Des Moines REGIONAL WORKFORCE HOUSING STRATEGY

December 2019

Prepared by czbLLC

czb

Des Moines

REGIONAL WORKFORCE HOUSING STRATEGY

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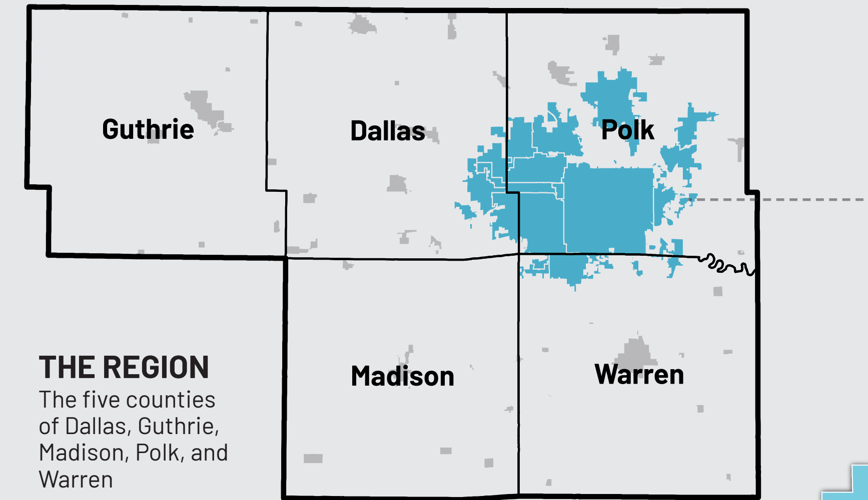
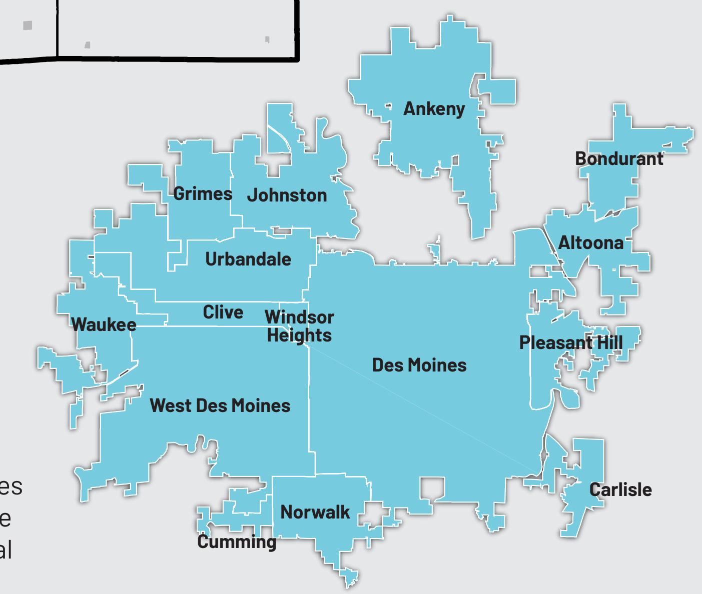


THE REGION
The five counties of Dallas, Guthrie, Madison, Polk, and Warren



Notes on Geography and Data Sources

The geographic boundaries that define the Des Moines region are not singular nor simple. The metro region is formally defined by the federal government, at the time of this report, as the five counties of Dallas, Guthrie, Madison, Polk, and Warren. Polk County is unquestionably the core of the region and home to the greatest concentration of population and economic activity. But a number of suburban communities spill across county boundaries while others are in counties other than Polk.

For the purposes of this report, the term "region" refers to the five county area. Where specific sub-geographies, such as the City of Des Moines or Polk County, are used, they are called out as such. These geographic units of analysis are used partially because their boundaries are important dividing lines in the real world for economic activity, demographic conditions, and housing markets, but also because of data availability.

In certain sections of this document, units of geographic analysis change based on the story being told. In some cases, multiple cities are combined because they share a common attribute like the era in which most of their housing was built or the pattern or trajectory of their population growth. These cases are explained where they occur.

In defining the workforce, this report often relies on a minimum household income of $15,000—equivalent to full-time employment at federal minimum wage—as a proxy for being employed. The purpose of this lower limit is not to exclude working households earning less, but to improve the efficiency of analysis and policy-oriented discussion.

Unless otherwise stated, all data come from the U.S. Census Bureau. Data from the year 2000 come from the Decennial Census. Data from 2017 comes from the Bureau's American Community Survey 5 Year Estimates. Jobs and commuting data come from Longitudinal Employer-Household Dynamics data set produced by the Census Bureau's Center for Economic Studies and reported via the online mapping application OntheMap.

References to jobs and housing demand forecasts come from the 2019 Downtown Workforce Housing Study produced by the Virginia Center for Housing Research.

PART 1

INTRODUCTION

Affordable housing is a hot topic. This is true in the urban policy world but also across the larger American society as legitimate concerns about inequality merit attention that has long been lacking. Regrettably though, the one quality desperately needed to navigate the complex thicket of econometrics in a market economy—nuance—is often entirely missing. Housing affordability is not a black and white issue. In a choice-based economy, affordability is a function not just of the ability to pay but also of the willingness to pay. And what is true for one household will not be for another with different priorities. What is true in one city will not be the case in another. Housing markets and the millions of choices that shape them—and are, in turn, shaped by them—are as dynamic as they are local. It turns out that the answer to almost any housing question is "it depends." This is not because an answer does not exist so much as the answers that do exist are not one-dimensional.

When either nuance or the discipline and patience to cope with nuance are missing, the narrative that invariably moves in to fill the void will be anecdotal and spirited, but rarely fact-based. This indeed is the prevailing environment cities and regions are in today with respect to housing affordability. Every city worries that it is one sale away from becoming San Francisco or Boulder. So concerned about the specter of gentrification are cities with demonstrably weak housing markets that they run the risk of tilting away from trying to make things better lest they raise prices or property taxes.

The truth becomes a casualty of the narrative and two twin problems—real problems—are deprived of the attention they deserve. The first problem is that there are people in desperate need of housing help and the second is that the city is existentially threatened by an insufficient tax base.

In this vacuum of subtlety, the prevailing narrative in the Greater Des Moines Region offers two options, neither especially good. Either the city is unaffordable and under constant and increasing threat of gentrification and economic strain from high prices, or it is a market with significant underlying weaknesses that threaten to puncture the bubbles of optimism feeding the recent resurgence.

Except in the most extreme cases, like Seattle or San Francisco on the expensive end or Youngstown or Saginaw at the other, the reality is that the majority of American cities fall somewhere in the middle. **Cities in the middle—not with exorbitant prices or extreme distress—require careful examination to thoughtfully craft economic development, planning, and housing policies that can sustain a place over time in alignment with public goals.**

This is where Des Moines finds itself.

In comparison to other metro areas, the Des Moines region has performed quite well in recent years, as measured by a number of key economic indicators. One result is that it is now in an advantageous position, with strong job growth, affordable housing costs, and a high and growing quality of life. Like any region, there are challenges that remain, but the city and the region have done well the last 20 years and, should the region's leaders make housing a priority, are in a strong position to become more equitable in the years to come.

In 2016, the Capital Crossroads 2.0 regional strategic planning process raised important questions about the links between housing affordability and regional economic strength. The key question was whether the region's housing market and production system would be able to respond to anticipated growth over the next two decades, and do so without succumbing to the housing affordability challenges that other regions have had to confront.

In 2019, the Virginia Center for Housing Research provided additional analysis of regional workforce housing issues, with specific attention paid to Downtown. The findings of that analysis form the foundation of this regional workforce housing strategy. This report seeks to address the issues raised by VCHR, expand upon them with other relevant analysis, and make recommendations to improve affordability for the regional workforce in the future.

What follows in the remainder of this section is a summary of VCHR's findings and the implications for making strategy.

SUMMARY OF FINDINGS FROM 2019 DOWNTOWN WORKFORCE HOUSING ANALYSIS

In contrast to the rest of the region, Downtown housing overwhelmingly consists of small rental units, unsuitable to households who might seek "move up" options for larger units or ownership units. The lack of Downtown housing diversity is a barrier to attracting Downtown workers as residents.

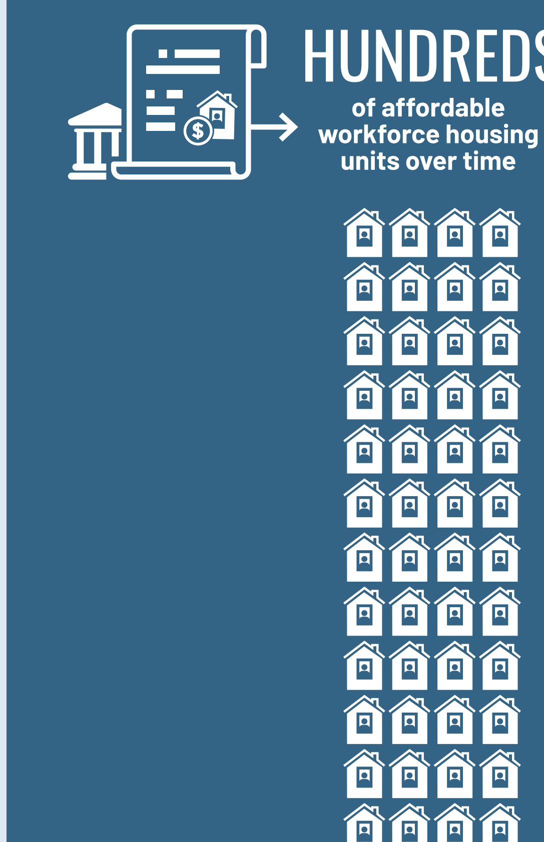
Thousands of low-wage Downtown workers cannot afford to live in the housing that is now being constructed Downtown, although there are hundreds of older housing units that offer much more affordable options. As new low-wage jobs are added Downtown, it is a near certainty that those workers will lack the option to live near work if they so choose.

IMPLICATION FOR REGIONAL WORKFORCE HOUSING STRATEGY

Shifting the existing housing mix Downtown, which overwhelmingly consists of studio and 1 and 2 bedroom rental units, to better resemble the rest of the region would require the addition of tens of thousands of new larger, mostly ownership units for which market demand and absorption capacity are highly uncertain. As a practical matter, there is not enough land Downtown to achieve such a goal. This being the case, ambitions to diversify Downtown housing stock must be both moderated and focused on the future instead of the past.

The private sector has already begun to recognize the need for new housing types Downtown. Specifically, Hubbell Realty's nearly finished Bridge District and its planned Gray's Station project will add over 1,000 larger condo, townhouse, and single-family units that will help tip the scales away from smaller rental units. In addition, the Market District plan calls for "missing middle" housing types which will eventually further aid in the diversification of types. **Planning efforts by the City of Des Moines have been progressive on this issue, and this report has little to add that will substantially improve upon what is already taking place.**

This report makes recommendations for inclusionary housing requirements for new construction Downtown and for additional purchases of affordability in new and existing multifamily buildings. These recommendations have the potential to add hundreds of affordable workforce housing units to the Downtown housing stock over time.



SUMMARY OF FINDINGS FROM 2019 DOWNTOWN WORKFORCE HOUSING ANALYSIS

IMPLICATION FOR REGIONAL WORKFORCE HOUSING STRATEGY

Workers, including low-wage workers, can benefit from living close to work by taking advantage of decreased commuting costs.

This report demonstrates that lower-wage workers are already more likely than the rest of the workforce to live near their jobs. It also makes clear that job centers in the Des Moines region have in fact been building substantial amounts of housing, including rental housing, in recent years, though very few new housing units are affordable to the low-wage workforce. **The report features recommendations to increase the amount of affordable housing in areas where job growth is happening most rapidly.**

The Des Moines market generally pays less than it can afford for housing, meaning that higher-income households are occupying housing units that should be affordable to lower-wage workers.

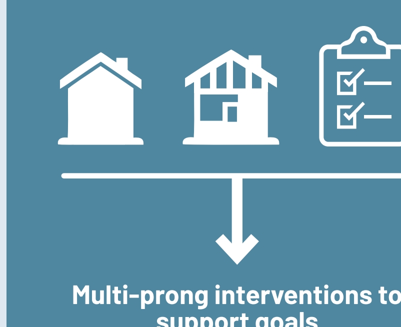
The VCHR report suggests that more "move up" housing for higher-income households can help address this mismatch. However, filling the gap between what higher-income households are willing to pay and what they are able to pay would require incentives on a scale so vast that it is not realistic to consider. **This report makes recommendations to instead focus on the preservation and creation of housing units that are income qualified and specifically targeted at low-wage workers.**

By 2038, employment growth in the Des Moines region suggests the need for approximately 84,000 new housing units in the region and 57,000 units in Polk County. In Polk County alone, this will require roughly 2,800 new housing units each year, which is 1,100 more than the 1,700 units per year that have been built since the Great Recession.

The Des Moines region has never failed to build enough housing to keep pace with employment and population growth. In fact, between 2000 and 2017, the region generated more housing than it needed, leading to an increased vacancy rate. **The projections from VCHR reflect a higher growth rate than the region has historically experienced, and there is no evidence to suggest that the region's sprawling development preferences will not meet future housing demand by increasing production in line with household growth.**

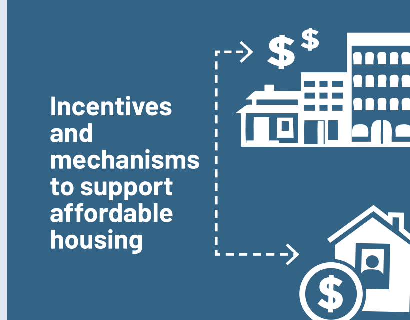
Over three quarters of all new households projected by 2038 will not be able to afford new construction. In Polk County, this is expected to include over 18,000 renters earning less than $50,000 and over 25,000 owners earning between $50,000 and $75,000.

New construction is not typically the housing solution for most households due to its expense. Approaching 2020, construction costs generally dictate that new ownership housing is not affordable to households earning less than $75,000 and new rental housing is not affordable to households earning less than $50,000. This can be mitigated if units are some combination of lower-quality, smaller, and subsidized. Sacrificing quality and size in a soft market like Des Moines can create future marketability problems while sufficient public subsidy is rarely politically palatable. **This report recommends a combination of action items focused on both new and existing housing, as well as non-housing interventions to support affordability goals.**



The inability of future employed households to have sufficient housing choice— especially single worker households— stems from low-wages, with the fastest rate of employment growth projected to occur in low-wage occupations through 2038.

The structural issue of low wages is not expected to change, resulting in lack of housing choice for low-wage workers even if housing costs do not increase. Most low-wage workers can find affordable housing if they sacrifice quality and location, often in the most deteriorated City of Des Moines neighborhoods. Some workers will have wages so low that even the last choice housing in the region will be too expensive, resulting in a cost burden. **This report recommends that economic development incentives be conditioned on a housing wage and that governments within the region explore taxing mechanisms for businesses that rely on low-wage workers, with revenues dedicated to affordable housing.**



PART 2

EMPLOYMENT AND HOUSING DYNAMICS IN THE REGION

VCHR's analysis raised some fundamental questions about the future of the housing market as it relates to low-wage workers, but getting to the answers requires a broader understanding of what is happening across the region. Making effective policy requires an understanding of how employment, housing, and commuting patterns are playing out across the Des Moines area. This section includes the following information:

EMPLOYMENT

The composition of regional employment, how it changed between 2000 and 2017, how it compares to the U.S. as a whole, and how workers and income are distributed geographically across the region.

DEVELOPMENT PATTERNS AND AFFORDABILITY

The history of housing production across the region, the resulting relationship between supply and demand, and its impact on affordability.

COMMUTING PATTERNS

Illustration of the largest commuter flows across the region with a focus on downtown Des Moines.

