processes and resources)** • **Home repair tools and resources for seniors** • **Rental property improvement tools and resources** • **Code enforcement tools and resources**	• **Demolition tools (processes and resources)** • **Home repair tools and resources for seniors** • **Rental property improvement tools and resources** • **Code enforcement tools and resources** • **Acquisition/landbanking** • **Regulatory modifications**
OBJECTIVES — OUTPUTS	• **Stabilized conditions** • **Land for future potential redevelopment**	• **Stabilized conditions**
IMPACTS	• **Reduced negative impacts from derelict property** • **Stabilized property values on some blocks** • **Reduced levels of disorder and disinvestment** • **Increased pressure on absentee property owners** • **Increased standards**	• **Reduced negative impacts from derelict property** • **Stabilized property values on some blocks** • **Reduced levels of disorder and disinvestment** • **Increased pressure on absentee property owners** • **Increased standards**
OUTCOMES	**Increased Stability**	

the goal is to improve Union Park as a market, standards have to be raised, significant risks by the public sector are probably required, and a sizable portion of the 810 owners of Union Park's homes maintained to an average standard have to begin investing more into their homes.

Accomplishing this without regulatory changes will be next to impossible; yet relying solely on code enforcement will not likely work either. Introducing more housing that is affordable to Union Park will not improve Union Park as a market, even as the units themselves can be helpful to low-income families. So, whereas the introduction of mixed-income developments to strong neighborhoods makes sense, more affordable housing in most parts of Union Park would not. Similar strategic decision-making would apply to the neighborhoods comprising Viva East Bank and others facing low demand. The exception here is the Historic East Village, which, owing to location and other factors, appears to be on a different trajectory.

For neighborhoods with a plethora of exceedingly difficult challenges ranging from property abandonment (the end of the line), to disorder, deferred maintenance, high levels of reprobate absentee ownership, and concentrated poverty, **the over-arching problem to solve is to stop further reductions in value**. Solidifying the floor in the local market is an essential first step towards stabilization which itself is the necessary precursor for future health.

At intersections such as 6th and Allison in the River Bend neighborhood, for instance, there simply is no floor whatsoever in the local housing market. Except in the eyes of those already disposed to overlook disorder, graffiti and disinvestment by the market, the predominant condition at this location is distress and disinvestment. The only collateralizable component in such markets is the anticipated cash flow of cost-burdensome rents paid by vulnerable families to degenerate owners of properties in notably substandard condition. These are areas – found in especially large proportions in King Irving and Capitol East and other neighborhoods – that must first be stabilized before real hope of a return on revitalization investments is empirically supportable.

In the very toughest areas of the very most challenged neighborhoods, the City may benefit from taking a step back even from stabilization aspirations. Where housing stocks have been so depleted of even basic maintenance for long periods, and where there is no demand amid abandonment and the only market activity is speculative bottom dwellers apt to default on taxes, right-sizing may be the wisest near-term course.

In no way is this to suggest that such blocks cannot be turned around. As Charlotte Gardens (South Bronx), Dudley Street (Boston), Patterson Park Avenue (Baltimore), and even Swampoodle (Philadelphia) show, improvements are possible. But as these same examples also make clear, gains will not come cheaply, nor always sustainably, and they will never happen quickly.

Middle submarket considerations within Des Moines

Where Des Moines may have a real opportunity to grow the city's tax base, leverage existing stability into genuine revitalization opportunities, and use data to drive precise decision-making will be on blocks neither thriving nor in distress. Such blocks exist throughout Des Moines, but are found in large numbers and concentrations in its middle neighborhoods. These are the Des Moines neighborhoods where so many homes of average quality are found, and where it is important that values are maintained throughout and sometimes strengthened.

In fact, in the City's 27 middle neighborhoods, where the overall average sales price in 2016 was $105,095, 22,684 homes are in average condition, each a vital part of the City's prospects for long-term fiscal health. In neighborhoods such as Waveland Park, Sheridan Gardens, North of Grand, parts of Fairmont Park, key blocks around Drake University, Gray's Lake, and elsewhere, needed work will most often involve leveraging potentially undervalued assets and repositioning them.

