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MEMORANDUM

TO: Interested Parties
FROM: Erin Fosdick, Senior Planner
DATE: April 27, 2017
RE: Building Permit Estimates (#2941-3b)

Background

The Planning and Development Services Department annually provides estimates of building permits for five years in the future. These estimates are used as one basis for projecting revenues for the *2018 Operating Budget* and *2018-2022 Capital Improvement Program (CIP)*. A projection for 2017 is also provided. Planning & Development Services Department staff reviewed these projections; their comments are reflected in this memo.

Economic Trends

Economic growth has been strong for the past several years. Figures through March 2017 place the national seasonally adjusted unemployment rate at 4.5%, down from 5.0% in 2016.¹

Colorado's labor markets continue to be strong, with the state's seasonally adjusted unemployment rate in December 2016 at 3.0%. This is lower than in was in December 2015 (3.4%) and significantly lower than it was from its historical high of 8.9% in 2010. The first months of 2017 are stable and still showing improvement for Colorado with a preliminary unemployment rate of 2.9% in February; this is lower than the unemployment rate for the U.S., which was 4.7% through February 2017.²

Locally, the unemployment rate for the Boulder-Longmont area was 2.8% in February 2017 (preliminary figure), compared to a statewide rate of 3.4% (February figure).³ The *Longmont Economic Development Partnership (LEDP)* reported a net gain of 582 primary jobs in 2016.⁴

Mortgage interest rates are still low when compared with historical data, but may be increasing. The national average rate on a 30-year fixed-rate mortgage was 4.08% in April 2017,

¹ Source: U.S. Bureau of Labor Statistics, <http://www.bls.gov/>

² U.S. Bureau of Labor Statistics, <http://www.bls.gov/>

³ U.S. Bureau of Labor Statistics, <http://data.bls.gov/>

⁴ Source: Longmont Economic Development Partnership, <http://www.longmont.org/>

compared with 3.67% in April 2016.⁵ Markets are still strong and a large number of projects are pulling permits; this trend could continue for the next several years.

Residential Construction

Residential construction in the City has been strong for the past several years, after substantial declines in permit numbers during the recession. 2016 had the highest number of units permitted in the last 15 years. The U.S. Census Bureau reported that estimates for residential building permits in March 2017 were 3.6% above the February 2017 estimate and 17% above the March 2016 estimate⁶. Locally, there have been 190 units issued residential building permits through March 2017, which is higher than the number of permits issued through the 1st quarter of last year (190 units permitted in 2017 v. 102 in 2016).

1,003 residential units were issued building permits in 2016, compared to 410 issued in 2015. While this is still slightly lower than the large number of permits issued during the late 90's and early 2000's (a record number of permits were issued in 2001 – 1,641), it is much higher than the number of permits issued for years during the recession (a record low number of permits were issued in 2009 – 63).

Single Family Estimate

The City has issued permits for 64 single family homes through March 2017 compared with 77 permits issued through March 2016. There is a supply of approximately 930 single family units in approved developments that could request permits in 2017; it should be noted that some of these projects still need infrastructure before a permit could actually be pulled. A list of these projects can be found in Appendix 1. Given the number of permits issued through March 2017 and the anticipated permit activity for the rest of the year, approximately 172 more units could be permitted this year. Therefore, an estimate of the total number of single family permits to be issued this year is 236.

Multi-Family Estimate

For this report, the term multi-family includes duplex, triplex, townhouse, condominiums, apartments, and accessory and mixed use dwelling units. Through March 2017, 126 multi-family units have had permits issued. This compares with 25 multi-family units permitted through March 2016. There are a number of developments in various stages of review that have multi-family units planned. Appendix 2 provides a list of multi-family projects that could request permits this year. Within these developments, there is a supply of 1,376 multi-family units.

