

'I will no longer build in Des Moines': Developers warn city's new building code will halt new home construction

[Kim Norvell](#), Des Moines Register Published 6:49 a.m. CT July 31, 2019 | Updated 10:26 a.m. CT Aug. 2, 2019

Changes to Des Moines' zoning code intended to make it easier for developers to build in Iowa's capital city would instead halt construction of new single-family homes, local developers are warning.

They also warn that proposed requirements, including minimum house sizes, single-car garages, full basements and restrictions on vinyl siding, would push the price of construction higher — making new homes out of reach for anyone making less than \$100,000 a year.

The new standards, [approved with some changes on Aug. 2](#), come at a time when home builders and real estate agents say there's a shortage of housing for the majority of Des Moines' workforce.

"Any time you add one square foot to a house, it adds money. Builders are the ones who have to take the risk to put a product out there, and nobody will build what the city is proposing if they can't sell it," said Dan Kruse, owner of Kruse Development.

"It will completely halt production of homes in Des Moines."

Des Moines officials say the changes are needed to speed up construction in the city, which is notorious for having a cumbersome development process. Developers that meet certain code requirements would be allowed to start construction right away, instead of going through the current approval process, which can take more than 90 days.

Officials say the requirements, including architecture and design standards, will protect and increase property values in Des Moines, as well as provide the right mix of housing in existing and new neighborhoods.

"The focus is really on our existing neighborhoods and how we allow for construction to occur in those neighborhoods," said City Manager Scott Sanders. "So what would be acceptable — put yourself in your own home — for your neighbor if there was an empty lot next to you? What

would be the minimums in terms of the quality and mix of products that you would find acceptable and that respects the existing neighborhood's design?"

The proposed changes have been met with protest by local and national home builders and affordable housing advocates, who have shown up en masse to a handful of public meetings since the [code was introduced](#) in May.

A steering committee has since proposed a few changes — including removing the basement requirement. The committee has also proposed changes to the minimum square footage requirement, but that information has not been released to the public.

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Changes will be discussed by the Plan and Zoning Commission at 6 p.m. on Thursday.

Regardless, local developers say the code is still too stringent to build affordably. It's the minimum size that would have the biggest effect, bringing the cost of new homes to at least \$300,000, developers say.

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The proposed code would require that one-story homes have 1,400 square feet of finished space above grade, while a two-story home would need 1,800 square feet.

A person would need to earn \$90,000 to \$100,000 per year to purchase a home at that price. The median income in Des Moines was \$49,999 in 2017, according to the U.S. Census Bureau.

"That eliminates our firefighters, our teachers, our nurses," from purchasing a newly built home, said Rachel Flint, vice president of Hubbell Homes, which is working on a 60-home development on the city's east side that would not meet the city's proposed size requirements. "That's a large portion of our workforce."

In the next 20 years, the Des Moines metro would need to add 33,592 new owner-occupied housing units to keep up with the expected influx of workers as the region grows. More than half would need to be homes priced below \$175,000, according to a [workforce housing study commissioned by the city and released just days after its proposed zoning code](#).

Only 12% of the expected demand is for homes priced at \$350,000 or more, the study found.

"Affordable housing when it comes to new construction of single-family homes is an incredibly small piece. You don't think of trying to assist a young family, for instance, that needs affordable housing with, 'We're going to put you in a brand-new home,'" Sanders said. "There's usually other options that are far better."

One of the largest homebuilders in Des Moines, Savannah Homes, typically builds two-story houses that have 1,400 square feet of finished space, said owner Ted Grob. The additional 400 square feet would add about \$40,000 to his costs. Hubbell representatives estimate it would add about \$70,000.

The proposed code allows deviation from all of its requirements, including size.

City staff members have the authority to approve a deviation of up to 30% from the minimum square footage. Other changes would need to go in front of the Plan and Zoning Commission, and potentially, City Council.

But that deviation is not guaranteed under the new code, Grob said. Developers typically purchase a lot before presenting their plans to the city. They would be taking a financial risk if they bought the lots intending to build smaller homes only to later find their plans weren't approved, he said.