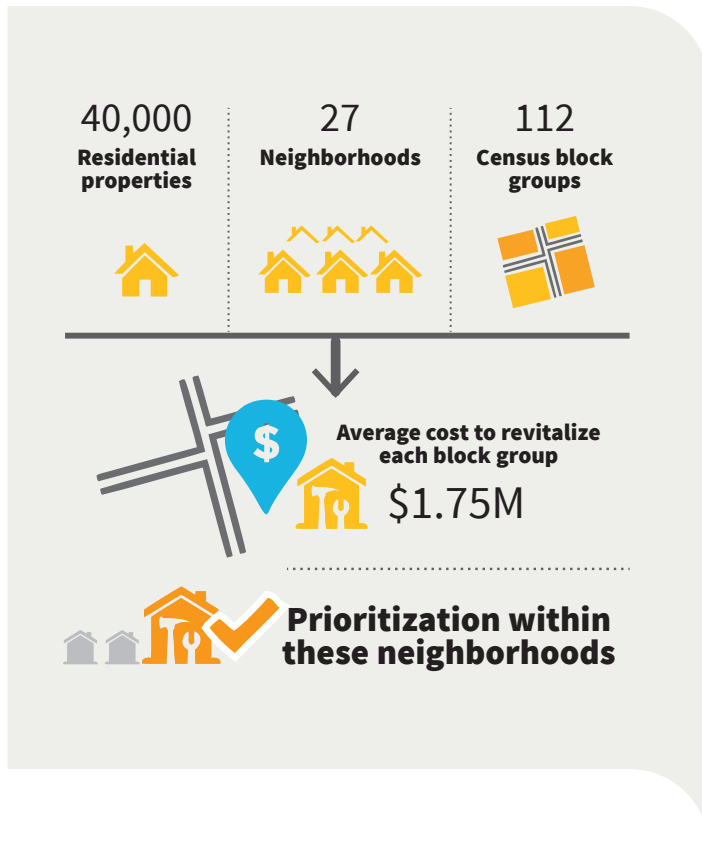| # of Neighborhoods	TYPE 3 15 Neighborhoods	TYPE 4 12 Neighborhoods
Potentially Valuable **Intervention**	**Revitalization and Inclusion**	**Stabilization and Revitalization**
RESOURCES	• Bond proceeds • Sales tax proceeds	• Bond proceeds • Sales tax proceeds
ACTIVITIES	• Acquisition and rehabilitation and sale of home above market • Inclusionary development • Existing home owner rehabilitation assistance • Existing rental property rehabilitation assistance • Directed CIP spending towards beautification and infrastructure upgrades • Demolition of derelict property	• Acquisition and rehabilitation and sale of home above market • Inclusionary development • Existing home owner rehabilitation assistance • Existing rental property rehabilitation assistance • Directed CIP spending towards beautification and infrastructure upgrades • Demolition of derelict property • Resident leadership development • Block-level pride/sweat equity projects
INPUTS	• Key parcels at key locations in designated sections of Des Moines strategically near the city's core and neighborhood assets • Predevelopment capital • Developer/city planning staff collaboration • Patient mortgage capital • Gap financing (non-recoverable grants) • Enhanced levels of code enforcement tools (staff and regulatory capacity) • Demolition tools (processes and resources)	
OUTPUTS	• Improved residential housing stocks • Reduction of negative equity	• Improved residential housing stocks • Reduction of negative equity • Increases in good neighbor interactions and neighborhood self-management capacity
IMPACTS	• Increased property values in relation to city and suburban rates of appreciation • Increased tax base • Increased sales activity to strong buyers • Increased home ownership rates • Increased levels of new construction and existing owner major upgrades	• Stabilized property values in relation to city and suburban rates of appreciation • Stabilized tax base • Increased sales activity to strong buyers • Increased home ownership rates • Increased levels of existing owner minor upgrades
OUTCOMES	**Increased Economic Competitiveness**	

GOALS (covers RESOURCES, ACTIVITIES, INPUTS)

OBJECTIVES (covers OUTPUTS, IMPACTS, OUTCOMES)

The great challenge facing Des Moines with its middle neighborhoods has two parts.

40,000
Residential properties

27
Neighborhoods

112
Census block groups

Average cost to revitalize each block group
$1.75M

$

Prioritization within these neighborhoods

Focus resources for impact

First is that with more than 40,000 residential properties across 27 neighborhoods in 112 Census Block Groups, many needing attention, it will not be possible to be everywhere equally and at once, so the City will benefit from prioritization within these neighborhoods. Considering that the average cost to succeed in a revitalization effort in these areas is about $1.75M for each Block Group, whereupon the total for succeeding across all 27 middle neighborhoods that already have some stability is on the order of $196M, this latter point becomes significant.

Second, even if the City does decide where in general to work in its middle neighborhoods, the sheer volume of blocks requiring attention means there will be a risk of spending too little to matter across too many locations, thus intentionally exposing other areas to decline by neglect. For example, a single block of 20 homes in a prototypical Des Moines middle neighborhood may well require about $1M in upfront capital to push the flywheel. Just a few blocks can quickly become $5M, and so even if resources on the order of $5M were to become available, it is easy to imagine that the pressure may be great not to focus those monies in a tight four- or five-block area, but on a house here and there.

PUTTING IT ALL TOGETHER ACROSS MANY NEIGHBORHOODS OF SEVERAL TYPES

The typology will tell the City that not all of Des Moines neighborhoods are in the same condition and therefore each needs to be treated with appropriate precision.

At the top, the primary task is to maintain strength while becoming more inclusive and economically diverse.

At the bottom the primary task is to stabilize the market so a profitable and healthy future at some point can be more probable.

In the middle, the work is mainly to invest in ways to leverage potentially undervalued strengths.

In all cases, the underlying work is to tap into and, where needed, stimulate demand whether it is apt to materialize today, in the near-future, or more distantly. When genuine unsubsidized demand is a more distant probability, the work requires carefully choosing the locations most likely to trigger healthy private market activity incrementally at a price the City can afford.