WORKFORCE HOUSING AFFORDABILITY

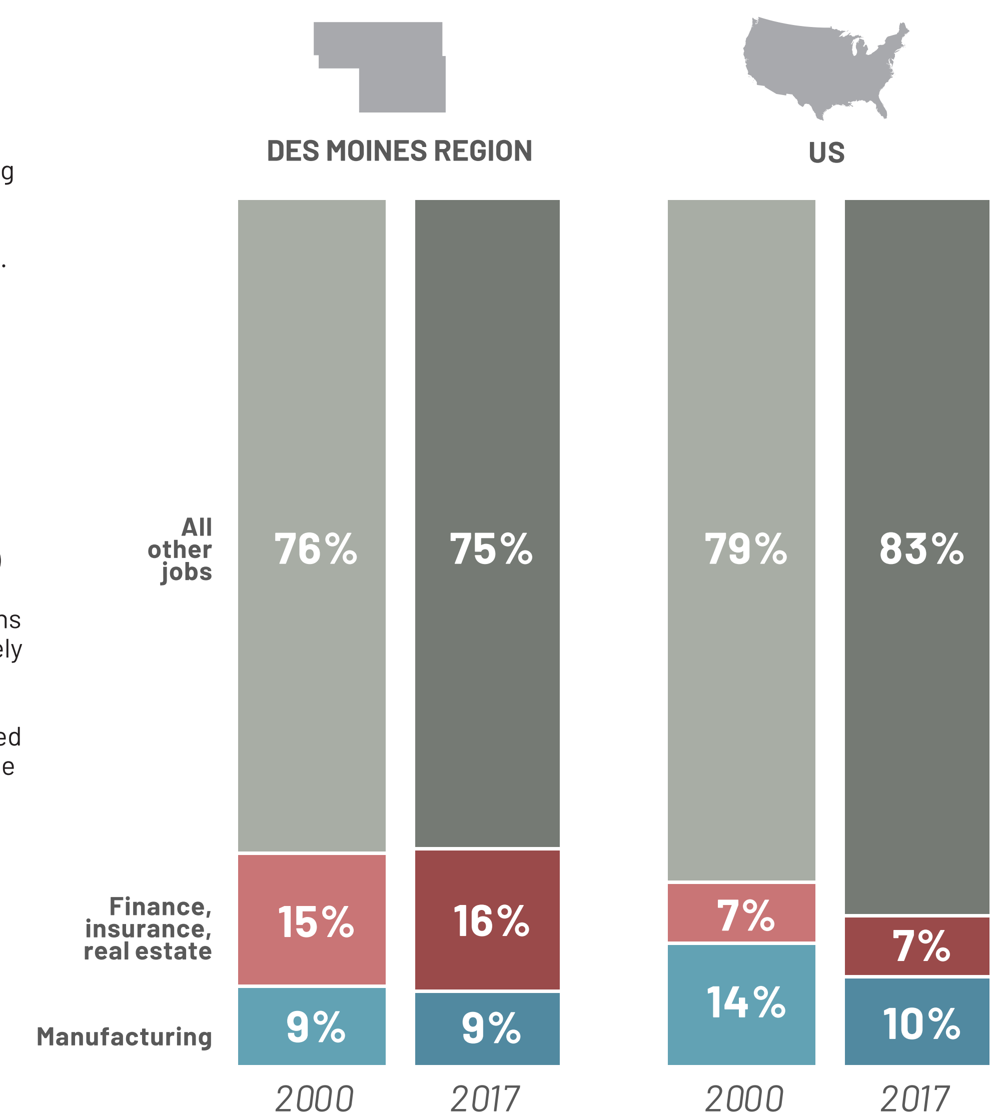
Discussion of issues related to the part of the workforce most likely to face housing difficulties within the region.

The employment mix in the Des Moines region has been, and continues to be, different from the nation's in two important ways.

First, Des Moines has been less reliant on manufacturing. In 2000, the country's share of workers in manufacturing was over 50% higher than the Des Moines metro's. As the national share of manufacturing employment has fallen in the past two decades, it has remained steady in Des Moines.

Second, Des Moines is much more reliant on the finance and insurance industries. In 2000, Des Moines's share of workers in FIRE sectors (finance, insurance, and real estate) was more than double the national share. This remains true today, and the relatively high concentration of employment in these generally well-compensated fields has been good for the local economy.

Employment in Selected Sectors (2000-2017)



Source: czb analysis of data from 2000 Census and 2013-2017 American Community Survey 5-year estimates

Regional employment growth has been strong since 2000.

Employment in the Des Moines region grew at nearly twice the rate of the U.S.

Industry sectors that saw high growth

Employment in **professional, scientific, and management, and administrative and waste management services**, which generally have some of the highest wages, grew rapidly.

Employment in low-paying industries like **entertainment, recreation, food service, and accommodations** also outpaced growth at the national level.

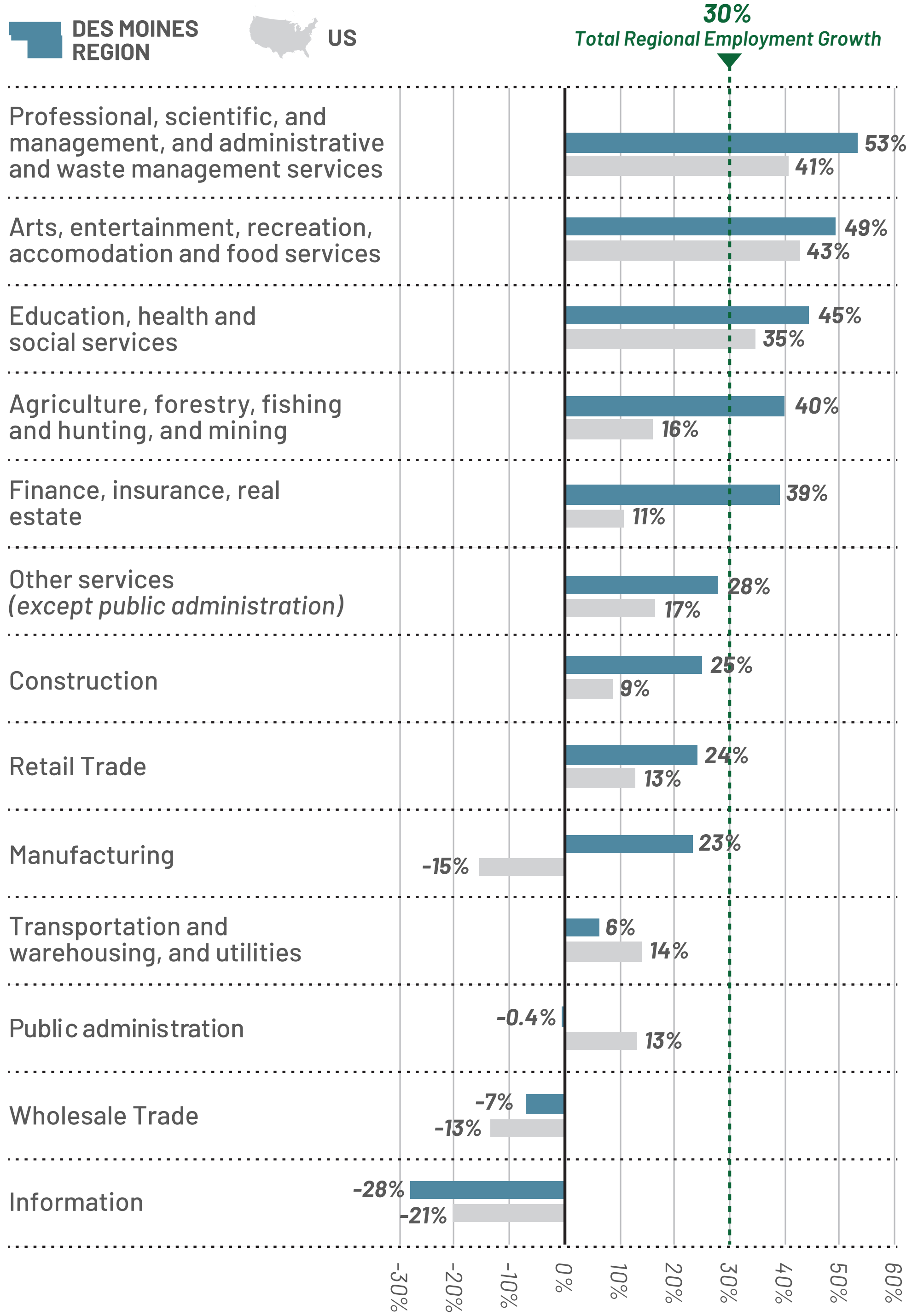
Finance, insurance, and real estate (FIRE) employment grew more than 3.5 times the national rate.

Construction employment grew at three times the national rate.

Retail trade employment grew at twice the national rate.

Manufacturing employment grew by nearly one quarter in Des Moines while it declined by 15% nationally.

Percentage Change in Employment by Industry Sector (2000-2017)



Source: czb analysis of data from 2000 Census and 2013-2017 American Community Survey 5-year estimates

The region's core city is home to a decreasing share of the workforce.

These gains were not distributed across the region in the historical pattern. In 2000, 40% of regional workers lived in Des Moines. By 2017, that had fallen to 33%.

Des Moines's resident share of regional workers fell in every industry category as population increased in suburban and exurban areas outside the city. Despite housing 40% of the region's workforce in 2000, the region's core city captured only 13% of total employment growth between 2000 and 2017.

% of regional workers living in Des Moines

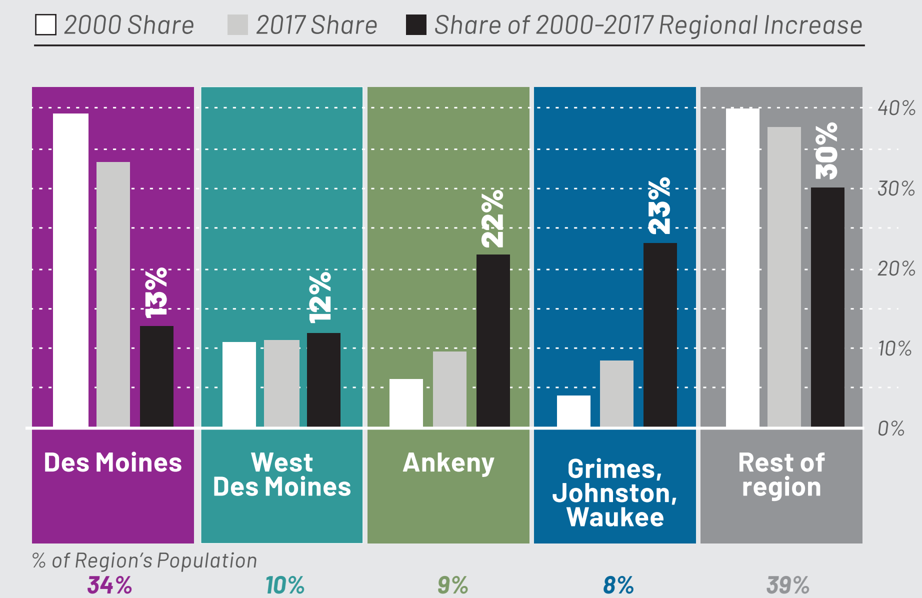
40% → 33%

2000 | 2017

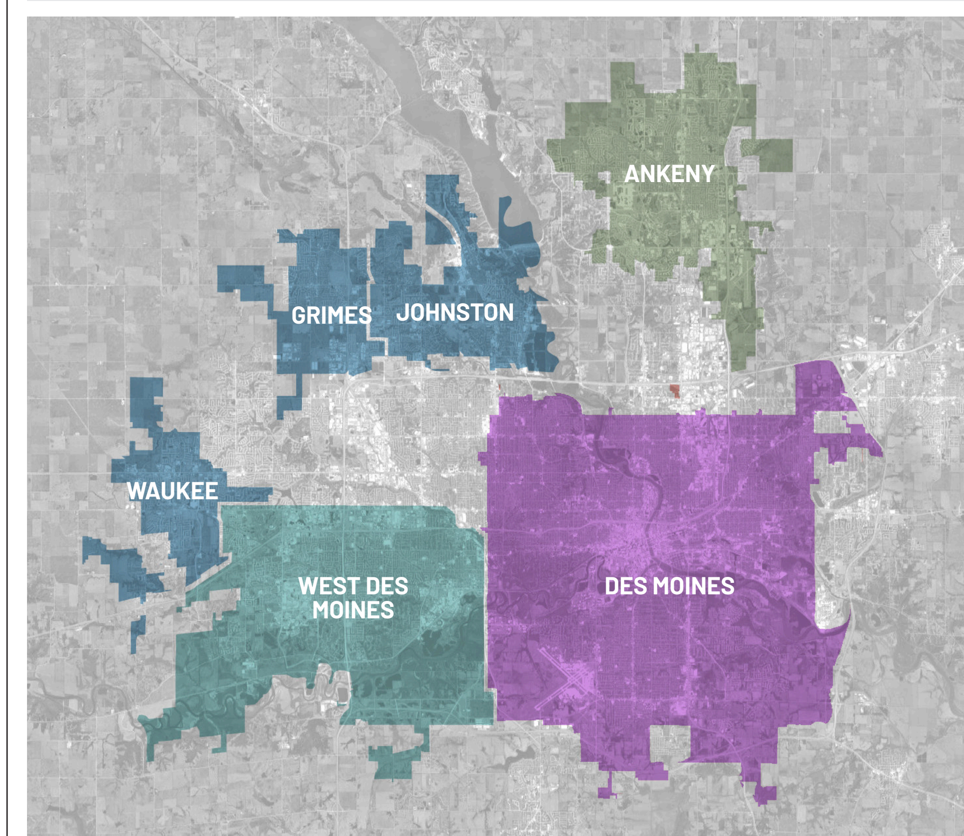
Employment vs. Jobs, What's the Difference?

"Employment" refers to employed residents. Employment can grow in a community as people with jobs move in, even if there has been no increase in jobs in that community. Put another way, "employment" happens where a person lives while a "job" happens where the person works.

