

Who Pays, Who Benefits From Residential Growth?

City Councils are faced with a dilemma concerning new development. On one hand they want new residents and the new businesses and jobs that follow. On the other, new development brings complaints from *existing* residents (voters) and environmental groups because of three misconceptions;

(1) *The city pays for new development improvements.* Residential developers pay for improvements many of which must be guaranteed for 4 years. Two years ago we developed a 90 acre parcel of land that will add \$68 million of new construction, 750 new residents to use local commerce, \$13 million in new office buildings, 25 new businesses and 50 to 100 new permanent jobs. We installed, paid for and gifted to the city \$93,000 worth of turn lanes, 2.5 miles of new streets, a one half acre storm water detention pond with fountains, half of a 1,330 lineal foot bike trail, a \$150,000 tree lined 2.5 acre park, 57 new streetlights, \$35,000 worth of handicap ramps, 8.5 miles of new storm sewer, sanitary sewer and water lines while paying \$55,000 in inspection fees. Would the situation have changed had we been Kodak coming to town promising this dollar investment and these employment numbers? Is it conceivable that City officials would have waived many requirements and met us at the edge of town with a key to the city? Most just levy new fees, increase old ones and implement new regulations.

(2) *Existing property owners are harmed.* Home owner equities, which represent 75% of the wealth in the U.S., put this false perception to rest. They explain why new residential growth is valuable to communities and to a greater extent, their citizens. The proof is in a new report that Iowa Research and Appraisal recently completed for the Homebuilders Association of Greater Des Moines. It is entitled **ANALYSIS OF THE EFFECTS OF CONSTRUCTION ACTIVITY ON RESIDENTIAL REAL ESTATE**. This report compares two Iowa communities with virtually the same populations: slow growing Fort Dodge and fast growing Ankeny. The study shows that over a six year period citizens in

Ankeny saw the equity in their homes increase almost *three times* faster than did those in Fort Dodge; an average Ankeny home increased in value by \$48,000 while an average Fort Dodge home gained \$17,000. Ankeny issued 5,670 building permits, Fort Dodge only 158. A copy of the study is available from the Home Builders Association of Greater Des Moines for \$50. Thus, existing residents of growing communities benefit in six ways. They see a greater increase in their net worth and make more money when they sell. They can use equity to start a small business or have money to borrow via tax deductible loans. In the last decade there has been a tenfold increase by seniors tapping into billions in home equity via reverse mortgages that allow them to stay in their homes longer. Finally, new houses attract highly taxable new commercial operators and the jobs they bring.

(3) *Residential development doesn't pay its own way.* If this perception is accurate, why do some communities offer tax abatement to encourage homebuilding or sue each other to see who is going to annex the next parcel of land? Why are builders offered free lots in cities with no growth to come there and build? Why do commercial users like Jordan Creek Mall locate in cities with the fastest residential growth?

The greatest paradox of residential development is that existing residents who own homes, like shopping conveniences and realize financial gains, complain to community leaders about new neighbors who want to do the same.

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