The common theme of every intervention is the necessity of stimulating confidence among existing residents so that it makes sense to stay, to maintain their homes to a high standard, to reinvest in their homes, to participate in civic life, and to take the risk of exercising leadership on their blocks and in their neighborhoods. Sometimes the culmination will be sweat equity, but with enough shine to project pride and instill confidence in others. Sometimes it will be a new roof. Other times, a block of homes with fresh paint. When these actions occur, lands values will begin to rise and help to make it make sense for new infill development to occur. This is the ultimate manifestation of the core objective of stimulating demand.

A combination of stabilization work where conditions are especially weak, will likely merit increased code enforcement, increased police presence, and assistance to seniors. These activities will need to be coordinated at a high level; it may make most sense that these efforts are orchestrated through the City with input from neighborhood liaisons.

For middle neighborhoods where a semblance of stability largely already exists, revitalization is probably a realistic ambition. In these neighborhoods, additive work will likely be required in the form of strategic property acquisition and rehabilitation, targeted home ownership development, resident leadership development, and, when feasible, above market infill development.

The overall change that is needed – economic diversity across the city in service of a stronger tax base - will not come without significant expense. Lower-income households will need subsidy to participate in the market in meaningful ways in healthier neighborhoods and stronger neighborhoods will need subsidy to offset the costs of inclusionary ambitions. And middle income households wanting to make a go of it in the City's middle neighborhoods will need subsidy to close what in many cases will be significant negative equity. New systems may be needed to organize the flow of resources necessary to achieve these and related goals.

Planning Principles for Neighborhood Revitalization

Revitalizing neighborhoods is the work of starting with a neighborhood where demand is inconsistent or consistently low, and where, consequently, reinvestment is low and homes either don't appreciate in value or grow at rates far below those in the wider area. It includes intervening in the cycle of property ownership so that reinvestment – by owners and renters alike – occurs and stimulates more reinvestment. Property is upgraded, usually above prevailing conditions and values, and with considerable risk.

As standards are raised, homes are improved, confidence is restored, and, over time, the value of property begins to outpace the carrying costs. Residents begin to conclude that it makes sense for them to invest their time, energy, and money into their homes and their communities. Pride of residency becomes more noticeable than prevailing uncertainty. To achieve these objectives, careful cultivation of resources will be required.

Investing the least to get the most will hinge on disciplined adherence to the following set of **demand-based principles.**

Strengths. Neighborhoods in trouble are never turned around by a fixation on problems. Vacancies and abandonment are symptoms and thus happen long after prolonged disinvestment. By the time a property is abandoned, it long ago ceased to be profitable. By the time a street has more than one abandoned or derelict property, it long ago ceased to be a street that families wanted to live on. Intervening late in the course of decline is very expensive; the earlier the better. Invariably, careworn residents struggling with negligent neighbors want codes enforced. This has a role, but it is usually a rearguard action unless the problem property is a rarity on an otherwise good street in an otherwise stable neighborhood. It is recommended that at every scale of thought and action Des Moines focus intervention strategy, dollars and activities on amplifying and building on existing strengths.

Targeted. Neighborhoods are historical and cultural artifacts. They can be large or small. But most residents know no more than two dozen families in their neighborhood by name and know less than ten well and share house keys with less than five, if any. Turning a neighborhood around requires extensive retail-level, grassroots work, and extensive outreach tied to property conditions and future reinvestment activities. It is recommended that not less the average unit intervention costs - roughly $14,000 per residence - be budgeted for and deployed in a geographically targeted areas of not less than 400 households ($5.6M) and unless special circumstances apply, not more than 800 at a time. Spending less than has been calculated is discouraged, as is working in a smaller area.

Patience. Eradicating negative equity, which is to say rendering a financially toxic asset to be healthy to the community and valuable to the market, requires the capacity to assume risk, and to apply risk tolerance patiently. With an estimated per unit performance shortfall (where the Des Moines market should be) across the City of $65,199, it will take decades to turn this around. The Chinese proverb that "the best time to plant a tree was 20 years ago and the second best time is now" applies here. By curating interventions where blocks that can be turned around quickly first, adjoining blocks will be in play shortly. Strategically sequencing where interventions are made will matter greatly, but patience will be essential.

Assets. Cities can be thought of like the body, with arms and legs and vital organs. When a city is operating most efficiently, all parts are making vital contributions to the whole and are healthy. At the same time, while the body has 22 organs in all, life ceases with the loss of a vital organ, hence the adjective. Without the brain, heart, kidneys, liver, lungs, stomach, intestines, skin, or pancreas, the body dies. So it is with cities, which instead of organs have institutions without which economic viability begins to decline, and neighborhoods which when unhealthy begin to erode the tax base. For Des Moines, its hospitals and universities and downtown are vital to its fiscal health and its neighborhoods, schools, churches, social clubs, and parks are vital to its social and spiritual health. Each neighborhood will have assets that must be considered when choosing how to intervene to spur reinvestment. At a citywide level, the locations of key institutions and the quality of life on surrounding blocks are critical for the City to consider.