Local Share of Regional Employment (2000-2017)

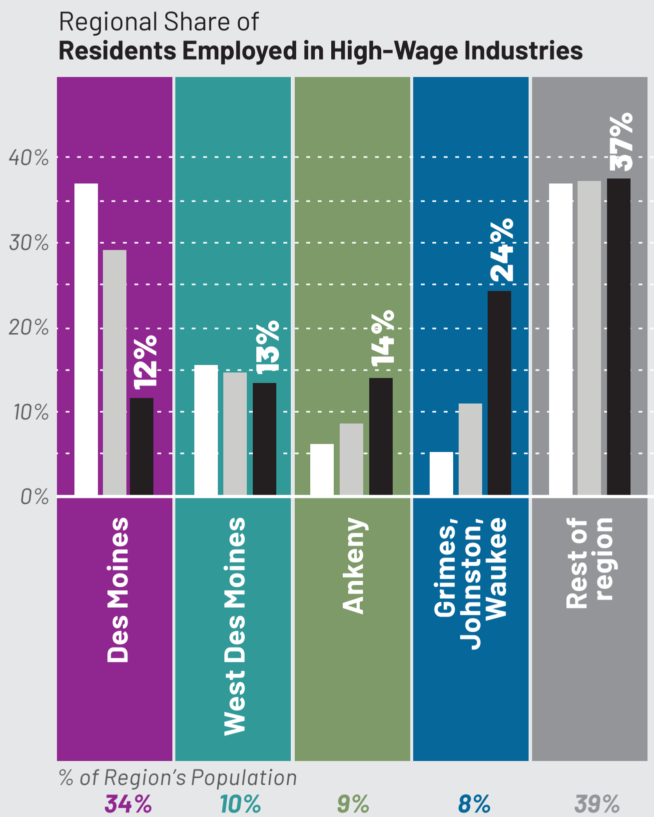


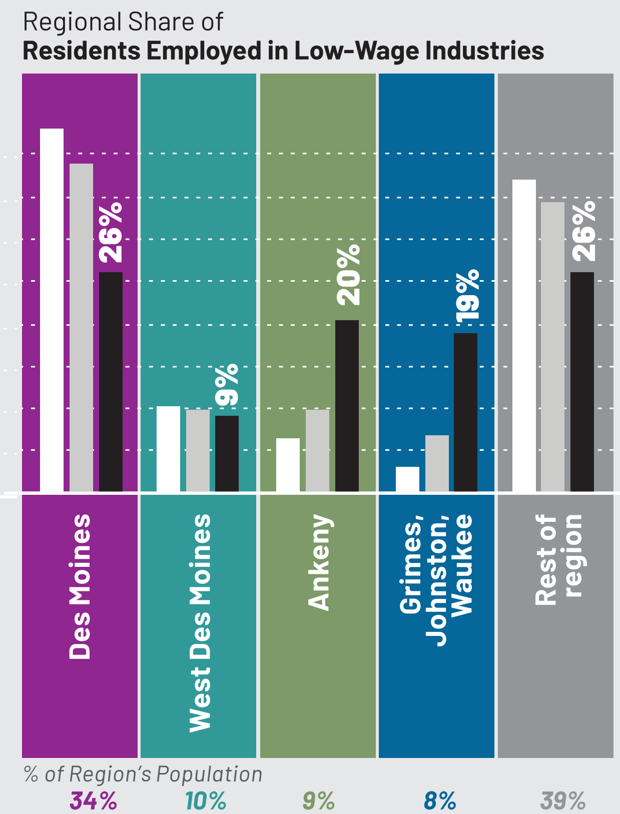
Source: czb analysis of data from 2000 Census and 2013-2017 American Community Survey 5-year estimates

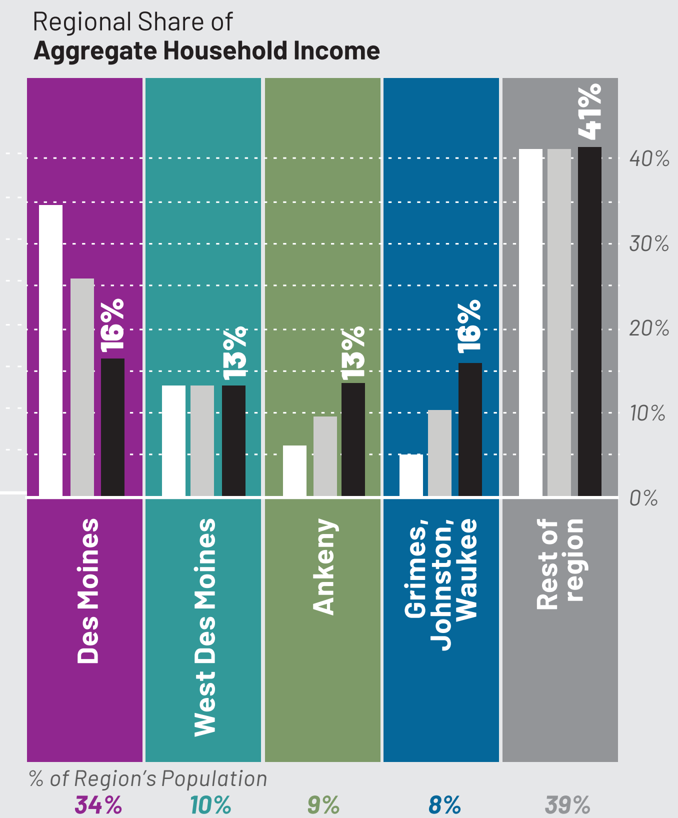


□ 2000 Share ■ 2017 Share ■ Share of 2000-2017 Regional Increase

Data note: High-wage industries are Professional, Scientific, and Management, Administrative and Waste Management Services, and Finance, Insurance, and Real Estate. Low-wage industries are Arts, Entertainment, Recreation, and Accommodation and Food Service, and Retail Trade.







Source: czb analysis of data from 2000 Census and 2013-2017 American Community Survey 5-year estimates

More and more, workers of all types are choosing to live in the suburbs and taking their income with them.

Des Moines captured 26% of the growth in low-wage employment and only 12% of the growth in high-wage employment. Suburban jurisdictions captured disproportionate shares of the growth in employed residents and **this is true for both the highest-paying sectors and the lowest-paying sectors**. The two stories that emerge the most clearly are both on the fringes of the metro region.

The first is Ankeny, where the population of employed residents nearly doubled. In 2000, Ankeny was home to 6% of the region's workforce but between 2000 and 2017, 22% of all new workers in the region made their home in Ankeny. This includes 14% of all new low-wage workers and 20% of all new high-wage workers.

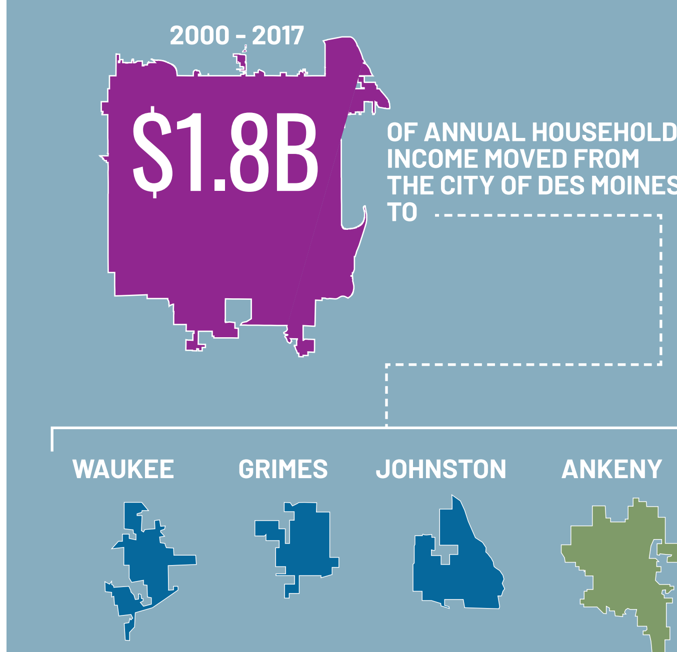
The second is not a single city, but a specific trio which have experienced a similar growth trajectory in employed residents. Grimes, Johnston, and Waukee, when taken individually, do not add up to much. But, if imagined as a single city, it is nearly the same size as Ankeny and has nearly tripled in population since 2000.

This collection of cities was home to only 4% of the region's workers in 2000 but doubled its share by 2017. The three cities—containing less than 8% of the region's total population—became home to nearly a quarter of all new workers, which includes 19% of all new low-wage workers and 24% of all new high-wage workers.

The new geography of total household income matches the new geography of workers' residential choices. The City of Des Moines saw its share of total regional household income fall from 35% in 2000 to 26% in 2017. Only 16% of the increase in total income ended up in Des Moines. By contrast, Ankeny grew its share from 6% to 10% and Grimes, Johnston, and Waukee doubled their collective share from 5% to 10%. These four cities—Ankeny, Grimes, Johnston, and Waukee—accounted for 30% of total household income growth in the five county metro region.

In effect, since 2000, the City of Des Moines has missed out on $1.8 billion each year that it ought to have expected. That household income instead ended up in Ankeny, Grimes, Johnston, and Waukee which offered employed people at all wage levels what they were increasingly seeking in the greater Des Moines region.

These trends may defy conventional narratives. They do not reflect an urban renaissance inside the City of Des Moines. If anything, they describe a region where workers and their incomes continue to sprawl into the suburbs by choice, at the expense of the core city, in a traditional late 20th century pattern. Nor do they tell a story about exclusive suburbs pricing out low-wage workers, since suburbs have been absorbing a disproportionate amount of the region's growth in resident low-wage workers.



Employed residents and housing have been suburbanizing together.

The dispersion of population and income across the metro area is a function of the region's historical and ongoing development patterns. By the end of WWII, the coming auto-oriented suburbanization trend had not yet taken over the metro area. During the 40s and 50s, Des Moines was building, on average, 900 single-family homes every year. The next closest was West Des Moines, which was building 100 houses each year.

The next two decades set the stage for the regional pattern that exists to this day. In the 60s and 70s, the City of Des Moines was averaging 600 new houses each year. Altoona, Clive, and Urbandale dominated suburban construction between 1960 and 1980, building more than 250 new houses each year between them. West Des Moines maintained its pace of 100 houses per year, Ankeny added another 100 per year, and the combination of Grimes, Johnston, Pleasant Hill, and Waukee added another 100 houses each year, on average.

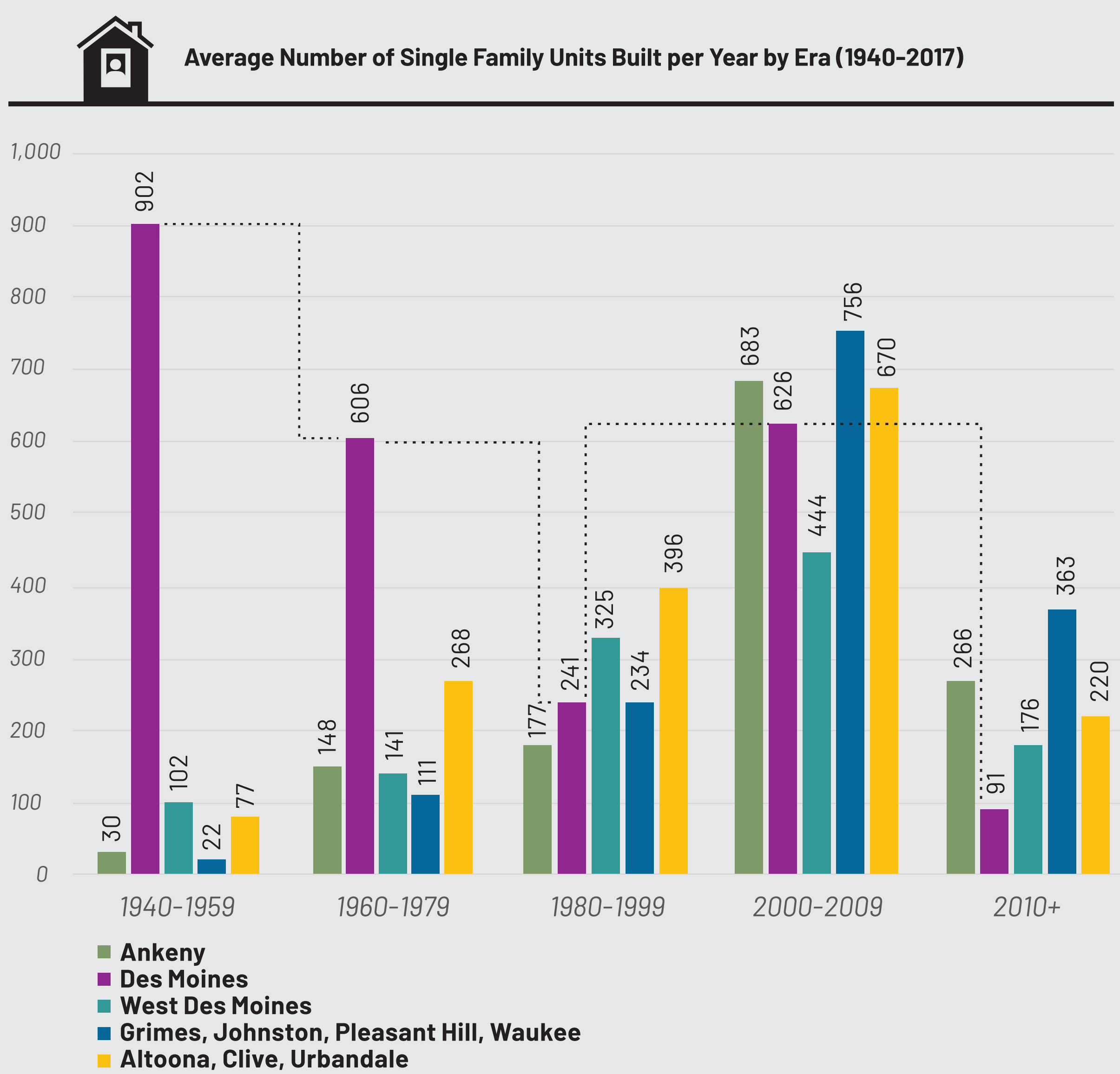
But the core city's lead in home building between 1960 and 1979 was masking an existential market problem: Des Moines was losing roughly 1,000 residents per year during those two decades. This habit of permitting and building more housing at a time when population was shrinking would undermine demand for the city's older housing.

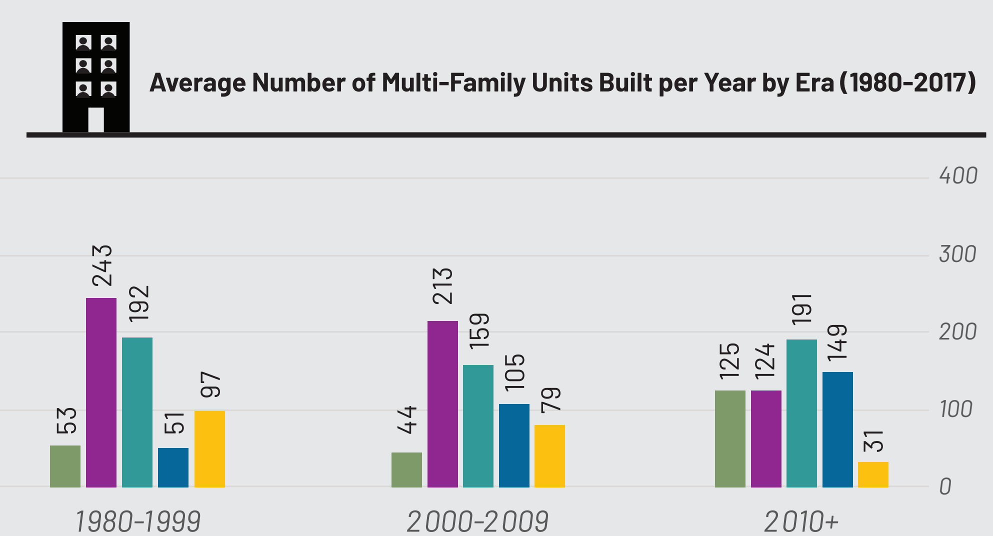
In the 80s and 90s, the suburbs ramped up production even more. Altoona, Clive, and Urbandale were collectively building 400 houses per year. West Des Moines on its own was adding another 300. Ankeny was steadily increasing its production, as were Grimes, Johnston, Pleasant Hill, and Waukee. What was most notable about the 80s and 90s, besides the strong emergence of West Des Moines, was the decline in home production in the City of Des Moines. Between 1980 and 1999, the city only gained 240 new homes each year on average, far fewer than the surrounding suburbs.

By the time the housing bubble was building in the 2000s, the game had completely changed. Des Moines rebounded back to its rate of 600 houses annually, not seen since the 60s and 70s, but the suburbs had fully emerged. Ankeny alone was building almost 700 houses per year. Grimes, Johnston, Pleasant Hill, and Waukee had collectively exploded, building 750 annually. Altoona, Clive, and Urbandale together were adding another 650 houses each year. In Des Moines, the 6,000 new houses did not result in much household growth; total households grew by less than 1,000. Owner households actually fell by 1,000.

Following the bursting of the housing bubble and the Great Recession, the Des Moines home-building system corrected itself. It has built fewer than 100 houses per year during this decade. West Des Moines, Altoona, Clive, and Urbandale have slowed but Ankeny, Grimes, Johnston, Pleasant Hill, and Waukee have been more resilient, mostly owing to the availability of land in and around those cities. They have come to own early 20th century homebuilding in the Des Moines region so far.

Not only that, but those exurbs have also begun to take a larger share of the multifamily market. The exurbs were barely in the multifamily business before 2000, but in total they have now caught up to and surpassed the production in Des Moines.