There are a number of additional multifamily projects in various stages of review that may not be included on this list; there continues to be considerable interest in multifamily development, so development of this type is expected to continue at a higher pace over the next few years. Similar to single family developments, some of these developments need to complete infrastructure requirements and others still need to go through the development review

⁵ Source: HSH Associates, Financial Publishers, <http://www.hsh.com/>

⁶ Source: U.S. Census Bureau, <http://www.census.gov/construction/bps/>

process before permits can actually be pulled. So it may be unrealistic to think a permit will be pulled this year or even next. Given the number of permits issued through March 2017 and the anticipated permit activity for the rest of the year, approximately 763 additional multi-family units could be permitted this year. Therefore, an estimate of the total number of multi-family permits to be issued this year is 889.

Residential Compilation

There are several projects, containing both single family and multifamily units that are still in various planning stages; these have not been included in Appendix 1 or 2, although there is likelihood that some of these projects may pull permits in the next several years. Given the current market conditions, the number of permits issued through March of 2017, and the anticipated permit activity for the rest of the year, a reasonable estimate of the number of dwelling units to be issued permits in 2017 is 1,125 (236 estimated single family, 889 estimated multi-family). If 1,125 units are permitted this year, it will result in a permit growth rate of approximately 3%.

The slow economic recovery and the trend of higher foreclosures several years ago weakened the local housing market and influenced rates of new construction; this led to a smaller supply of housing. Consequently, there are now demand pressures throughout the City. As the City continues to mature, large greenfield projects with high numbers of new dwelling units will likely be less common, while infill and redevelopment projects will likely become more common. The residential market is expected to remain stable in the coming years, however, permit numbers may not return to rates seen in the 1990's and early 2000's. The permit growth rate for 2018 is estimated to stay higher at 2.0%. For 2018, it is estimated that approximately 750 multifamily units will be permitted and 195 single family units will be permitted, for a total of 945 residential permits. This recognizes the expected continued strength of the market, especially for multifamily housing. Slightly more conservative growth rates have been forecasted for the years 2019-2022.

Historically, the permit growth rate has averaged 2.4% over the last 20 years, 0.9% over the last 10 years, 1.4% over the last 5 years, and 1.7% over the last 3 years. The growth rate in 2016 was 2.8%. The growth rates used for these estimates acknowledge that the economy is strong and there are still a large number of multifamily projects that are expected to pull permits in the next few years. An estimated growth rate of 2.45% has been used for 2018; a rate of 1.5% is used for 2019. The growth rates for 2020 – 2022 have been stepped down gradually and are 1.25% for 2020 and 1% for 2021 and 2022. The estimates for the period 2017 – 2022 are shown below.

**Residential Building Permit Estimates
(Dwelling Units)
2017 – 2022**

Year	Annual Estimates	Total Dwelling Units	Percentage Increase in Total Dwelling Units
2017	1,125	38,495	3.01%
2018	945	39,440	2.45%
2019	592	40,032	1.50%
2020	500	40,532	1.25%
2021	405	40,937	1.00%
2022	409	41,347	1.00%

Actual vs. Estimated Residential Building Permits (Dwelling Units) Since 1990

Year	Actual	Estimated Permits
1990	75	55
1991	157	112
1992	418	267
1993	491	418
1994	513	427
1995	868	660
1996	616	820
1997	1,358	950
1998	1,588	1,550
1999	1,242	1,184
2000	1,507	1,297
2001	1,641	1,800
2002	983	850
2003	866	650
2004	843	775
2005	502	603
2006	282	313
2007	230	129
2008	158	145
2009	63	72
2010	111	69
2011	119	64
2012	378	123
2013	248	292
2014	441	369
2015	410	426
2016	1,003	990

Nonresidential Construction

Last year the City issued building permits for 637,232 square feet of nonresidential development. Through March 2017, the City has issued permits for 157,518 square feet of nonresidential development (as compared with 34,746 square feet through March 2016). A review of plans in various stages of review indicates that approximately 487,000 additional square feet of nonresidential development could be permitted this year. So, a realistic estimate of the square footage that will likely be permitted in 2017 is approximately 644,518 square feet.