Outcomes. One of the main shifts the City may need to make is to migrate from supporting community development initiatives that have been output oriented towards a greater outcome orientation. The new residences developed recently by Home Inc. on Holcomb Avenue meet an important test which is the addition of good quality homes for working low-income families. They may or may not meet other tests such as whether or not those new homes measurably strengthen the surrounding market sufficient to warrant public investment. Revitalization is almost always the result of intentionality where the emphasis from day one is on measurable improvements in demand and thus property owner equity. It can be - and in the hands of some providers often is - an attainable outcome owing to the development of new, low-income, affordable housing. But because it is not always the case that the output clearly brings a city closer to needed outcomes, disciplined rigor is often essential.

WYMIWYG. Wrongly attributed both to Edward Demming and Peter Drucker - neither of whom said it, but both of whom believed a relentless (though not exlusive) focus on metrics was essential - it is nonetheless the cornerstone of good revitalization work: what you measure is what you get. If the City measures housing impacts as improved conditions of existing housing, the promoted development of new housing, and promoted home repair, it is not measuring whether the improved conditions connect to a healthier market, nor is it measuring whether the new development is well built and likely to have durable value. By focusing on conditions and repairs and new development, but not how those activities must change the market, it becomes exceedingly unlikely that the underlying governing variables (Argyris and Schon, 1973) - concentrated poverty, low standards, absentee ownership, toxic assets - will be addressed positively.

Balance. A reality many cites unhappily must contend with is the fact that need far outpaces resources that are available. A million dollars spent in the Broadway-Filmore neighborhood of Buffalo is about as effective at stabilizing Buffalo's tax base as a million dollars similarly spent along Greenmont Avenue in the shadow of the Latrobe Homes public housing project in Baltimore. If a decision was made to try to revitalize either area, something more along the lines of $25M would be the minimum amount needed. By contrast, $1M spent in and around Hamlin Park in Buffalo or McElderly Park in Baltimore - both of which are struggling but not completely deracinated - will likely impact each city's financial bottom line quite favorably. After some return occurs, and more similarly layered returns occur, Buffalo and Baltimore can more readily embrace more ambitious objectives such as improving Broadway-Filmore (Buffalo) or Greenmont Avenue (Baltimore). But this "smart" approach is rarely understood as synonymous with being "fair", and so whatever resources Des Moines determines it can afford to additively invest in its neighborhoods - towards stabilization, revitalization, or inclusion - it is likely a balance between "smart" and "fair" will need to be struck.

Applying Revitalization Principles

The intended use of this document is not for the City of Des Moines to seek within it a prescription for exactly what to do. Market conditions vary widely block to block and often house to house. What may work on Ovid between 14th and 15th in terms of addressing abandonment and upgrading small, hard-to-market cottages may not be needed just a few blocks to the west where standards and ownership and reinvestment patterns are different. Furthermore, the similarities along both sections of Ovid are so different than the circumstances along Morton west of Grandview that each may very well necessitate a different intervention. Rather than look to this document to tell the City what to do where, because this document is a decision-making guide, it is recommended that the City itself carefully consider the status quo, the projected costs of recovery, and then prioritize its interventions based on the community's core values as stated in Plan DSM.

The principles presented above thus become handrails when posed as questions.

What and where are our **strengths** in a given neighborhood that the City is committed to revitalizing? What and where are the strengths on a particular street that providers have decided they aim to revitalize?

What area should be **targeted**, and why? What is the city's compelling interest in ensuring that the challenges in a particular part of the city be addressed now? What constitutes our target area? What are its boundaries? Is the area too large for existing capacity to intervene successfully?

How long might intended interventions take to bear fruit? What is the City's capacity to be **patient**? What are the opportunity costs of patience required for investments to pay off in one part of the City versus another?

Which **assets** require attention now? How important is Drake in the city's economic and spiritual life? Grandview? Mercy, Lutheran, and Methodist hospitals? Downtown? Each will thrive in some manner in direct proportion to the conditions around it.

What **outcomes** are public investments aimed at achieving? Is the tax credit developer from Chicago petitioning the city for support likely to produce units whose addition to the neighborhood will result in a stronger market? What is the case that the assertion is believable?

Positive impacts cannot occur without resources deployed in constructive ways that shape reinvestment and disinvestment tendencies in a neighborhood. Measuring the activity volume is rarely going to produce the neighborhood outcome needed, much less the citywide fiscal result that is so critical. What are we planning to **measure**?

Are the investments being considered in **balance**? How are they fair? In what ways are they smart? Do we have opportunities to make additive investments that are both fair and smart at the same time?

When determining how to respond to the many challenges Des Moines faces in its neighborhoods - the need for basic stability in some, the imperative to grow values in others that already have some stability, and the importance of achieving diversity through inclusive development in some - applying these principles can help the decision-making process.