Source: czb analysis of data from 2013-2017 American Community Survey 5-year estimates

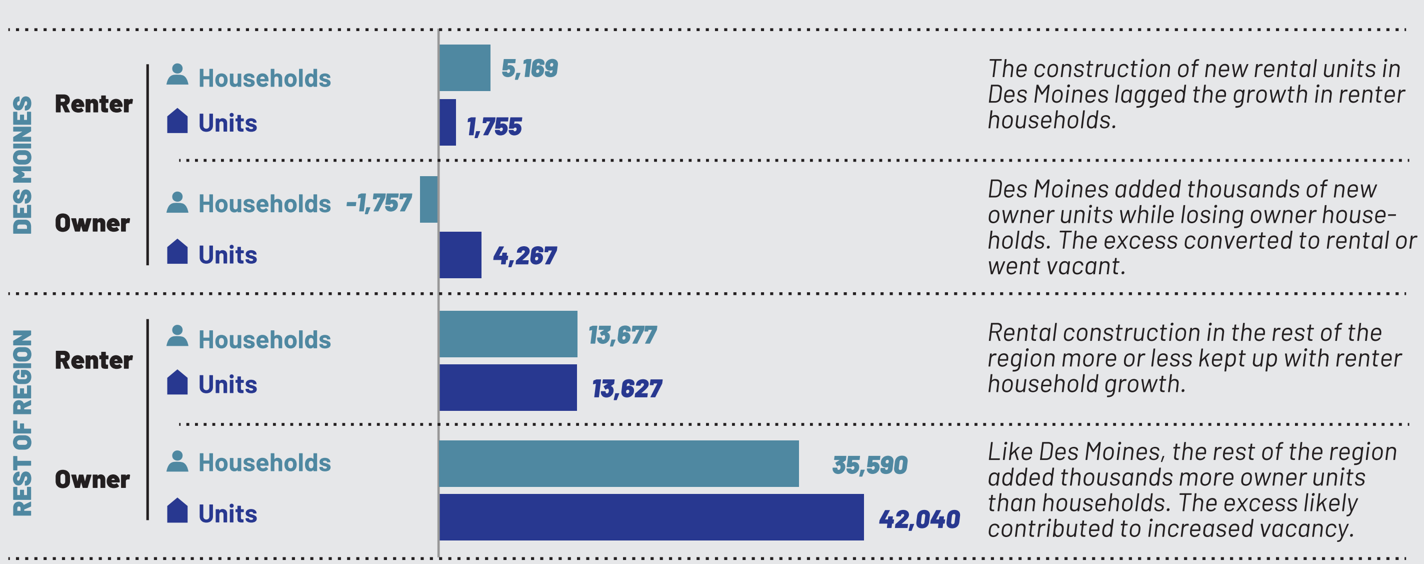
The overbuilding of owner units has kept prices soft and the region affordable.

All of this aligns with traditional development patterns across the United States. Des Moines is not unique in any way when it comes to suburban development and core city decline. The top of the market prefers new construction and new construction requires land that is available and easily developed. Those opportunities generally exist on the edges of the metro area, not at its center. It is no surprise then, that the region's workers have left the City of Des Moines over time, chosen newer housing options in the suburbs and exurbs, and taken their incomes and purchasing power with them.

The building patterns, however, often fail to align with changes in the number and type of households. These mismatches have important implications for the balance between supply and demand, and therefore for affordability. For example, from 2000 to 2017, the City of Des Moines lost over 1,700 owner households, but it built over 4,000 owner units. It gained over 5,000 renter households, but it built fewer than 2,000 new rental units. These imbalances are corrected in many cases by the conversion of owner units to rental units to meet the market's need for more rentals. Some former owner units also become vacant.

Across the rest of the region, outside Des Moines, owner unit growth exceeded owner household growth by more than 6,000 between 2000 and 2017. Rental unit growth more or less kept up with the growth in rental households. But the overall story in the past two decades has been one of overbuilding. For every five new households added to the Des Moines region between 2000 and 2017, the region built six housing units. Polk County's vacancy rate increased from 4.7% to 6.5% and the number of vacant housing units increased by 72% (from 7,300 to 12,700). This oversupply relative to demand has helped to keep prices affordable.

Change in Households and Housing Units (2000-2017)



Source: czb analysis of data from 2000 Census and 2013-2017 American Community Survey 5-year estimates

The region has long been affordable, and remains so today.

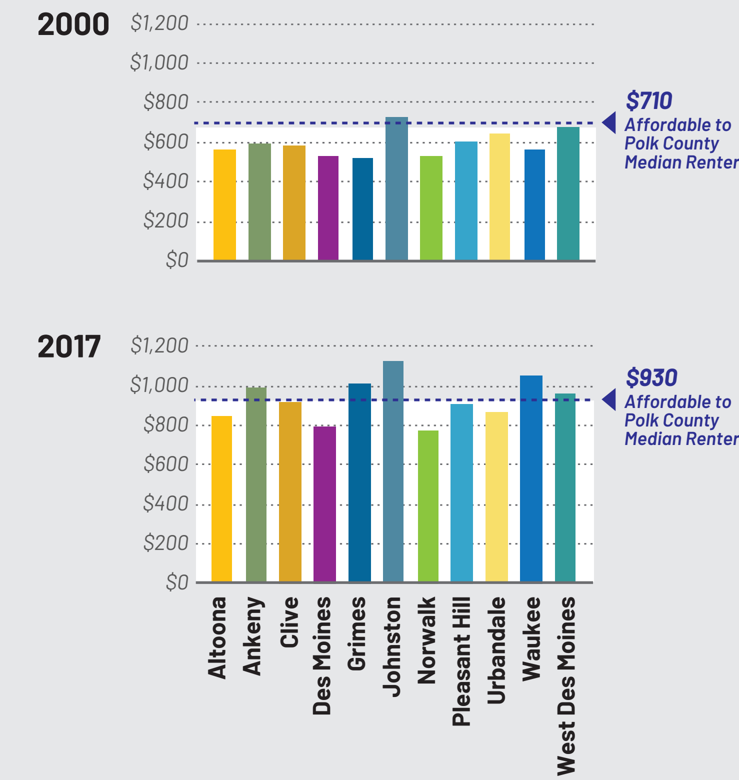
In Polk County specifically, owner and renter households at their respective median incomes have not struggled to afford housing at any point during the 21st century.

In 2000, a renter household at the median renter income could afford to live anywhere in Polk County. Though renter incomes grew between 2000 and 2017, meaning that higher rents would still remain affordable, median rents in the region were also on the rise, especially in a few locations. In Ankeny, Waukee, Grimes, and Johnston, median rents rose beyond what the median Polk County renter could afford, largely due to the increase in new units in those cities. New construction is almost always the most expensive because it requires rents well in excess of $1,000 per month in order to break even. But, with the exception of those four cities where new construction had driven up the median rent, every other city in Polk County remained affordable to a renter household at the median income.

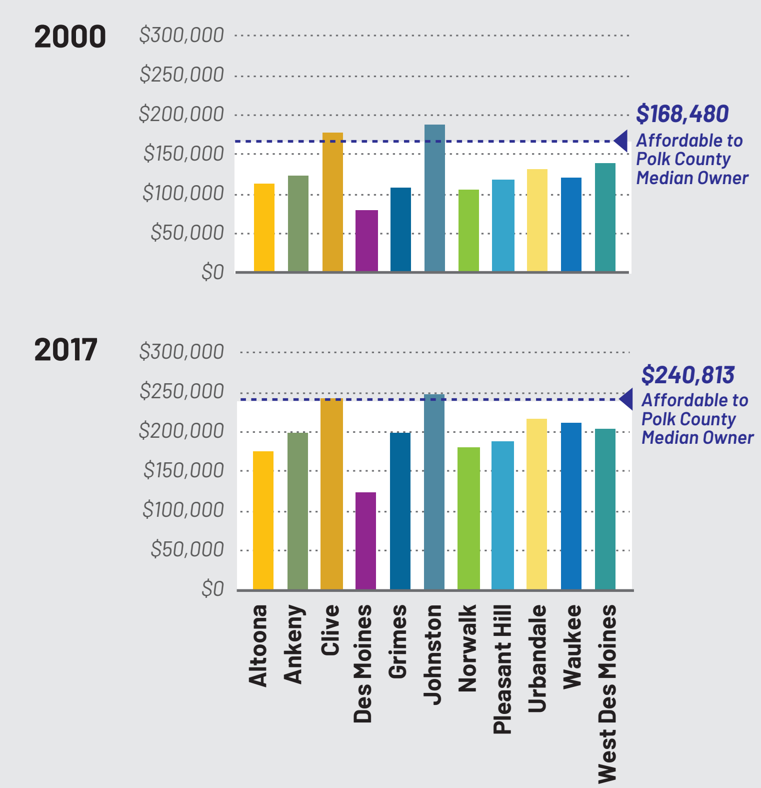
In 2000, households at the median owner income could comfortably afford the median priced home everywhere in Polk County except for Clive and Johnston. Even those two cities, however, were not very far out of reach for the median owner. By 2017, however, owner incomes had outpaced appreciation and the median Polk County owner could afford the median priced home anywhere in the county. Polk County's median home value rose by 10% between 2000 and 2017 while the median owner income rose by 15%. The oversupply of owner units, as described earlier, kept prices from rising relative to income.

Stakeholders in the region generally understand that Des Moines is an affordable place to live, yet concerns persist that future conditions may be different. There is no empirical foundation for such worries. The vast supply of cheap land in central Iowa and the development posture of suburban jurisdictions allow supply to be easily added and prices moderated. This is the affordability advantage that Des Moines has over highly regulated metros or those with natural features that limit development capacity.

Median Gross Rents, Selected Communities (2000 and 2017)



Median Home Values, Selected Communities (2000 and 2017)



Source: czb analysis of data from 2000 Census and 2013-2017 American Community Survey 5-year estimates

Like workers, jobs are also increasingly locating in the suburbs.

The entire Des Moines region added 75,500 jobs between 2002 and 2017. But only 4,400 of those were added Downtown. Jobs are now spread all over the metro region, with five major job centers trading workers.

Downtown Des Moines
59,200 jobs
58,100 commuting in

The rest of Des Moines
82,400 jobs
53,000 commuting in

Ankeny
26,100 jobs
20,300 commuting in

Urbandale
28,100 jobs
25,000 commuting in

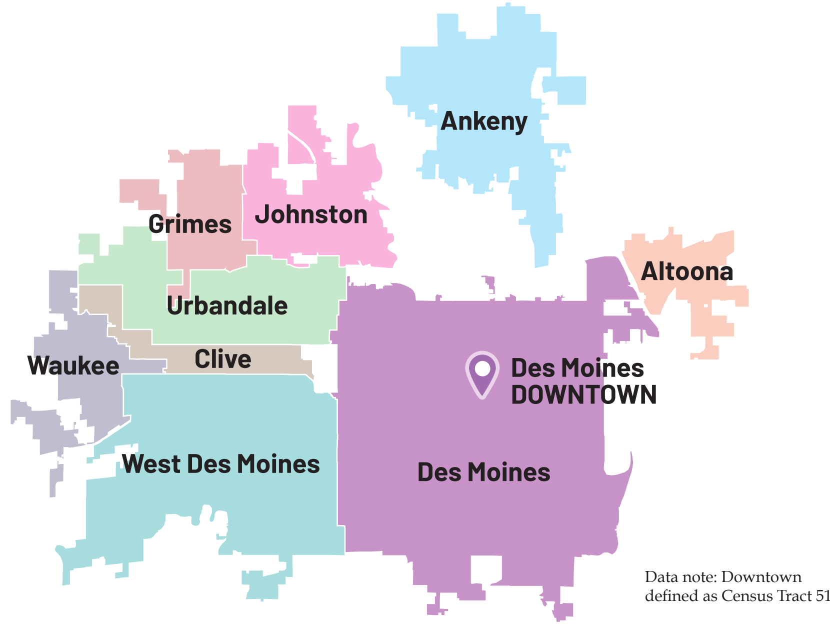
West Des Moines
64,600 jobs
54,000 commuting in

Key Stories from 2002-2017

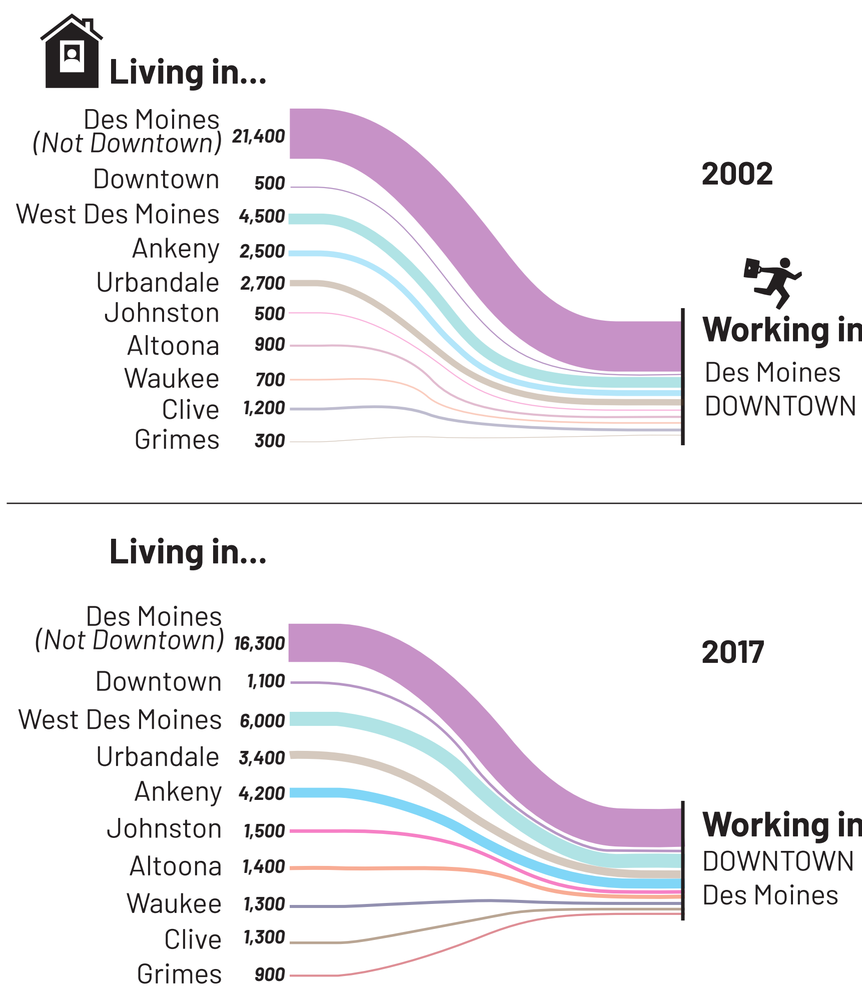
Des Moines outside Downtown
5,100 fewer Des Moines residents are commuting into downtown, but 2,500 more are commuting to West Des Moines and 1,300 more to Ankeny.

Downtown
Commuting growth into downtown is from Ankeny (+1,700), West Des Moines (+1,500), and Johnston (+1,000).

West Des Moines
Biggest job growth has been in West Des Moines. It added nearly 24,000 jobs, accounting for almost one-third of all regional job growth. Increased in-commuting is from Des Moines (+2,500), Urbandale (+1,900), Waukee (+1,700), Ankeny (+1,600), and Johnston (+1,200).