"For me to make a financial investment on the whim of a staff member is just something I'm simply not going to do," Grob said. "I'm looking for lots in Des Moines, but I won't commit to any until this is resolved."

"And if it's resolved the way they're proposing it, I will no longer build in Des Moines."

Kruse said it's unwise for the city to dictate what the market isn't demanding.

According to building permit data in June, the average new Des Moines home was 1,200 square feet. The average home value was \$154,782.

In addition, data from the multiple listing service (MLS) show there were 59 new homes sold in Des Moines last year that were smaller than the city's proposed minimum sizes, said Eric Webster, general manager of Berkshire Hathaway HomeServices First Realty.

"So you're taking 59 sales out of the market," if those homes can't be built, he said.

Webster said MLS data shows there's a shortage of homes priced less than \$200,000 for resale. There's currently 1.7 months of inventory on the home resale market, meaning if no other homes hit the market in that time period, there will be no more left to sell, he said. A balanced market is about six months of inventory.

"It's a massive shortage," Webster said.

Conversely, there is nearly one year's supply of newly built homes on the market, Webster said.

The average home sold in Des Moines between April and June cost \$163,000, while the average new home sold during the same period cost \$290,000, data shows.

"There's a huge gap between the resale market and new construction," Webster said. "It's that gap we need to be really concerned about."

Sanders, the city manager, said his research has found the opposite. Des Moines has the highest proportion of smaller-size homes than anywhere else in Polk County, he said.

The average house size in Des Moines is 1,253 square feet — 27% smaller than the average in other Polk County cities, city data shows.

That gives homeowners fewer options when they want to up-size, forcing them to leave Des Moines for the suburbs, he said. The new code would allow for that type of home to become more available to the city's residents — particularly in the few remaining areas left to develop in Des Moines, he said.

Plus, new developments will need to generate enough tax base to justify extending services like water, sewer, police and fire, he said.

"Our focus needs to be about infill in the existing neighborhoods," Sanders said. "And whatever standards we're able to set from an entitlement, the new neighborhoods need to follow that."

Smaller homes will be allowed in neighborhoods where similarly sized homes already exist, he said. Des Moines will be providing more opportunities for that type of infill construction with its invigorated [Blitz on Blight program](#). The city plans to tear down up to 150 abandoned homes a year using money from the 1-cent local option sales tax approved by voters in March.

Des Moines has other existing programs to encourage the reconstruction of existing homes. The Blighted Properties Rehabilitation Program gives developers up to \$50,000 to rehab a home for resale. The city also offers [tax abatement](#) on a portion of the assessed value of new and rehabbed homes.

Those programs show the city is committed to ensuring safe, affordable housing for its residents, Sanders said.

"Absolutely, in the right situations of infill and still being respectful of the existing neighborhood, we will allow the smaller homes to be built," Sanders said. "In fact, we're going to be incentivizing some of that through our other programs. But it just cannot be a standard that anywhere it's allowed."

Some developers say the code changes are just a way for the city to build up its tax base through increased property taxes on more expensive homes.

"The square footage thing is a tax grab," Kruse said.

Sanders said the additional tax value is a "byproduct" of a larger issue, which is building up Des Moines neighborhoods and, in turn, increasing property values for all residents.

"It is all tied together from a financial standpoint. But you'll find that the success of the city's fiscal situation is directly tied to the individuals in the neighborhoods," he said.

Officials say the new zoning code is meant to be a "living document" that can be revisited as issues arise. The city manager intends to take a look at how the code is performing within six months to a year after it's implemented.

It would not go into effect until the City Council votes on it, probably in late October.

There are two remaining public hearings on the proposed zoning code:

- Aug. 1 — Plan and Zoning Commission, 6 p.m., 1551 Martin Luther King Jr. Parkway
- Sept. 9 — City Council public hearing, 4:30 p.m., City Hall, 400 Robert D. Ray Drive
- Sept. 23 — City Council, second reading, 4:30 p.m., City Hall, 400 Robert D. Ray Drive
- Oct. 14 — City Council, final reading, 4:30 p.m., City Hall, 400 Robert D. Ray Drive

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