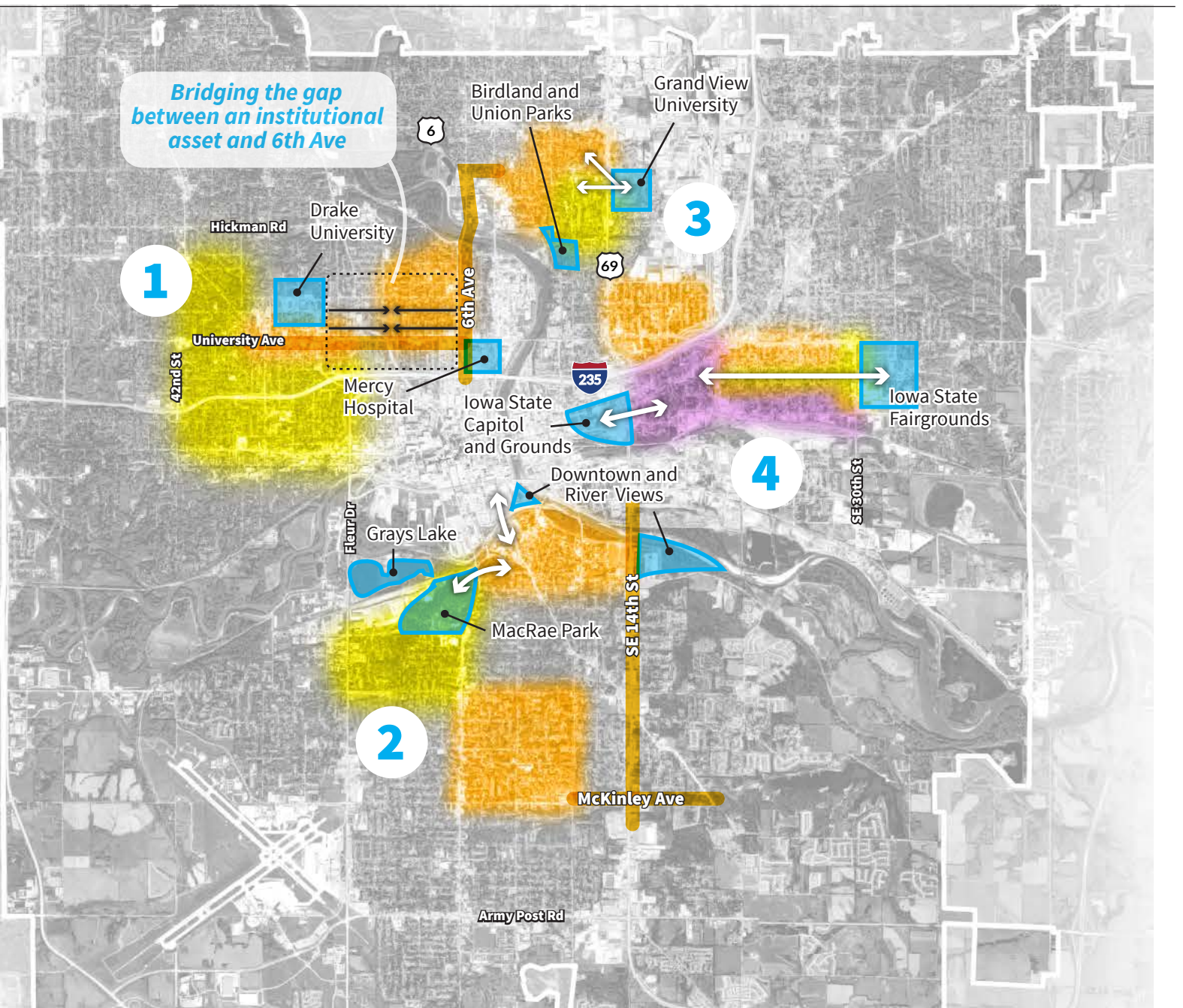# Demonstration of Revitalization Strategies and Tools

How would Des Moines apply this way of thinking?

It is estimated that to repair 100% of the Des Moines housing market's weaknesses and corresponding neighborhood stabilization and revitalization challenges would cost about $832M over a period of years. This derives from a per unit average intervention cost projected to be approximately $14,000.

Des Moines cannot afford to intervene at the right scale - only working in areas where 600 households are directly and indirectly impacted (on average) - deploying minimum gap financing to everyone, everywhere, so choices will need to be made. *Where to work first, and second, and third? What work should be undertaken sequentially and which tasks performed concurrently?*

Whichever sequence of interventions at whichever scale Des Moines determines is right, the outcome will include a stronger market provided all of the principles contained in this guide are followed. Chief among them is the orientation of activity around and in service of strengthening the city's core assets.

Across Des Moines there are numerous opportunities to work in a variety of types of conditions and generate good results for residential quality of life and for the city's tax base. Shown here are four examples where different combinations of improvements to housing stocks, commercial corridor investments, and resident leadership development can succeed. The costs of each, as shown, would alone far exceed what most cities can afford. At the same time, doing a little everywhere will not work. Sizing the intervention to both the realities of the city's budget and the realities of conditions on the ground will mean picking a few areas to start with, getting those right, and then leveraging early gains to expand the effort to other areas.