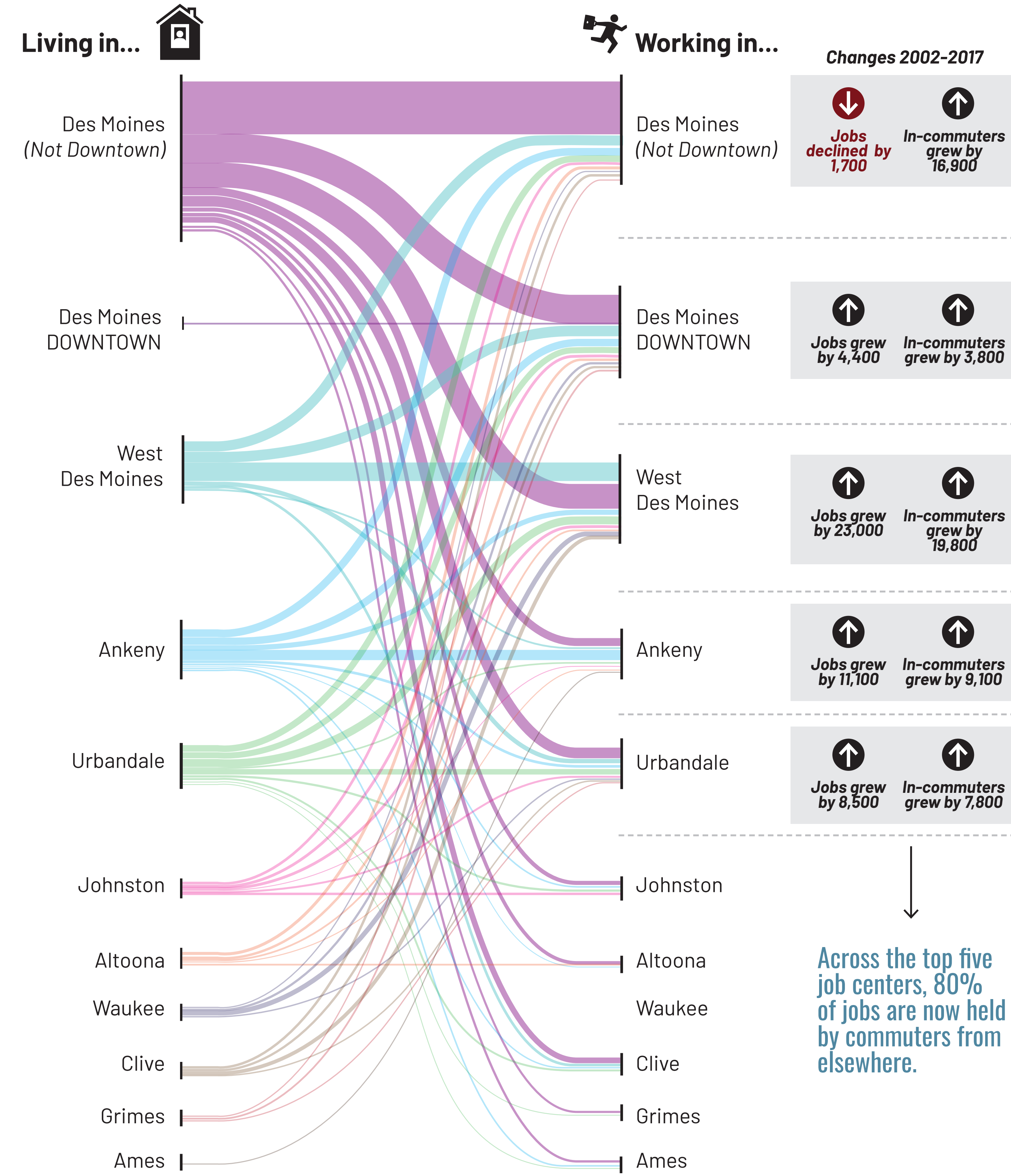


Selected Commuter Flows into Downtown Des Moines, 2002 and 2017
(Minimum flow = 500 commuters)



Source: czb analysis of 2002-2017 Longitudinal Employer Household Dynamics data from the U.S. Census Bureau's Center for Economic Studies

Selected Commuter Flows, 2017 (Minimum flow = 500 commuters)



Across the top five job centers, 80% of jobs are now held by commuters from elsewhere.

The region's very low-income workers need a thoughtful housing policy framework.

For the purposes of making public policy and designing market interventions, it is important to define the challenge as specifically as possible. The regional workforce is not monolithic; it is made up of hundreds of thousands of employed people, from the highest-paid corporate executive to the high school senior working a summer job for minimum wage. It is not the entirety of the workforce that requires public attention on its housing struggles.

A hotel housekeeper in Des Moines who makes $11 an hour and who is the family's sole wage earner has a significant housing challenge. By themselves, the wages come nowhere near what is needed to secure decent housing without the family being overwhelmingly cost-burdened.

By contrast, neither the teacher in the West Des Moines public school system earning $47,000 per year, nor a fire engineer with the City of Des Moines making $65,000 have any such problems. This is true even if they are their family's sole breadwinners, and almost doubly so if they have working spouses, partners, or roommates.

The realities of low wages and the number of workers in a household must be understood. Lumping the unforgiving housing challenges faced by those trying to get by on less than $12 per hour together with the hurdles faced by higher-paid hourly workers—or even white collar professionals—distorts the truth about workforce housing challenges and may ultimately endanger support for more attention and resources if the argument starts to strain common sense and believability.

The region's very low-income workers desperately need a thoughtful policy framework backed by well-resourced programs. Scarce tax dollars and private resources will be most effective if they are aimed where they are most needed.

HOUSEHOLD INCOME RANGE	$75,000+	$50,000-$74,999	$35,000-$49,999	$15,000-$34,999	$0-$14,999
LIKELY NUMBER OF EARNERS	2	2	1-2	Likely 1 But possibly 2	Possibly 1 But likely 0
PURCHASING POWER	**$225,000+**	**$150,000-$225,000** purchase or **$1,250-$2,000** per month in rent	**$100,000-$150,000** purchase or **$900-$1,250** per month in rent	**$400-$900** in rent	**$0-$400** in rent
LIKELY TENURE	Homeowner (OWN)	Homeowner or Top-of-Market Renter (OWN, RENT)	Either homeowner or renter (OWN, RENT)	Renter (RENT)	Renter (RENT)

$75,000+: Not in Need of Assistance

These households face few if any housing choice restrictions in the region.

$50,000-$74,999: Not in Need of Assistance

These households can effortlessly rent and comfortably buy.

$35,000-$49,999: Secondary Area of Concern, Focus on Ownership

In this income range, a household has good rental housing choice across the Des Moines region. Any household earning $16.50 per hour—just shy of $35,000 per year—can afford the region's median rent of $860 and only 25% of renter households are cost burdened. They are also within striking distance of becoming homeowners, though they may have to stretch financially—37% of owners are cost burdened—and sacrifice quality and location to do so.

$15,000-$34,999: Primary Area of Concern, Focus on Rental

These are the working households, usually single-earners, that struggle the most. Seventy-four percent of households between $20,000 and $34,999 are cost burdened. The lower the wages, the lower a household falls within this range and the more it will struggle. This is where Des Moines regional workforce housing help is most important.

There are just over 39,000 households within this income range and 21,000 of them are renters.

$0-$14,999: A Serious Issue, but Separate from the Workforce

Eighty-eight percent of households earning less than $20,000 are cost burdened, meaning they pay more than 30% of their income toward housing. But 70% of those households have incomes below $15,000—the equivalent of a full-time minimum wage job. Some working households will earn somewhat less than $15,000, and they should not be left out of participation in programs designed to assist low-wage workers. But for the purposes of setting parameters for analysis and policy discussion, $15,000 in annual household income is a sensible lower limit.

Which parts of the workforce face the most daunting affordability challenges?

Households earning...

Households earning...			
$15k/yr could be:	One single full-time earner at minimum wage **$7.25/hr**		
$20k/yr could be:	One single full-time earner at **$9.50/hr**	One single full-time earner at **$9.50/hr** & One single part-time earner at minimum wage **$7.25/hr**	
$25k/yr could be:	One single full-time earner at **$12.00/hr**	One single full-time earner at **$10.00/hr** & One single part-time earner at minimum wage **$7.25/hr**	
$30k/yr could be:	One single full-time earner at **$14.50/hr**	Two full-time earners at minimum wage **$7.25/hr**	One single full-time earner at **$9.50/hr** & One single part-time earner at **$9.50/hr**
$35k/yr could be:	One single full-time earner at **$16.50/hr**	Two full-time earners at minimum wage **$8.25/hr**	One single full-time earner at **$11.00/hr** & One single part-time earner at minimum wage **$11.00/hr**

Full-time earner   Part-time earner

The biggest affordability problem is a single income from a low-wage job.

Households facing the most acute housing challenges are those with incomes below $25,000 which means a single full-time worker is earning no more than $12 per hour. At the lowest-wages, even the addition of a part-time worker to add income is not enough to escape the "housing danger zone." Workers in a handful of low-wage occupations are most at risk, and their struggles are made worse if they are single parents.

41,000

The number of workers in occupations with a median salary of less than $25,000.

The number of workers unable to afford rent without sharing costs with another earner, even when they earn in the 90th percentile for their occupation. (VCHR, 2019)

RENT

The easiest way to escape housing challenges is the combination of two full-time incomes, even if the wages are low. In the Des Moines region, family households — defined as a household in which at least two people are related—featuring two workers are very unlikely to be living in poverty; it is single worker families that have a poverty problem. This is especially true if they have a female head of household without a husband present because women are not paid equally to men. (The exception to the single worker problem is married couple families. Marriage seemingly plays a role in keeping families out of poverty, even if only one spouse is working.)

Family Poverty Rates by Family Type and Number of Workers (2017)	Poverty Rate
All Families with Two Workers	**2%**
Married Couple with One Worker	**7%**
Male Headed (No Wife Present) with One Worker	**14%**
Female Headed (No Husband Present) with One Worker	**26%**

Source: czb analysis of data from 2013-2017 American Community Survey 5-year estimates

How much rental housing exists for working households earning between $15,000 and $35,000 in annual income and where is it?

RENT

RENTAL HOUSING

Across the region, the availability of rental units affordable to renter households earning between $15,000 and $35,000 per year varies. In the bottom half of the income range, there are 2,920 more households than there are units affordable for their incomes (see figures on page 25). Simply put, there is a shortage of nearly 3,000 units. This does not mean that those households are not housed; it means they have to rent a unit that costs more than they can afford. For renter households earning between $25,000 and $35,000, there is a large surplus of more than 18,000 units. This does not mean there are empty units; it simply means there are more units at an affordable rent than there are households in that income range, resulting in a lot of housing choice.

The maps at right illustrate, within the immediate Des Moines area, the share of rental units in a specific rent range relative to the metro region's overall share of rental units in that rent range. A score of 1 indicates that an area has the same share of rental units in the rent range as the region. A score less than 1 indicates a lower share of rentals in the price range compared to the region and a score higher than 1 indicates a higher share of rentals in the price range compared to the region.

The top right map shows the likelihood of finding a rental unit priced below $600 amongst the rental stock in various places. Across the region, only 16% of rentals are in that price range. In the western suburbs, the eastern part of Des Moines, and in Pleasant Hill, the percentage of low-cost rental units is less than half of what can be found in the region overall. In the core of Des Moines, including downtown, many neighborhoods have twice the percentage of low-cost units as can be found region-wide. Low-cost units can also be found in relatively high proportions in Carlisle and Norwalk.

The bottom right map shows the likelihood of finding a rental unit priced from $600-$899. Across the region, 41% of rentals are in that price range. These units, which are closer to the regional median rent, are much more evenly distributed than lower-cost units. The highest concentrations within the rental stock can be found in Urbandale and in many Des Moines neighborhoods.

Low-wage worker households earning less than $25,000 will not only struggle to find affordable housing at all but, when they do, it is most likely to be located in the core neighborhoods of Des Moines. If Des Moines units are removed from the equation, the shortage becomes 40% worse. Households earning $25,000-$35,000 will find much more availability and significantly greater geographic choice, even beyond the borders of Des Moines. Even without Des Moines units, there is still a surplus of over 4,000 units in the region affordable to households in that income range.

Understanding the Share Analysis

Much LESS than the Regional Share	0.00 - 0.49 0.50 - 0.74
At or near the Regional Share	0.75 - 1.24
Much MORE than the Regional Share	1.25 - 1.99 2.00 - 3.47

Gap between Renter Units and Renter Households by Income, 2017

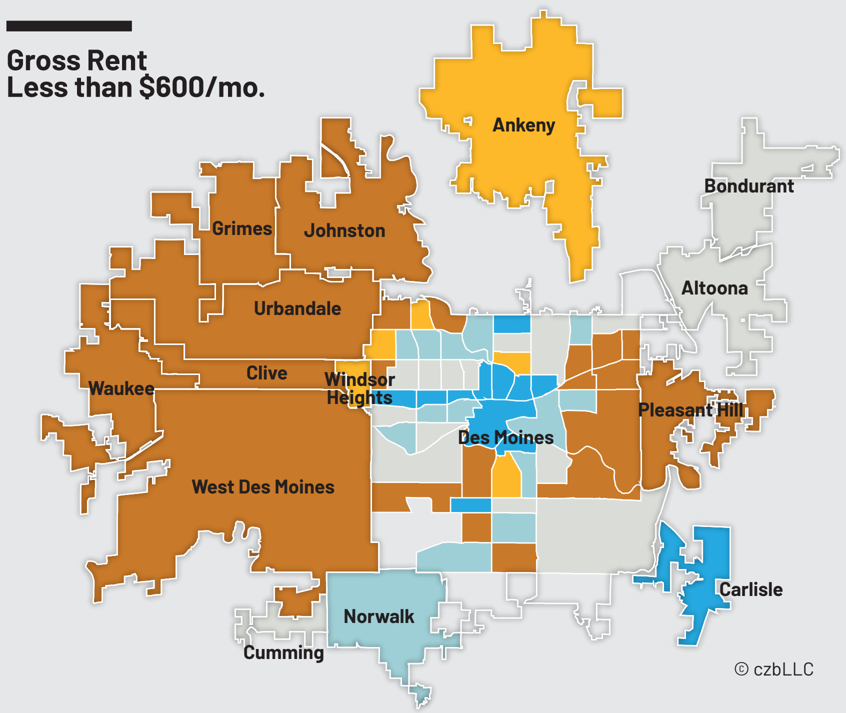
Much LESS than the Regional Share: 0.00 - 0.49, 0.50 - 0.74 | At or near the Regional Share: 0.75 - 1.24 | Much MORE than the Regional Share: 1.25 - 1.99, 2.00 - 3.47

Household Income	**$15,000-$24,999**
Affordable Rent Range	$300-$599
# of Renter Households	11,053
# of Rental Units	8,133

UNIT GAP

Surplus/Deficit	**-2,920**
Surplus/Deficit *without Des Moines Units*	**-4,053**

Gross Rent Less than $600/mo.

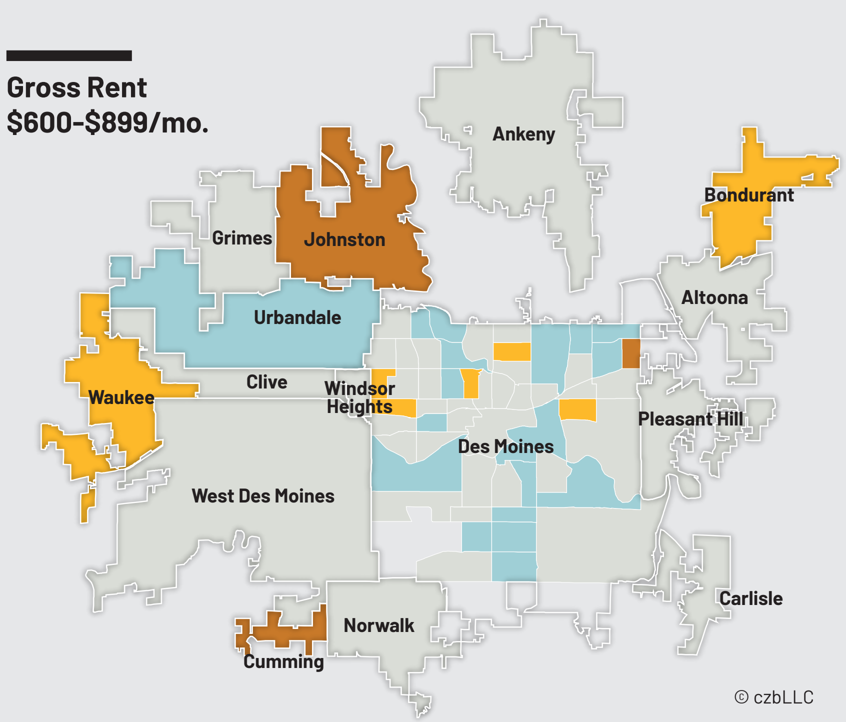


Household Income	**$25,000-$34,999**
Affordable Rent Range	$600-$899
# of Renter Households	10,442
# of Rental Units	29,142

UNIT GAP

Surplus/Deficit	**18,700**
Surplus/Deficit *without Des Moines Units*	**4,011**

Gross Rent $600-$899/mo.



