Executive Summary

In recent years, the Des Moines regional economy has been strong and historically affordable housing costs have generally remained that way. The region is now in an advantageous position, with strong job growth, reasonable cost of living, and a high and growing quality of life. In order to stay ahead of economic and housing market trends that could upset this balance, the Capital Crossroads 2.0 regional strategic planning process suggested an in-depth study of workforce housing conditions. The inquiry would ask whether the region’s housing market and production system would be able to respond to anticipated job 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 (VCHR), a research center at Virginia Tech, was retained to gather data and conduct analysis necessary to answer the question. czb, a planning and community development consulting firm, was retained to turn data and analysis into recommendations to address future workforce housing challenges. The scope of the project is regional, but also includes a specific focus on Downtown.

Metro Des Moines has historically generated housing quickly enough to keep pace with job growth. By national standards, housing costs are low. Commute times for most workers in the region are under 20 minutes. However, the housing market is not functioning well for working households earning less than $35,000 per year. Beyond potential economic ramifications, this also raises equity questions as low-wage workers are served last in the regional housing market.

WHY WORKFORCE HOUSING MATTERS

If housing barriers get in the way of jobs and workers finding each other, a regional economy can suffer. Housing attributes that may be barriers for workers include location, cost, quality, and size. For the Des Moines economy to grow over time, a sufficient supply of housing, meeting the needs and desires of regional workers, is required.

Metro Des Moines
Low housing costs compared to nation
Commute times under 20 min.

Housing choices for lower-wage workers are limited
CURRENT CONDITIONS AND TRENDS

Any household earning less than $35,000 per year, or $16.50 per hour at full-time for a single earner, cannot afford the median rent in the region.

Any household earning less than $25,000, or $12.00 per hour at full-time for a single earner, is in a housing “danger zone” where there are not enough affordable housing units and what is affordable is disproportionately concentrated in some of the most distressed Des Moines neighborhoods.

41,000 workers in occupations with a median salary of less than $25,000 are unable to afford rent without sharing costs with another earner, even when they earn in the 90th percentile for their occupation.

The fastest growing job centers in the region are in the suburbs, notably in West Des Moines and Ankeny.
The region is projected to add 150,000 new jobs generating 84,000 new households.

Polk County is expected to absorb 57,000 of the new households.

Over three quarters of all new projected households 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.

If current trends continue, the market will meet new housing demand for higher-income households on the region’s exurban edges while lower-income households occupy older housing in the regional core, especially in the City of Des Moines.

This pattern will reinforce economic segregation and commuting in the region as most job growth will occur in the suburbs but low-wage workers find their suburban housing options limited.
**WORKFORCE HOUSING GOALS**

**GOAL 1**

**Increase Housing Near Jobs**

*Why it matters*

80% of workers in the region’s major job centers commute from elsewhere. While many workers commute by choice because they can live where they like, low-wage workers may be forced into a commute they do not choose by a lack of housing options. The first step to helping workers live in job-rich areas is to increase the amount of housing in job centers.

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**GOAL 2**

**Housing Mix Should Reflect the Job Mix**

*Why it matters*

While new housing is a first step, new construction is not affordable to low-wage workers. In order to increase housing opportunities for low-wage workers in job-rich areas, the housing mix should match the job mix when it comes to housing costs and wages. This means housing must not only be built in greater volumes near job centers, but also made affordable to low-wage workers.

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**GOAL 3**

**Create Equitable Housing Opportunities**

*Why it matters*

The housing market, if left to its own devices, will sort households geographically by income. This pattern is clear in all American cities, including Des Moines, and excludes lower-income families from well-resourced schools and job opportunities while undermining the economic vitality and tax bases of distressed communities. Housing-related policies and programs should seek to avoid the segregation that the market alone would produce.
Local governments in the region should revisit comprehensive, redevelopment, and neighborhood plans, as well as economic development plans and policies, to strengthen the focus on housing issues, especially those related to workforce and affordable housing. Where public incentives are required for new development, governments in the region should adopt minimum affordability thresholds for residential projects and housing wage requirements for job-creating non-residential projects.

The greatest supply of affordable housing in the region is the many thousands of existing market-rate (and some income-restricted) units that are aging and in need of reinvestment. Investing in upgrades to these units in exchange for affordability provisions is an efficient and cost-effective way to provide good-quality affordable housing.
Downtown is a major jobs center in the region and has long been a place for working but not living. But Downtown is finding a new purpose as a mixed-use, high-quality urban neighborhood where jobs and residential life can co-exist. Since the Great Recession, the rate of increase in housing units Downtown has far surpassed the rate of increase in jobs. 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. At the time of this report, Downtown has over 8,000 housing units, of which 27% are income restricted. Downtown has developed into a vibrant neighborhood and maintained a mixed-income orientation, but a similar future is not automatically assured. Increasing housing while maintaining a meaningful amount of affordability will require intentional effort.

Between 2010 and 2017, the number of housing units increased by 87% while the number of jobs has increased by less than 4%.

During that time, low-wage jobs paying less than $15,000 per year grew much more slowly than higher-wage jobs paying more than $40,000 per year.

Downtown has many income-restricted affordable units dating to previous decades. In 2020, over 25% of all units Downtown will be affordable.

Downtown has added over 500 affordable units since 2010. But nearly as many pre-existing affordable units have been converted to market-rate. On a net basis, only two dozen affordable units were added Downtown from 2010–2017.
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.
READ THE FULL REPORT

Learn more about Des Moines' workforce housing conditions and recommendations to address future workforce housing challenges at:
www.capitalcrossroadsvision.com/reports/

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