Bridging the gap between an institutional asset and 6th Ave

Map labels:
- Birdland and Union Parks
- Grand View University
- Hickman Rd
- Drake University
- 6th Ave
- University Ave
- 42nd St
- Mercy Hospital
- Iowa State Capitol and Grounds
- 235
- Iowa State Fairgrounds
- SE 30th St
- Downtown and River Views
- Fleur Dr
- Grays Lake
- MacRae Park
- SE 14th St
- McKinley Ave
- Army Post Rd
- 6
- 69

Legend:
- Assets
- Revitalize/ Redevelop
- Revitalize/Stabilize
- Stabilize/Rightsize
- Focus Corridors

↔ *Create cohesive spaces in between these areas*

1. **Drake/Mercy**
2. **South Riverfront**
3. **Grand View/Union Park**
4. **Capitol East/Fairgrounds**
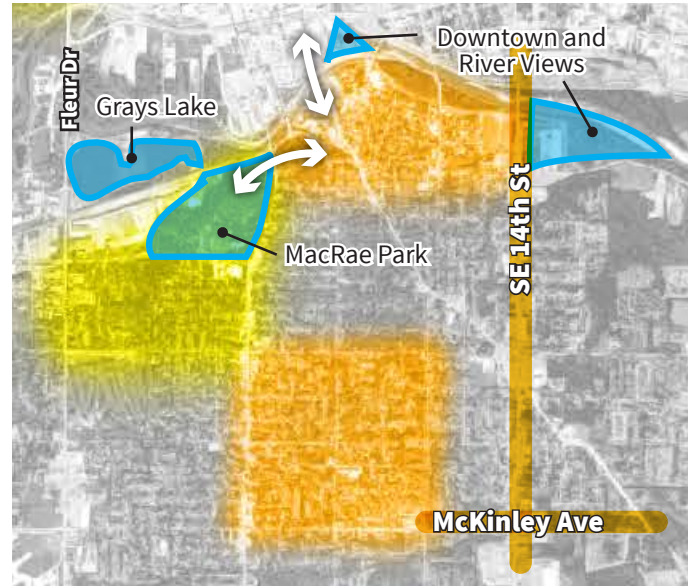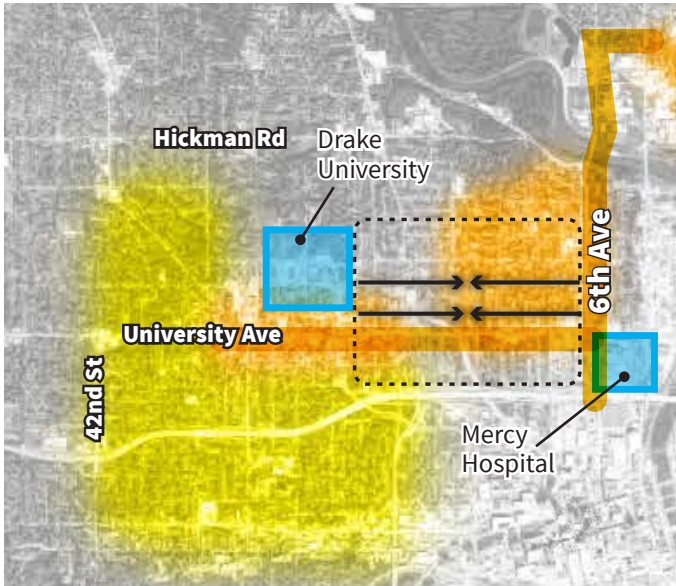
1. Drake/Mercy

Why Intervene?

The region's favored quarter is west along 235 to Waukee. As regional development intensifies along the corridor, neighborhoods close to the central business district can become more valuable if properly repositioned.

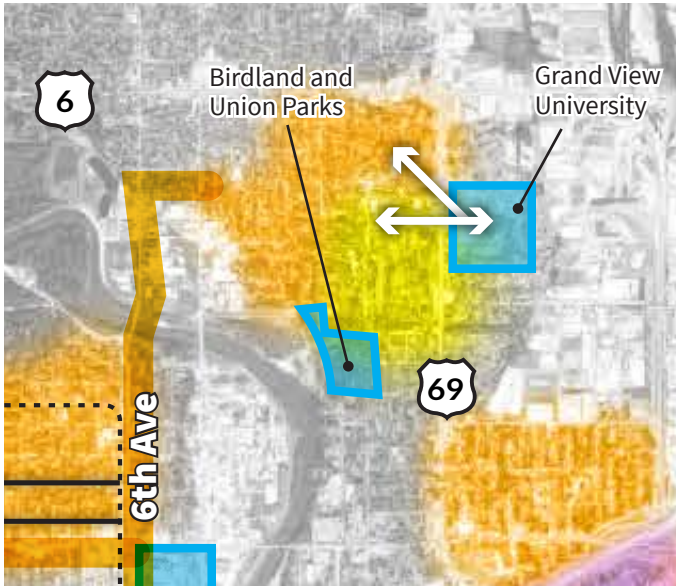|	
Assets	Drake University, Mercy Hospital
Possible Actions	- Upgrades to homes in Drake/Good Park, Beaverdale, and Waveland Park - Infill development of single-family homes and small clusters of high quality rental in Woodland Heights and North of Grand - Corridor work along University (private property and public right-of-way) - Stabilization work north of Mercy along 6th Ave.
Potential Challenges	- Narrowing in on sub-areas of reasonable size and not scattering efforts and impacts - Addressing disorder especially between 23rd and 6th and University and Forest - Mobilizing Mercy and Drake and others as equity partners
Anticipated Outcomes	Increased Economic Competitiveness

2. South Riverfront

Why Intervene?