Source: czb analysis of data from 2013-2017 American Community Survey 5-year estimates

How much ownership housing exists for working households earning between $35,000 and $50,000 in annual income and where is it?

FOR SALE

OWNERSHIP HOUSING

Across the region, there is not a shortage of owner units affordable to current owner households earning between $35,000 and $50,000 per year. There are nearly 19,000 more owner units priced affordably for this market than there are households. Even if the large volume of low-cost ownership units inside the City of Des Moines are excluded, there is still a surplus of affordably priced units across the region. This is evidence that buyers between $35,000 and $50,000 already have ample choice across the Des Moines metro area.

The map at right illustrates, within the immediate Des Moines area, the share of ownership units valued at $100,000-$149,999 relative to the region's overall share of units in that value range. A score of 1 indicates that an area has the same share of units in that range as the region. A score less than 1 indicates a lower share of units in the value range compared to the region and a score higher than 1 indicates a higher share of units in the value range compared to the region.

The map shows the likelihood of finding an owner unit valued at $100,000-$149,999. Across the region, 22% of owner units are in that value range. The proportion is similar in many Des Moines neighborhoods, as well as in Altoona, Bondurant, Norwalk, Pleasant Hill, and West Des Moines. The percentage of units in this value range is less than the overall region in Ankeny, Clive, Grimes, Johnston, Urbandale, and Waukee, as well as dowtown Des Moines and in a few Des Moines neighborhoods. A buyer looking for a house might do well to look in most other Des Moines neighborhoods, however, where the share of owner units valued at $100,000-$149,999 is much higher than the rest of the region.

Understanding the Share Analysis

Much LESS than the Regional Share	*0.00 - 0.49* *0.50 - 0.74*
At or near the Regional Share	*0.75 - 1.24*
Much MORE than the Regional Share	*1.25 - 1.99* *2.00 - 3.47*

Gap between Owner Units and Owner Households by Income, 2017

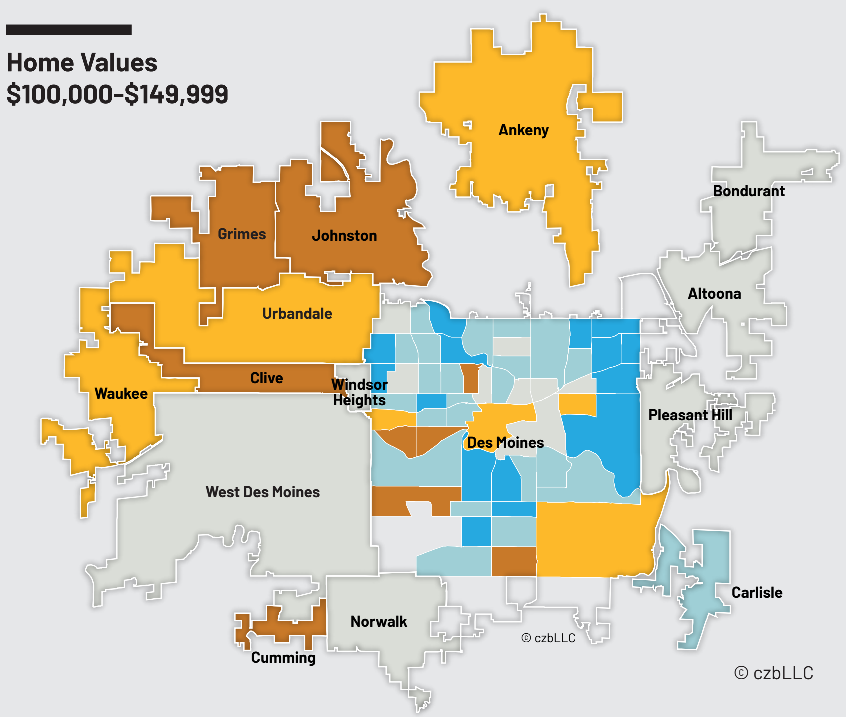
Much LESS than the Regional Share		At or near the Regional Share	Much MORE than the Regional Share	
0.00 - 0.49	0.50 - 0.74	0.75 - 1.24	1.25 - 1.99	2.00 - 3.47

Household Income	***$35,000-$49,999***
Affordable Purchase Range	**$100,000-$150,000**
# of Owner Households	**17,536**
# of Owner Units	**36,447**

UNIT GAP

Surplus/ Deficit	**18,911**
Surplus/ Deficit *without Des Moines Units*	**1,798**

Home Values
$100,000-$149,999



© czbLLC

Source: czb analysis of 2013-2017 American Community Survey 5-year estimates

Commuting patterns for the housing-challenged workforce are mostly similar to the full workforce.

Commuting data for this portion of the workforce is not reported within the income band of $15,000-$35,000. The Longitudinal Employer-Household Dynamics data from the Census Bureau's Center for Economic Studies offers a specific category of $15,000-$40,000, which is close enough for the purposes of policy analysis and discussion.

Commuting patterns for this group of workers largely mimic those of the full workforce, with only small differences. Jobs in this range, compared to all jobs, are less likely to be found downtown and more likely to be found in the rest of Des Moines. And the workers are more likely than workers overall to live in Des Moines. Forty percent of these workers live in Des Moines compared to a third of all workers. This is no surprise, given the amount of housing choice that workers at these wages can find in city neighborhoods. It's notable that over 20,000 workers live in Des Moines but commute out to other locations for work.

Commuters into Downtown break down as follows: 4,500 from other Des Moines neighborhoods, 900 from West Des Moines, 600 from Ankeny, 500 from Urbandale, and the remainder from all over the region.

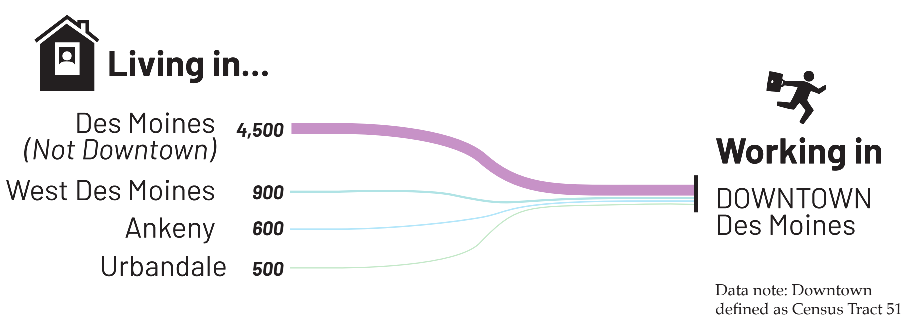
LOWER-WAGE WORKERS

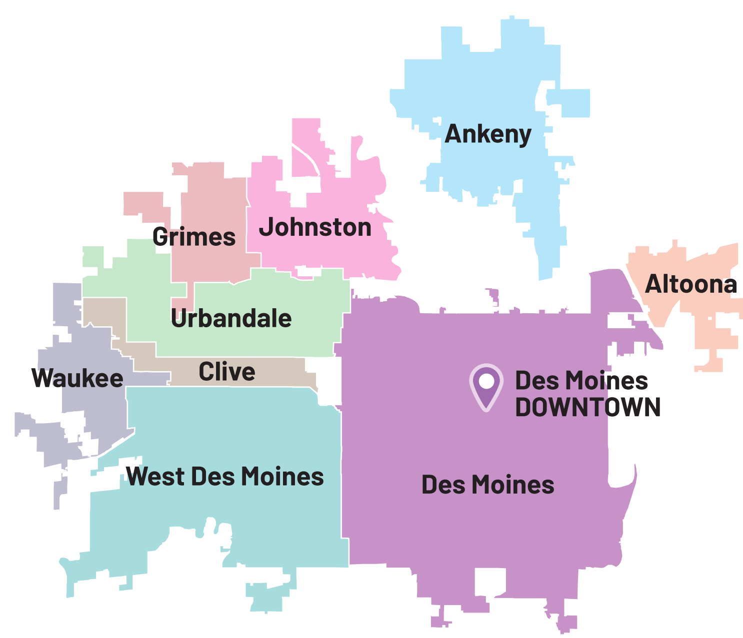
ANNUAL WAGES

$15,000 - $40,000

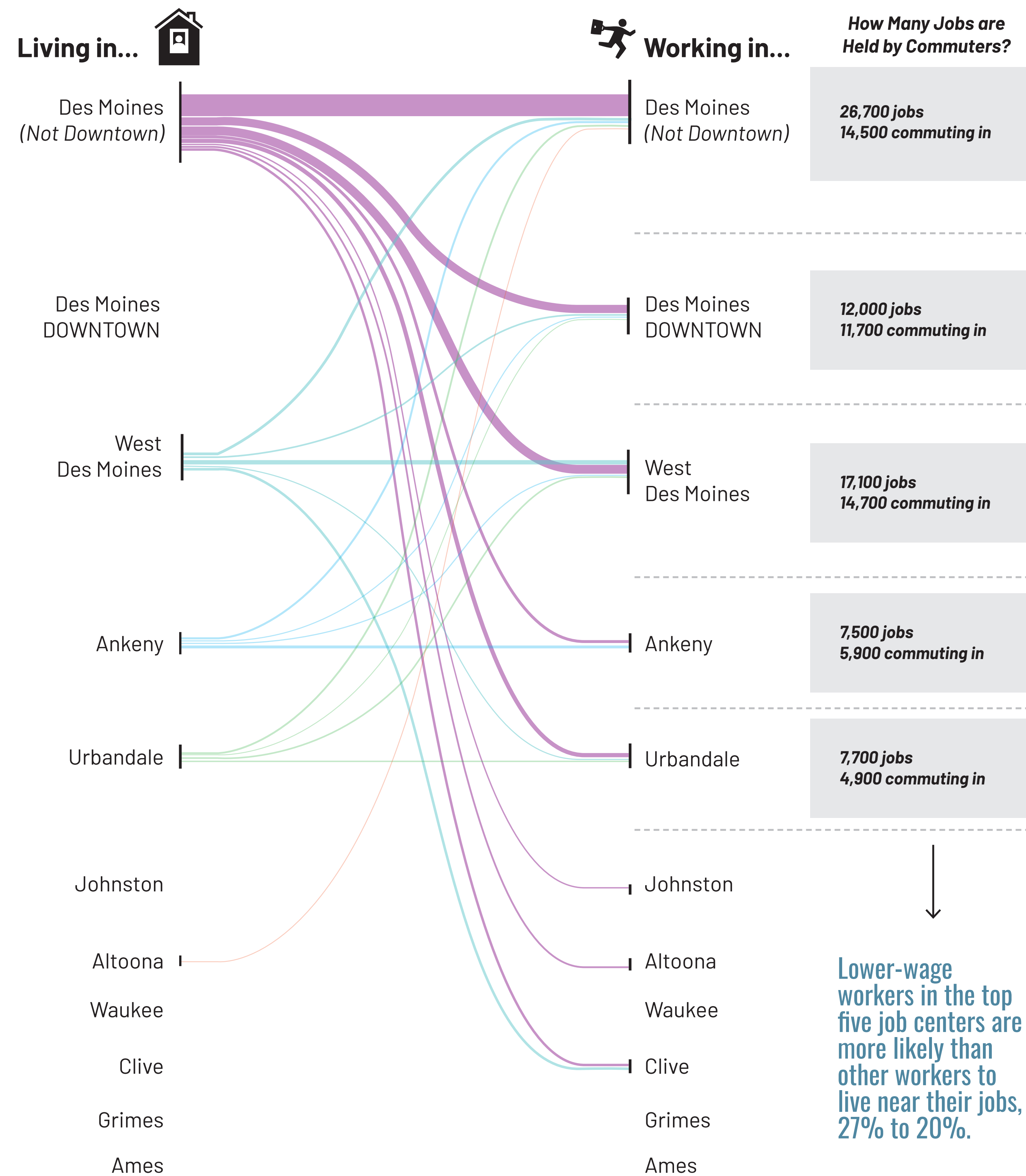
Selected Commuter Flows into Downtown Des Moines for Lower-Wage Workers, 2017

(Minimum flow = 500 commuters)





Selected Commuter Flows for Lower-Wage Workers, 2017 (Minimum flow = 500 commuters)



Lower-wage workers in the top five job centers are more likely than other workers to live near their jobs, 27% to 20%.

Source: czb analysis of 2002-2017 Longitudinal Employer Household Dynamics data from the U.S. Census Bureau's Center for Economic Studies

PART 3

WORKFORCE HOUSING PRODUCTION CONSIDERATIONS

In 2019, VCHR provided projections for job growth and resulting household growth and housing demand forecasts through 2038. It is important for policy makers to place such forecasts in proper perspective. Projections and forecasts are important for orienting decision-making and setting general direction, but it would be unwise to take them literally. No one has a crystal ball and events are frustratingly unpredictable.

Good guesses about the next 20 years need to be accompanied by no small amount of humility. Could the Greater Des Moines Region grow as demographers and VCHR project? Certainly. Will it?

That is a different issue altogether. What matters is that the Des Moines community plan with flexibility based on its principles and values so whatever future unfolds, systems and resources are in place to address the needs of the region's most vulnerable workers. And it must also fully grasp its baseline conditions before setting goals and taking action.

Future Challenges Forecasted

Some of the sectors projected to grow the most by 2038 are also traditionally some of the lowest-paying, such as healthcare and social assistance and retail trade. It is no surprise then, that many of the resulting households are not expected to earn high incomes.

In Polk County, more than half of new working households are expected to earn less than $50,000 and more than three quarters of all new households will not be able to afford new construction.

If current market solutions are not interrupted by public action, traditional settlement patterns will persist, ignoring jobs/housing mismatches across the region, sorting higher-income households to newer suburbs on the region's edges, sorting lower-income households into older neighborhoods with aging but affordable housing, and resulting in economic segregation that limits opportunity for low-wage workers.

Current Jobs/Housing Imbalances In Regional Job Centers

It is difficult to know exactly where new jobs will be located, where workers will choose to live, and what the resulting commuting patterns might be. But current trends are illustrative in understanding the complex conditions to which workforce housing strategy should respond.

The ratios of housing units to jobs are worst in West Des Moines, Downtown, and Urbandale, though all three have been building housing faster than the region as a whole since 2000. West Des Moines in particular should be a target location for much greater housing development over time if the region seeks a better jobs-housing balance.

West Des Moines is already an important jobs center, has a low ratio of housing to jobs, and is growing jobs at a rapid pace. Ankeny is also increasing jobs quickly, but it is also building housing at the fastest rate among the top regional job centers. It is also true, however, that the new housing is not affordable to low-wage workers.

Areas where housing is growing much faster than jobs offer opportunities to take advantage of housing production and increase the affordability of what is being built. As the market works to solve the jobs/housing imbalance, public interventions can co-opt some of the activity by increasing affordability. Downtown and Ankeny both fall into this category.

West Des Moines is growing jobs much faster than housing, which means it is also growing commuters at a rapid clip. Increasing housing production—both market-rate and affordable—would be necessary to begin addressing jobs/housing imbalances there.

Des Moines outside Downtown is a more complex situation. As jobs have decreased, Des Moines neighborhoods outside Downtown increasingly offer housing opportunities for people employed elsewhere—often in the suburbs. Des Moines is moving in a direction in which the jobs/housing imbalance favors housing and therefore a housing production focus is not the wise course of action.