Nonresidential estimates are more difficult to project. Historical information shows that nonresidential construction varies markedly from year to year. One or two large non-residential projects can greatly affect the yearly square footage total. For example, the recently announced plans by the J.M. Smucker Company to construct a facility in Longmont will add nearly 400,000 square feet of non-residential space.

There are numerous factors that influence non-residential construction, including vacancy rates, the state of the economy, access to capital and redevelopment activity. The Longmont Economic Development Partnership tracks vacancy rates for primary space in the Longmont area. Their data shows that vacancy rates are 9.6% through March 2017, which is far lower than the 22.0% vacancy rate reported in March 2016. The relatively low amount of vacant space may increase the need for new space, which could impact new non-residential construction.

After considering the local vacancy rate, the state of the economy, projects currently being reviewed, and the amount of nonresidential construction estimated for 2017, a total of 400,000 square feet of nonresidential space is estimated for 2018; an additional 300,000 square feet is estimated for 2019. For years 2020 – 2022 the estimates are lower as shown in the table below. These estimates recognize that new square footage will likely be permitted, but also recognizes that there will likely be existing space that will be attractive to new and expanding businesses in Longmont.

Nonresidential Building Permit Estimates (Square Feet) 2017-2022

Year	Estimated Square Feet
2017	644,518
2018	400,000
2019	300,000
2020	150,000
2021	150,000
2022	150,000

Actual vs. Estimated Nonresidential Building Permits (Square Feet) Since 1990

Year	Actual	Estimated Square Feet
1990	128,294	241,700
1991	217,879	253,267
1992	242,013	385,377
1993	513,126	300,000
1994	797,343	250,000
1995	441,028	no estimates developed
1996	699,266	750,000
1997	1,084,123	750,000
1998	908,170	875,000
1999	435,711	750,000
2000	1,613,702	1,600,000
2001	618,718	700,000
2002	188,816	218,000
2003	319,451	318,000
2004	236,121	490,000
2005	832,673	700,000
2006	620,642	625,000
2007	283,607	765,000
2008	228,201	161,000
2009	27,872	23,000
2010	239,798	216,000
2011	145,227	135,000
2012	125,090	32,500
2013	73,357	81,851
2014	250,216	154,363
2015	733,343	587,379
2016	637,232	404,746

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Appendix 1

List of Single Family Projects that Could Request Permits in 2017

Subdivision	Number of Units
Mill Village 3rd Filing Replat D	4
Mill Village 3rd Filing Replat F	2
Fox Meadows 3rd Filing	3
Fox Meadows 4th Filing	18
Eastgate 2nd Filing	1
Eastgate 4th Filing at Shadow Grass Park	16
Provenance	200
Somerset Meadows 1st Filing	7
Somerset Meadows 2nd Filing	1
Somerset Meadows 3rd Filing	41
Somerset Meadows 4th Filing	25
Somerset Meadows 5th Filing	190
West Grange 1st Filing	20
Renaissance 4th Filing FP	2
Willow Creek Estates FP	2
Creekside 6th Filing FP	1
Wallace Addition, 4th Filing FP	15
Quail Ridge Replat C	31
Yeager Farm 1st Filing	4
Yeager Farm 2nd Filing	29
Harvest Junction Village	277
Sienna Park	27
Denio West	41
Total	930

Appendix 2

List of Multi-Family* Projects that Could Request Permits in 2017

Subdivision	Number of Units
Prairie Village 2nd Filing (Fall River Apartments)	60
Spring Valley Phase 10 Parcel R (Sonoma Village)	18
Mill Village 3rd Filing	3
Mill Village 3rd Filing Replat D	3
Fox Meadows 4th Filing	40
Centennial Park Apartments	72
Wallace Addition 3rd Filing	9
Wallace Addition 4th Filing	176
Hover Place Condominiums	8
Sienna Park	110
Silver Meadow Town Homes	10
Quail Ridge	71
Watermark at Harvest Junction	276
Sandstone Vistas	240
Springs at Sandstone Ranch	240
Denio West	40
Total	1,376

**Multifamily includes all residential units that are not single family detached.*