The location of the blocks comprising McKinley School/ Columbus Park and Indianola Hills are among the most potentially valuable in Des Moines. With a mature tree canopy, topographical superiority, views of Downtown, and access to MacRae Park, this part of Des Moines has substantial future potential value.

Assets	Downtown Views, MacRae Park and Grays Lake
Possible Actions	- Redevelopment of Indianola as mixed-use/ mixed-income area - Assistance to existing owners for exterior and other upgrades - Infill new construction when appropriate - Optimizing the potential of SW 9th - Resident leadership development using Healthy Neighborhoods principles
Potential Challenges	- Addressing middle of the road standards - Inspiring confidence to reinvest by current owners
Anticipated Outcomes	Increased Economic Competitiveness

Legend: ☐ Assets ▮ Revitalize/ Redevelop ▮ Revitalize/Stabilize ▮ Stabilize/Rightsize ▬ Focus Corridors
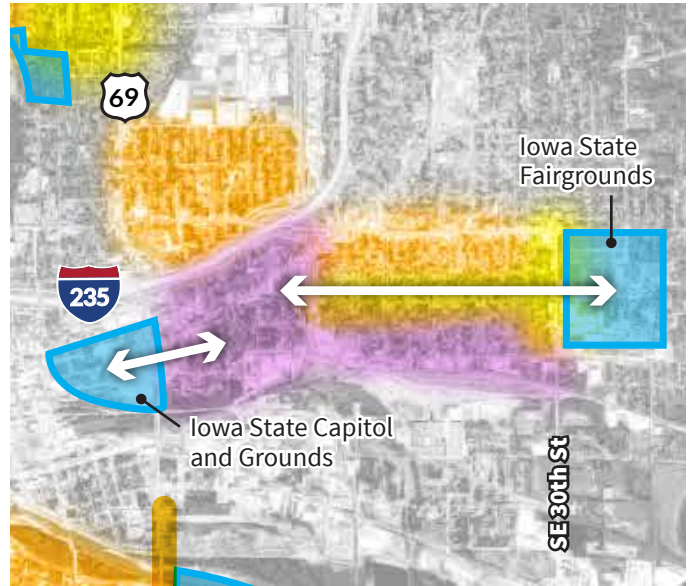
3. Grand View/Union Park

Why Intervene?

As long established neighborhoods, Union Park and surrounding blocks can become a major building block of Des Moines' future. Residential blocks close to Downtown Des Moines such as these offer excellent opportunities for working families to plant roots.

Assets	Birdland and Union Parks Grand View University
Possible Actions	- Weatherization and exterior home improvement assistance with emphasis on serving seniors - Strategic demolition of derelict property - Enhanced code enforcement within quarter mile of Grand View - Corridor work along East 14th (private property and public right-of-way) - Stabilization work along and north of Hull and west of Cornell - Resident leadership development using Healthy Neighborhoods principles - Rental rehabilitation grants to owners in exchange for rent considerations for low-income households - Beautification of Saylor Road
Potential Challenges	- Narrowing in on sub-areas of reasonable size and not scattering efforts and impacts - Inspiring confidence to reinvest by current owners - Addressing significant percentage of older homes of modest size
Anticipated Outcomes	Increased Value

4. Capitol East/Fairgrounds

Why Intervene?

Long some of the most undervalued real estate in Des Moines, these neighborhoods have degraded significantly since World War II. Yet the underlying urban fabric combined with their locations create redevelopment opportunities.

Assets	Iowa State Capitol and Grounds Iowa State Fairgrounds
Possible Actions	- Weatherization and exterior home improvement assistance with emphasis on serving seniors - Strategic demolition of derelict property - Enhanced code enforcement along East 30th, University, and Grand - Major redevelopment along East 15th and between East 15th and East 18th - Significantly enhanced code enforcement - Rental rehabilitation grants to owners in exchange for rent considerations for low-income households - Acquisition and land banking of key parcels such as along Dean
Potential Challenges	- Addressing growing problem of absentee landlords, declining standards, and displacement pressures that may arise if redeveloped - Significant volume and percentage of housing stocks are so distressed that recovery is no longer an appropriate goal
Anticipated Outcomes	Increased Stability

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Next Steps

As Des Moines grapples with whether to reconsider its long standing approach to neighborhood revitalization, the following steps may merit consideration.

1. Plan DSM is the guiding planning tool for Des Moines.

It is an excellent, award-winning, leading edge plan. It places significant importance on housing and neighborhoods. It is a document guided by the community's values. Implementing any municipal plan requires both a regulatory framework aligned to the plan's goals, and funding.

- The City will likely benefit from amending Plan DSM to **more precisely articulate its housing and neighborhood goals** in the context of economic development.

- The City will likely benefit from modifying its current zoning code to **address issues of inclusionary development.**

- The imperative in neighborhood revitalization is sufficient funding applied in a highly concentrated and patient manner in a targeted area. Resources insufficient to fully tip a market into revitalization should be saved and spent alternatively towards other ambitions. It is suggested that a **target area of no fewer than 400 residences at an average unit cost of $14,000 for a revitalization budget of $5.6M over a period of 5-8 years is the minimum threshold amount and proper timeframe** to allocate for ostensible revitalization aims. While a shade less money may do, an order of magnitude less won't, and would not achieve objectively meaningful results. Budgeting accordingly is a necessary near future step.