VCHR Employment Growth Forecasts, Top Ten Sectors (2018-2038)

	Polk County	Rest of the Metro Area	Total
TOTAL EMPLOYMENT GROWTH	102,325	48,629	150,954
HEALTH CARE and SOCIAL ASSISTANCE	28,906	6,325	35,231
FINANCE and INSURANCE	12,970	13,901	26,871
RETAIL TRADE	4,537	6,779	11,316
OTHER SERVICES, EXCEPT PUBLIC ADMINISTRATION	8,743	2,214	10,957
GOVERNMENT	6,250	2,803	9,053
MANAGEMENT of COMPANIES and ENTERPRISES	7,804	646	8,450
PROFESSIONAL and TECHNICAL SERVICES	5,178	2,676	7,854
CONSTRUCTION	6,024	1,681	7,705
ADMINISTRATIVE and WASTE SERVICES	4,626	2,760	7,386
ACCOMMODATION and FOOD SERVICES	4,569	2,375	6,944

VCHR Employment-Driven Housing Demand Forecasts for Polk County (2018-2038)

Annual Household Income Range	Renter	Owner	Total
Less than $25,000	5,126	3,389	**8,515**
$25,000-$49,999	13,139	13,966	**27,105**
$50,000-$74,999	3,875	8,457	**12,332**
$75,000-$99,999	693	3,662	**4,355**
$100,000 or more	746	4,119	**4,865**
TOTAL	23,579	33,593	**57,172**

Cannot afford new construction.

Jobs/Housing Balance in Top Five Job Centers (2017)

	# of Jobs, 2017	% Change in Jobs, 2002-2017	% Change in Employed Residents, 2000-2017	% Change in Housing Units, 2000-2017	Ratio of Housing Units to Jobs, 2017
Des Moines (Not Downtown)	82,000	-2%	7%	6%	0.93
West Des Moines	65,000	59%	33%	29%	0.45
Downtown	59,000	8%	238%	217%	0.13
Urbandale	28,000	44%	40%	44%	0.61
Ankeny	26,000	74%	105%	104%	0.85
TOTAL REGION	361,000	26%	30%	30%	0.72

Source: czb analysis of data from City of Des Moines Office of Economic Development, 2000 Census, 2013-2017 American Community Survey 5-Year estimates, 2002-2017 Longitudinal Employer Household Dynamics data from the U.S. Census Bureau's Center for Economic Studies

Understanding the High Cost of New Rental Housing Construction

WHERE THE MONEY COMES FROM → WHAT THE MONEY IS USED FOR → RESULTING RENT

	Bank Debt	Investor Equity	Land Cost	Materials Cost	Labor Cost	Developer's Cost	Property Management Cost
	The loans a developer takes out to pay for most of the acquisition and construction expense.	**The investments in the project and the developer that are made by project stakeholders.**	**Size and location**	**Quality (expense) of materials and how much (volume)**	**Quality (expense) of materials and how much (volume)**	**Developer Expertise - Quality and depth of experience**	**Maintenance and Operations**
	Interest Rates	*Interest Rates*	*Land cost per SF*	*Cost Per SF*	*Hourly Labor Rates*	*% of Total Development Costs*	*% of Gross Effective Rent*
RANGE: HIGH	6%	15%	$475.00 San Francisco, CA	$300	$200	20%	40%
				$200	$100	15%	38%
RANGE: LOW	4%	7%	Johnston, IA $4.80	$100	$50	10%	36%
What factors into the ***range****?*	*Will the loans be repaid? Will the building have value if the loans are not repaid? These questions are answered in the form of loan terms (interest rates and payback period, and owner stake).*	*Will investments provide a return? What is the risk (market, developer, construction, etc). they won't? These questions are answered in the form of investor terms (interest rates and payback period, and developer expertise).*	*Sites near good schools and amenities are expensive, but rents go up. Inexpensive locations help keep rents down, but isolate tenants.*	*Better materials last longer and increase marketability, but rents go up. Inexpensive (or fewer) materials help keep rents down, but reduces marketability and durability.*	*Better quality craftsmanship increases durability, so rents go up. Less costly labor helps keep rents down, but reduces durability.*	*Experienced developers get better financing, so rates go down, but experience is expensive. Inexperienced (cheaper) developers cause financing costs to rise, so rents do as well.*	*Property must be managed to meet a number of criteria, including lender requirements to protect collateral and investor requirements to ensure future value. Cutting maintenance or paring back on reserves for capital replacement reduces property management expenses but decreases property value.*

RESULTING RENT

RENT

New construction
Average quality
850 SF
2 Bedroom apartment

based on 2019 Des Moines area data

Rent an owner must charge to break even → **Who can afford the rent?**

HIGH $1,400

$1,300

LOW $1,200

Households with **$50,000 annual income**	Households with **$35,000 annual income**	Households with **$20,000 annual income**
No subsidy	***with approximately $425/mo subsidy***	***with approximately $800/mo subsidy***

Pay Now or Pay Later

Given the great depth of affordable housing need, advocates and providers do their best to produce as many units as possible with limited resources. Lowering costs per unit therefore becomes and important goal. But when costs are lowered too much by building in less desirable locations, building too many units that are too small, building to too low a standard of quality, or including too few amenities, the near-term affordability benefit converts to a problem later as the units are unwanted by any households except those with few choices. Moreover, too many such units in a single location inevitably concentrates poverty over time.

Subsidizing Future Households

The only new construction solution for the future challenges of thousands of households unable to afford it is a significant amount of new subsidy.

Construction of new units to be rented below the break-even rent.

Rental subsidy to stretch household's ability to pay higher rents.

Construction of new ownership units to be sold below the cost of development.

EXAMPLE: SUBSIDY FOR AFFORDABLE RENTAL UNIT - INCOME OF $20,000

VCHR forecasts approximately 5,000 future renter households within the income range of $0-$24,999. The gap between what a renter household can afford ($500) and what a new unit costs per month ($1,300) results in the need for a one-time capital subsidy of $150,000 or a monthly subsidy of $800.

CAPITAL SUBSIDY	$750M
ANNUAL RENT SUBSIDY	$48M

EXAMPLE: SUBSIDY FOR AFFORDABLE RENTAL UNIT - INCOME OF $35,000

VCHR forecasts approximately 13,000 future renter households within the income range of $25,000-$49,999. The gap between what a renter household can afford ($875) and what a new unit costs per month ($1,300) results in the need for a one-time capital subsidy of $100,000 or a monthly subsidy of $425.

CAPITAL SUBSIDY	$1.3B
ANNUAL RENT SUBSIDY	$66.3M

EXAMPLE: SUBSIDY FOR AFFORDABLE OWNERSHIP UNIT - INCOME OF $37,000 (14,000)

VCHR forecasts approximately 14,000 future owner households within the income range of $25,000-$49,999. The gap between what an owner household at this income can afford ($100,000) and what a new unit costs ($250,000) results in the need for a one-time subsidy of $150,000.

CAPITAL SUBSIDY	$2.1B

TOTAL CAPITAL SUBSIDY FOR THREE GROUPS (2018-2038) → $4.15B

Bottom Line New construction for households who cannot afford it can be part of addressing future gaps, but it is too expensive to be the only solution. A suite of approaches will be necessary.

PART 4

SETTING GOALS FOR WORKFORCE HOUSING STRATEGY

The analysis so far has revealed the following:

There can be significant benefits for workers and society when workers live near their place of employment.

In some regional job centers—chiefly Downtown, West Des Moines, and Urbandale—jobs far outnumber housing units, limiting the ability of local workers to live where they work.

In the Des Moines region, most workers do not live where they work and commuting is the norm.

GOAL 1 **It should be a goal of regional workforce housing strategy to increase the amount of housing in job-rich areas, especially those where jobs are growing quickly.**

For many households with sufficient choice in the region, commuting is a matter of choice.

But other workers who earn the lowest wages may not have the choice to live near work; they can only afford certain low-cost areas.

GOAL 2

It should be a goal of regional workforce housing strategy to facilitate, in any given part of the metro area, a housing supply with costs that match the wages paid by the jobs in that area.

Job, employment, and housing growth are happening most rapidly in the suburbs.

Jobs and housing demand are on the wane in most of Des Moines, resulting in deteriorating neighborhood conditions and fiscal distress for the region's core city.

The economic imbalances and segregation that have resulted across the region trap many low-wage workers in distressed neighborhoods and threaten the region's economic health.

GOAL 3 **It should be a goal of regional workforce housing strategy to create equitable housing opportunities that will begin to rebalance economic and housing conditions across the region and reverse existing patterns of economic segregation.**

GOAL 1

Increase Housing Near Jobs

Why it matters

In reality, mass commuting is a fact of life across most metro areas. As previously discussed, 80% of all jobs in the Des Moines region's top five job centers are held by a commuter. But living and working in the same place can bring important benefits both to the worker and to the community at large. If workers have shorter commutes, they can theoretically save on transportation costs. Fewer and shorter commutes also have positive impacts on carbon emissions and on the transportation network.

How the analysis suggests thinking about it

If the region is serious about providing opportunities for workers to live near their place of employment, then it must facilitate greater and more rapid housing development in areas where the ratios of housing units to jobs are worst: West Des Moines, Downtown, and Urbandale. West Des Moines in particular is already an important jobs center, has a low ratio of housing to jobs, and is growing jobs at a rapid pace. By contrast, Ankeny is also increasing jobs quickly, but it is building housing at the fastest rate among the top regional job centers.

GOAL 2

Housing Mix Should Reflect the Job Mix

Why it matters

When workers lack the choice to live near work, they are unable to gain the benefits of decreased commuting. They may also miss out on better amenities and quality of life if the job location is also a desirable place to live. The opportunity to live near work is partially a function of having enough housing, but it is also a function of having housing affordable to workers. To achieve both ends, the housing supply in a given location must reflect the incomes earned by the workers employed in that location.

How the analysis suggests thinking about it

The most pressing and unmet housing need is rental units for workers earning less than $12 per hour. The City of Des Moines, especially outside of Downtown, offers the largest quantity of low-cost rental housing and this may at least partially explain why lower-wage workers in Des Moines are most likely to live near work. The other major job centers—West Des Moines and Downtown and, to a lesser extent, Urbandale and Ankeny—should be target areas for affordable housing interventions aimed at low-wage workers.

GOAL 3

Create Equitable Housing Opportunities

Why it matters

Locations with high housing costs—high because demand greatly exceeds supply or because the construction is new—exclude lower-income households. At the same time, locations in the opposite situation—supply greatly exceeds demand—are left behind by middle and upper-income households. The sorting that occurs results in higher-income households living in the former and lower-income households living in the latter.

Lower-income households are kept away from possible opportunities for shorter commutes, better schools and public services, or other amenities and qualities they may seek in a neighborhood. They might be trapped in low-cost but low-opportunity neighborhoods they would rather leave if they had the chance. Those neighborhoods also suffer from disinvestment with serious negative consequences for a city's tax base and cost structure. In the case of Des Moines, the structural fiscal deficit resulting from too much low-value real estate is an existential threat.

How the analysis suggests thinking about it

For economic development and market-rate housing development purposes, it is usually easier to meet the market in the suburbs or Downtown where it wants to be. For affordable housing purposes, it is usually easier to procure public subsidy for use in low-income areas and stretch those funds by taking advantage of lower land values for new construction, or lower property values for acquisition and rehab.

The region must learn new habits by pointing its affordable housing efforts to higher value areas in the suburbs and Downtown instead of in Des Moines neighborhoods. And it must turn its market-building tools to urban neighborhoods that have been deprived of investment by the market for decades.

STRATEGIES FOR ACTION

INTERVENTION CATEGORIES

- POLICY & PLANNING
- IMPLEMENTATION MECHANISMS
- FUNDING
- PROGRAMS
- LAND BANKING
- REGIONAL CAPACITY

This report argues that within a Des Moines housing system that offers a great deal of choice at only $16.50 per hour in household wages, the biggest housing threats stem from certain jobs that pay too little and from households that lack two workers. These are not issues that can be resolved by housing policy or programs. Nor can public policy dictate where workers live. Commute times and housing costs are reasonable enough in the metro area that most workers are unconstrained in their choices. But the region can increase the opportunity for workers to live where they work, and increase housing opportunities for low-wage workers.

The recommendations summary at right describes, at a high level, actions the region might pursue and toward which of the strategic goals. The action items are spread across a number of intervention categories that must come into play in order for the recommendations to be activated. The recommended action items are described in greater detail in the following pages.

The report identifies goals, suggests how the region ought to think about meeting them, and describes a toolkit to help undertake the required work. But, above all, regional policy makers and practitioners must regularly monitor trends and conditions to make necessary adjustments. The consultants retained across the different phases of the project have provided a baseline set of conditions. This data should be regularly updated by local staff, or consultants if necessary, as a means of watching for early warning signs of increased affordability challenges and so that the actions described here will be appropriately applied over time.

<table>
<tr><th></th><th>GOAL 1
Increase Housing Near Jobs</th><th>GOAL 2
Housing Mix Should Reflect the Job Mix</th><th>GOAL 3
Create Equitable Housing Opportunities</th></tr>
<tr><td>POLICY & PLANNING</td><td colspan="2">All jurisdictions
Update comprehensive plans for stronger housing focus and regional context.
Include affordable housing as a priority in redevelopment plans.
Commit to pursuing housing wages in economic development.</td><td>City of Des Moines
Pursue revitalization efforts.</td></tr>
<tr><td>IMPLEMENTATION MECHANISMS</td><td>All jurisdictions
Align land use planning and zoning with updated comprehensive plans.</td><td>All jurisdictions
Condition housing redevelopment incentives on mixed-income results.
Condition non-residential economic development incentives on payment of housing wages.</td><td>City of Des Moines
Pursue revitalization efforts.</td></tr>
<tr><td>FUNDING</td><td colspan="3">All jurisdictions
• Explore increases in funding for income-restricted workforce housing:
• Additional Polk County funding of PCHTF.
• Countywide sales or property tax dedicated to workforce housing.
• Local budgets dedicating funding to PCHTF.
• Dedication of some hotel/motel tax revenues to housing.
• Housing-related taxes and/or surcharges on industries reliant on low-wage workers.</td></tr>
<tr><td>PROGRAMS</td><td>Housing Providers Working in Suburban Jurisdictions
Mixed-income multifamily rental development.
Rental rehab.
Homeownership assistance.</td><td>PCHTF
Financial support for above activities.
Affordability purchases in new and existing multifamily projects in all job centers, including Downtown.</td><td>Housing Providers Working in Des Moines
Rehab only, unless new construction is mixed-income.
City of Des Moines
Pursue revitalization efforts.</td></tr>
<tr><td>LAND BANKING</td><td colspan="3">All jurisdictions
Dispose of publicly owned land for housing development via RFP process reflecting strategy goals and revised local policy frameworks.
Where possible, acquire land for future housing development.</td></tr>
<tr><td>REGIONAL CAPACITY</td><td colspan="3">All Jurisdictions and PCHTF
Establish PCHTF as the regional keeper of workforce housing strategy.
Resources should flow to PCHTF and be distributed to projects in accordance with the strategy.
Upgrade PCHTF capabilities as needed to implement the strategy.</td></tr>
</table>

Policy & Planning

Goals addressed: #1 Increase Housing Near Jobs; #2 Housing Mix Reflects Job Mix; #3 Create Equitable Housing Opportunities

GOALS ADDRESSED

ACTION	WHERE?	#1	#2	#3
Comprehensive Plan PlanDSM lacks a concrete goal related to affordability. **PlanDSM should have a goal that each new market-rate housing construction project (or major rehab) include 10% of its units as affordable to incomes below 50% AMI**, which would encompass all low-wage workers earning less than $12 per hour. Des Moines area comprehensive plans generally lack any meaningful focus on housing, including affordable housing, or any connection between housing and the needs of the regional or local workforce. If cities want to establish a basis for improving the housing situation for low-wage workers, **comprehensive plans, as they are updated, should include goals related to jobs/housing balance and housing affordability.**	Downtown	✓	✓	✓
	Rest of Des Moines	✓	✓	✓
	Suburbs	✓	✓	✓
Downtown Housing Policy City of Des Moines data states that Downtown contains over 8,000 total housing units. Over 7,000 of those are rental units and one-third of them are already income-restricted. **This is an extraordinary amount of affordability which dictates preservation be the primary means of achieving affordability** Downtown. In addition to preservation efforts, the application of a **10% inclusionary requirement for new projects will continue adding supply.** *(See Downtown in Focus on page 49 for more detail.)*	Downtown		✓	✓
	Rest of Des Moines			
	Suburbs			
Redevelopment Planning Neighborhood and district plans in and near downtown need a stronger affordability focus. **Plans in areas primed for redevelopment, like Columbus Park or the Market District, should echo the new inclusionary goal in PlanDSM for 10% affordability.** As suburban cities get older, they will find that some portion of their housing converts to "naturally occurring market-rate affordable housing" and that eventually it may pose a redevelopment imperative which cannot be handled solely by the private sector. As Des Moines has learned, housing redevelopment activities are unlikely to occur without public sector participation. This presents an opportunity for local governments to partner with the private sector by bringing financial resources to bear while also imposing requirements to meet public goals. **When redevelopment planning occurs, plans should have an affordability focus, with affordability goals that align with the comprehensive plan.**	Downtown		✓	✓
	Rest of Des Moines		✓	✓
	Suburbs		✓	✓

Goals addressed: #1 Increase Housing Near Jobs; #2 Housing Mix Reflects Job Mix; #3 Create Equitable Housing Opportunities

GOALS ADDRESSED

ACTION	WHERE?	#1	#2	#3
Economic Development and Incentive Policy **For non-residential projects, incentives should be conditioned upon payment of wages sufficient to afford the Polk County median rent** (or the Des Moines-West Des Moines MSA median rent if outside Polk County), with wages indexed to median rents for the life of the incentive agreement. If projects will not commit to paying a housing wage, incentives should not be granted and the projects will have to move forward, or not, without the incentives.	Downtown	✓	✓	
	Rest of Des Moines	✓	✓	
	Suburbs		✓	

Implementation Mechanisms

Goals addressed: #1 Increase Housing Near Jobs; #2 Housing Mix Reflects Job Mix; #3 Create Equitable Housing Opportunities

GOALS ADDRESSED

ACTION	WHERE?	#1	#2	#3
Land Use Regulations Following on the heels of comprehensive and redevelopment planning, **land use designations and zoning changes should follow** in order to implement the vision and goals in the plans. Local governments should review regulations to ensure there are not unnecessary hardships imposed for affordable housing.	Downtown	✓	✓	✓
	Rest of Des Moines	✓	✓	✓
	Suburbs	✓	✓	✓
Residential Incentive Agreements The **inclusionary goals in redevelopment plans should be a formal assumption in every developer agreement**, for projects accessing local incentives, as a means of making the policy real.	Downtown		✓	✓
	Rest of Des Moines		✓	✓
	Suburbs		✓	✓
Non-Residential Incentive Agreements The requirement for a **housing wage should be written into economic incentive agreements** if approval is required by local bodies such as a city council.	Downtown		✓	
	Rest of Des Moines		✓	
	Suburbs		✓	
Affordable Housing Preservation Agreements Efforts should be made first to inventory the existing supply of affordable housing and the status of affordability agreements, covenants, or other contractual requirements, and preparations made by the PCHTF (and/or local governments) to **make investments in additional affordability beyond current affordability periods.**	Downtown		✓	✓
	Rest of Des Moines		✓	
	Suburbs		✓	✓

Land Banking

Goals addressed: #1 Increase Housing Near Jobs; #2 Housing Mix Reflects Job Mix; #3 Create Equitable Housing Opportunities

ACTION	WHERE?	#1	#2	#3
Disposition of Publicly Owned Land Local governments that own land for possible future residential development should commit to requiring 10% affordability as part of any future sale for development through a Request for Proposals process.	**Downtown**	✔	✔	✔
	Rest of Des Moines			
	Suburbs	✔	✔	✔
Land Acquisition and Banking Forward thinking cities seeking to control development outcomes are in the habit not just of disposing of land they have somehow come to own over time but also of acquiring land for specific purposes. Cities seeking to increase affordable housing production should acquire and bank land, commit to development that will be 10% affordable, and seek development partners at the appropriate time through a Request for Proposals Process.	**Downtown**	✔	✔	✔
	Rest of Des Moines			
	Suburbs	✔	✔	✔

Programs

Goals addressed: #1 Increase Housing Near Jobs; #2 Housing Mix Reflects Job Mix; #3 Create Equitable Housing Opportunities

ACTION	WHERE?	#1	#2	#3
Affordability Purchases New construction: In new rental construction, or significant rehab, the PCHTF should approach developers to purchase affordability for some portion of units at specified rent levels for specified periods of time. The PCHTF has experience with this practice and it should be expanded. Where local incentives are employed to assist development or redevelopment projects, local approving agencies could work with developers to make this part of their development incentive agreements. **Existing projects** The region has experienced a relative boom in new multifamily construction during this decade. The units are most expensive when they are brand new, but as they age and newer units are built nearby, rents may soften and vacancy may increase. This natural process offers an opportunity for the PCHTF to approach managers of relatively new but aging rental units to strike a deal to purchase some level of affordability, just as they might for new construction. **Master leasing** A master lease program would involve a local agency, most likely PCHTF, entering into long-term apartment leases with landlords, preserving access to affordable units for low-wage renters. PCHTF would negotiate the rents on as favorable terms as possible, and then rent units at affordable rents to low-wage workers. Such an arrangement can ensure stability and cash flow for landlords and stability for potentially vulnerable tenants.	**Downtown**		✔	✔
	Rest of Des Moines			
	Suburbs		✔	✔

Programs, cont'd.

Goals addressed: #1 Increase Housing Near Jobs; #2 Housing Mix Reflects Job Mix; #3 Create Equitable Housing Opportunities

GOALS ADDRESSED

Rental Rehab and Homeownership Assistance in Middle and Stronger Markets

Public sector financial support for rehab of rental properties large and small, with provisions for affordability, as well as homeownership assistance for low and moderate-income households, are well established tools. These activities should be increased with the following conditions:

1. Rental rehab resources should be used to serve low-wage working households as defined in this report—households earning $15,000 to $35,000 and likely with a single worker.
2. Rental rehab resources should be used to facilitate a mixed-income result and provide low-wage workforce housing in middle and stronger market areas. In multifamily properties, rental rehab funds should only be applied if at least half the property's units will be market-rate. In single-family properties, funds should only be applied if the neighborhood's median income is at least 80% of the region's median household income.
3. Homeownership assistance resources should be used to serve working households as defined in this report—households earning $35,000-$50,000.
4. Homeownership assistance resources should be used to facilitate a mixed-income result and provide workforce housing in middle and stronger market areas. Funds should only be applied if the neighborhood's median income is at least 80% of the region's median household income.

WHERE?	#1	#2	#3
Downtown			
Rest of Des Moines			
Suburbs		✔	✔

Rental Rehab and Owner-Occupied Rehab in Softer Markets

The largest collection of distressed neighborhoods and housing stock in the region is in Des Moines. Although jobs are decreasing in non-Downtown areas of Des Moines, it is still an important jobs center and home to many low-wage workers. This strategy would generally not support building new affordable housing in Des Moines neighborhoods—the exception being a mixed-income project with a majority of market-rate units. But the rehabilitation of existing housing for low-wage workers is a wise investment of public resources.

With the exception of a minimum neighborhood median income, all other conditions stated above should apply.

WHERE?	#1	#2	#3
Downtown			
Rest of Des Moines		✔	
Suburbs			

Regional Organizational Capacity

Goals addressed: #1 Increase Housing Near Jobs; #2 Housing Mix Reflects Job Mix; #3 Create Equitable Housing Opportunities

GOALS ADDRESSED

WHERE?	#1	#2	#3
Downtown	✔	✔	✔
Rest of Des Moines	✔	✔	✔
Suburbs	✔	✔	✔

The workforce housing challenge is regional in scope. Addressing the issues identified in this report requires efforts that can span local municipal boundaries and facilitate the deployment of resources to where they can be used most effectively, without regard to where resources originate. For example, if resources exist inside the City of Des Moines that might better be spent in a suburban city, a coordinating entity could help move those dollars to another location to be used. Governments in the region should explore CDBG and HOME sharing agreements between entitlement and non-entitlement jurisdictions, and encourage greater usage of state HOME resources in central Iowa.

The PCHTF is positioned to play this role as the entity with the expertise, tools, capabilities, and political and legal authorizations to support and direct resources to affordable housing activities. Specifically, PCHTF can or should be able to:

- Finance and invest in housing developments serving working households earning $15,000-$35,000 (rental) and $35,000-$50,000 (ownership).
- Leverage public and private funding to finance the preservation and production of affordable housing for the workforce.
- Acquire and bank land for future housing opportunities.
- Focus on systems change through education and advocacy to promote housing affordability for the housing-challenged workforce.

But the gains from better regional coordination and cooperation alone will be relatively small without additional resources. PCHTF and its partners must jointly increase the budget for workforce housing activities.

Best Practice Examples: Housing Trust Funding

San Francisco Housing Trust Fund
In 2012, in the wake of the dissolution of California's system of redevelopment agencies, San Francisco voters approved "Prop C," which diverted former redevelopment agency revenue streams to a housing trust fund. At its peak, the fund should receive $50M annually.

Seattle Housing Levy
Seattle voters have approved housing levies five times since 1981. Most recently, in 2016, voters approved a new levy of $290M for use in preservation, rehab, and new construction activities over a seven year period.

Best Practice Examples: Organizational Innovation

Greenville Housing Fund, Greenville, SC
Established in 2018, the new Greenville Housing Fund is chartered not only to invest in and finance affordable housing, but also to act as a land bank and to play the role of convener and thought leader on affordable housing in Greenville.

ARCH (A Regional Coalition for Housing), East King County, WA
ARCH was conceived, established, and is funded by a collection of cities in east King County, WA. The organization plays a role in regional and local policy and planning, advocacy, some direct program activities, and operates a regional housing trust fund.

Funding

The per unit costs of addressing affordability for low-wage workers, especially in new construction, are very expensive. For new construction, the subsidy required per unit could be well in excess of $100,000. But out of pocket public subsidy costs can be less if existing units are rehabbed, or existing affordable units have their affordability periods extended, or if some of the costs are distributed across mixed-income projects, such as in an inclusionary requirement. However affordable units are maintained or produced, the region's affordable housing system will need more money than it appears to have prioritized for this purpose in the past.

If VCHR's forecasts come to fruition, Polk County by itself will add 44,000 new households that cannot afford new construction. Across all the different ways that housing may be maintained or created for those households, an average public subsidy of $50,000 is a reasonable estimate for each unit. The total subsidy over 20 years would be $2.2B or just over $100M each year. Whether the region aims to raise $100M annually or $10M annually, there are a number of pathways to raising public funds in support of housing activities.

Best Practice Examples

Portland, Maine Hotel Inclusionary Zoning
In 2019, in response to a strengthening real estate market and a study that documented the reliance of the hotel industry on low-wage labor, Portland passed an inclusionary zoning provision for hotel projects. Hotel developers are required to build a minimum number of affordable units, in recognition of their insufficient wages related to housing costs, or pay a fee in-lieu for use in affordable housing activities.

Alexandria, Virginia Meals Tax
In 2018, as it looked for additional funding for affordable housing, Alexandria raised its meals tax and dedicated the increase to affordable housing. Restaurant workers are among the lowest-paid, and the meals tax is paid by restaurant patrons, most of whom do not live in Alexandria. At the time of the meals tax increase, it was projected to raise $4.75M per year for affordable housing.

Increase Housing Near Jobs | Housing Mix Reflects Job Mix | Create Equitable Housing Opportunities

GOALS ADDRESSED

WHERE?	#1	#2	#3
Downtown	✔	✔	✔
Rest of Des Moines	✔	✔	✔
Suburbs	✔	✔	✔

Standard Government Funding Tools

- Real Estate Transfer Tax
- Sales Tax
- Property Tax

Funding with a Nexus to the Source of Low-Wage Work

- Allocation of Hotel/Motel Tax
- Additional Hotel/Motel/Accommodations Taxes or Surcharges
- Restaurant Taxes or Surcharges

Downtown in Focus

Downtown is a special case when it comes to thinking about future workforce housing challenges and opportunities. Downtown is a major jobs center in the region, though it has fewer jobs than the rest of Des Moines or even than West Des Moines.

According to data from the City of Des Moines, in 2000 Downtown had fewer than 2,500 housing units and more than three quarters were income-restricted affordable units. Downtown vibrancy was becoming a critical economic development imperative and the area's redevelopment as an up and coming mixed-use district was still some years from coming to fruition.

The City's efforts toward downtown revitalization have been unquestionably successful, with construction sites populating seemingly every block Downtown at one time or another over the past two decades. It is natural that all this construction activity and the newness of much of the district might give rise to questions about workforce housing affordability challenges, and how to best match new construction Downtown to the wages paid for Downtown jobs. Recent trends offer some reasons to be hopeful and some reasons to be vigilant.

Since the Great Recession, the rate of increase in housing units Downtown has far surpassed the rate of increase in jobs. Downtown, which has long been a place for working but not living, is finding a new purpose as a mixed-use, high-quality urban neighborhood. During this decade, Downtown has added 1.8 housing units for every new job, a dramatic development considering the current ratio of housing units to jobs is 0.13. But there are some other notable changes happening Downtown as well:

1. The jobs that have been growing Downtown are not low-wage jobs. Jobs paying less than $15,000 have increased, on average, by only 67 per year. Jobs paying $15,000-$40,000—the part of the workforce most specifically targeted by this strategy—have decreased precipitously.
2. By far, the most rapid job growth is in positions paying more than $40,000 per year. Many of these workers, especially if they have roommates, spouses, or partners, can easily afford new construction. Even so, only 463 new market-rate units were built per year while higher-wage jobs grew by 991 per year.
3. New income-restricted affordable housing units are being built faster than low-wage jobs are growing. Downtown experienced the addition of 83 new affordable units each year between 2010 and 2017. This means that 15% of units built in any given year during that period were affordable units. This is more than the inclusionary target of 10%.
4. But, the construction of new affordable units has almost been completely neutralized by the conversion of 554 formerly income-restricted units to market-rate units. On a net basis then, Downtown only increased its affordable stock by 24 units between 2000 and 2017. If left unaddressed, the expiration of existing affordability requirements could be a major threat to the future affordable Downtown housing stock.
5. Including units now under construction, in 2020 Downtown can expect to have roughly 27% of its housing units as income-restricted.

Notable Downtown Changes, 2010-2017

Jobs

Yearly Wages	Net New Jobs	Net New Jobs Per Year
Less than $15,000	466	67
$15,000-$40,000	-5,323	-760
More than $40,000	6,937	991
TOTAL	**2,080**	**298**

Housing

Unit Affordability	New Units	New Units Per Year
Affordable	578	83
Market-Rate	3,239	463
TOTAL	**3,817**	**546**

But 554 previously income-restricted affordable units converted to market-rates upon expiration of their required affordabilty periods.

Key Downtown Takeaways

Downtown has been an incredible revitalization success story.

Downtown has shown the way in economic integration through the addition of market-rate units into an area that was formerly dominated by subsidized units.

Even still, Downtown has maintained an extraordinary percentage of affordable units, with over a quarter of current units income-restricted.

Downtown, through progressive planning efforts and public/private cooperation, has begun a journey toward becoming a high-quality urban neighborhood where jobs and residential life can co-exist, with massive housing investment and greatly increased live-work opportunities as a result.

None of this is an excuse to cease the work of maintaining affordability in Downtown, Des Moines. Strategic goals related to income diversity and housing choice for low-wage Downtown workers demand that affordable housing efforts continue.

RECOMMENDATIONS

Priority 1: Preservation

The City and PCHTF should inventory existing affordable units, plan for upcoming affordability expirations, and allocate resources to work with owners to buy additional years.

Priority 2: Inclusionary Requirements in Incentives

The City should formalize and continue its emerging practice of requiring 10-20% of new units to be affordable—ideally at no more than 50% of AMI to match low wages.

Priority 3: Monitor and Adjust

Downtown already has a large proportion of affordable units and low-wage jobs are not growing quickly. The City can afford to watch job and housing development to determine whether and how to use the brakes or the gas on affordability.

Priority 4: Purchasing Additional Affordability

As conditions dictate, increase the resources flowing to preservation and affordability purchases.

Des Moines

REGIONAL WORKFORCE HOUSING STRATEGY

December 2019

Prepared by czbLLC

czb