2. To supplement amendments to Plan DSM and the city's zoning regulations, attention should be given to funding such changes.

The housing market certainly has strengths, but it is **not deemed strong enough to self-fund any inclusionary aims**, so resources will be needed for that. The housing market is already assisted by good laws that regulate aspects of the rental housing market. But those need to be strengthened and in thousands of cases, owner occupant behaviors pose the real threat to the market, and firm standards are needed both as regards renter as well as owner occupant households.

- **Offset funding for any inclusionary provisions** desired will need to be made.

- **Offset funding for home improvement requirements** tied to inspections will need to be made.

3. While the City's housing market is largely defined by thousands of modest homes built between 1920 and 1970 that are in average condition, there are as few as 4,394 and as many as 15,431 residential structures that are in such a state of disrepair in the context of a soft market that acquisition (via land banking) and demolition may be necessary.

This is an expensive consideration regardless of whether demolition occurs or doesn't. Acquisition and demolition can average $30,000, and that is before the long-term expense of managing a vacant lot is considered, or the impact on a neighborhood is factored in. Not demolishing is also expensive, as properties in uncured distress exert a massive toll on the city's tax base. An average Des Moines home on a block with no abandoned, distressed homes will be worth about $180,000 but that same home on a street with distressed homes will be worth about $45,000. The longer distressed properties exert a negative impact on their neighbors, the longer the City's structural deficit will remain.

- Allocating significant funds for addressing distressed properties will be important.

- Not all properties are equally smart to demolish. Removing a distressed property which is located on a cul-de-sac and surrounded by other distressed properties will not have the same positive market impact as removing a distressed property in a more visible location and surrounded by homes in better condition. The former will not be noticed at all by the broader market. The latter very much will. It is therefore recommended that the City develop a policy for prioritization of demolitions in order to make the best use of limited public funds.

4. Deciding where to start may present difficulties. It can be difficult to know where to begin.

- It is suggested that Council in consultation with staff choose **three prototype neighborhoods** that are both vulnerable to decline yet affordably recoverable to start with. It is recommended that each be near an invaluable city asset, such as a college, a hospital, and airport, a vital commercial corridor, or a public park. At the high end, each can be assumed to cost $11.2M (area of 800 residences), and $5.6M at the low end (area of 400 residences). So a budget of $16.8M-$33.6M should be budgeted for this additive work every five to eight years.

- It is suggested that Council in consultation with staff choose **three prototype areas** within neighborhoods that are in distress for which stabilization is an essential near term aim to adopt. It is recommended that each have assets around which stabilization efforts can be anchored, such as public school or a church or a social club or a park. At the high end each can be assumed to have an average unit cost of $11,000 over 80 residents ($880,000) and at the low end of a single block a cost of $220,000. These efforts should have a start and finish timespan of not longer than two years.

- For these prototype initiatives it is recommended that the City develop or procure revitalization strategies that detail **exactly which properties need to be addressed** in what manner over what time frame by what entities.

5. It is suggested that Council in consultation with staff begin evaluating their commitment to inclusionary development.

Whether an incentive-based or a mandatory policy is considered, it is estimated that every inclusionary unit is likely to require a $65,000 capital subsidy at the front end, so $1M will be needed for every 15 rental units the City desires become affordable to a household with an annual income of less than $25,000. These figures are highly volatile and should the City wish to proceed further with inclusionary aspirations, it is recommended it procure additional analysis.
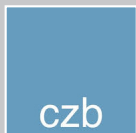
6. In the immediate timeframe, because the current "revitalization system" - parts and whole - is not suitably organized or funded to tackle the demand-based challenges presented in this report, it will likely be to the City's benefit to begin redesigning its response system.

- A **new public corporation** should be chartered, or an existing dormant City-owned entity should be resuscitated.

  - It should be tasked with guiding the five categories of implementation activities cited above - modifying Plan DSM and attendant implementation tools, budgeting for and receiving and holding and dispensing with an initial investment by the City and its private sector partners, procuring and implementing prototype revitalization and stabilization strategies, and drafting or procuring the range of amplifying tools the City may need, from an inclusionary policy to a demolition prioritization strategy and schedule.

  - It should be tasked with determining how much of the current provider network structure and scope and support - specifically NFC and NDC - should be modified, if at all, to achieve the revitalization objectives contained here with a specific target date of finalizing new systems and relationships by February 28, 2019.

- **Establishing this entity should be the first major step** undertaken, with the objective that it be properly resourced so as to be operational on July 1, 2019.

- City **government needs to organize** itself accordingly
  - Create a formal long-range planning function for demand-based planning.
  - Develop economic development tools as may be necessary.
  - Adopt new property maintenance codes as may be necessary.
  - Consider creation of a neighborhood liaison function to strengthen communication between neighborhoods and City government.
  - Reconsider the structure of the NRP currently carried out by Community Development and advised by the Neighborhood Revitalization Board.

Neighborhood Revitalization Planning Program Review

czbLLC for City of Des Moines
June 2018