

# Building Permit Estimates

## City of Longmont | Planning Division

Prepared April 2021

The Planning Division annually provides estimates of building permits for five years in the future. These estimates are used as one basis for projecting revenues for the *2022 Operating Budget* and *2022-2026 Capital Improvement Program (CIP)*. A current year projection for 2021 is also provided. There is still uncertainty about both shorter- and longer-term effects resulting from the COVID-19 pandemic. In addition, the cost of building materials continues to rise, which creates some uncertainty about timing. The best available information through April 2021 has been used to prepare these estimates.

The last several years of building permit activity in Longmont have been strong even through the pandemic; estimates prepared for 2021 continue to reflect rather strong development activity. In addition to the substantial numbers of permits expected, estimated valuation for individual permits is also expected to remain high. The following table summarizes the building permits estimates for 2021 – 2026. Additional detail on the types of permits, economic trends, and other background information is provided below.

### Building Permit Estimates (Dwelling Units and Non-Residential Square Footage) 2021 – 2026

	Total Residential Units	Non-Residential Square Footage
<b>2021</b>	729	187,663
<b>2022</b>	847	250,000
<b>2023</b>	778	250,000
<b>2024</b>	660	200,000
<b>2025</b>	670	200,000
<b>2026</b>	566	200,000

### Economic Trends

Economic growth has been strong for the past several years. Figures through March 2021 place the national seasonally adjusted unemployment rate at 6.0%, up from 4.4% reported in March of 2020<sup>1</sup>, but down from the double digit unemployment that was seen during the early months of the pandemic.

Colorado’s labor markets have been impacted by the pandemic, but appear to be rebounding with the state’s seasonally adjusted unemployment rate in December 2020 at 6.9%. This is higher than the December 2019 rate of 2.6%, but lower than the double digit rates reported in Spring of 2020. The first two months of the year have shown continued improvements with 6.4% unemployment rate for January

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

and February. In March the preliminary figure was 6.4%. This is slightly higher than the national unemployment rate, which was 6.0% through March 2020. Locally, the unemployment rate for the Boulder-Longmont area was 5.7% in February 2021 (preliminary figure), compared to the statewide rate of 6.4% (February figure)<sup>2</sup>.

Mortgage interest rates are also still low when compared with historical data. The national average rate on a 30-year fixed-rate mortgage was 3.04% in April 2021, compared with 3.33% in April 2020<sup>3</sup>.

Interest in development activity still appears strong, which could result in strong permit activity in the coming years.

### **Residential Construction**

There continues to be high demand for housing both locally and regionally, which has translated to demand pressures throughout the City. Residential construction in the City has been strong for the past several years; 2018 had the highest number of units permitted in the last 19 years, with 1,360 permits issued for residential construction. 2019 and 2020 were years of high residential permit activity, with 947 and 939 residential units being issued building permits. There have been 124 units issued residential building permits through March 2021, which is quite a bit lower than the number of permits issued through the 1<sup>st</sup> quarter of the past few years (124 units permitted in 2021 v. 281 in 2020, 348 in 2019, and 274 in 2018).

Nationally, the U.S. Census Bureau reported that estimates for residential building permits in March 2021 were 2.7% above the February 2021 estimate and 30.2% above the March 2020 estimate<sup>4</sup>.

### **Single Family Estimate**

This year, the City has issued permits for 28 single family homes through March 2021 compared with 56 permits issued through March 2020 and 97 permits issued during the first quarter of 2019. There is a supply of approximately 125 single-family units in approved developments that could request permits in 2021; it should be noted that some of these projects still need infrastructure before a permit could actually be pulled. It should also be noted that there are several other projects working their way through the development review process that could be eligible to pull permits, possibly even in 2021. Given the number of permits issued through March 2021 and the anticipated permit activity for the rest of the year, approximately 85 additional units could be permitted this year. Therefore, an estimate of the total number of single-family permits to be issued this year is 113.

### **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 2021, 96 multi-family units have been issued permits. This compares with 225 multi-family units permitted through March 2020 and 251 units permitted through March 2019. There are multiple developments in various stages of review that have multi-family units planned. Within these developments, there is a supply of approximately 440 multi-family units. There are also additional multifamily projects in various stages of review that may not be included in this figure. There continues to be considerable interest in multifamily development even though several large projects have been constructed in Longmont over the past few years. The pace of large multifamily projects may slow down over in the coming years, but interest in this type of housing remains strong.

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

<sup>3</sup> HSH Associates, Financial Publishers, <http://www.hsh.com/>

<sup>4</sup> U.S. Census Bureau, <http://www.census.gov/construction/bps/>

Similar to several single-family developments, some of these multifamily developments need to complete infrastructure requirements and others still need to go through the development review process before permits can actually be pulled. Given the number of permits issued through March 2021 and the anticipated permit activity for the rest of the year, approximately 520 additional multi-family units could be permitted this year. Therefore, an estimate of the total number of multi-family permits to be issued in 2020 is 616.

**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 these estimates, although there is a 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 2021, 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 2021 is 729 (113 estimated single-family, 616 estimated multi-family).

The residential market is expected to remain stable in the coming years; however, permit numbers will likely be lower than what has been reported over the last several years. The permit growth rate for 2021 is estimated 1.75%. For 2022, it is estimated that approximately 720 multifamily units will be permitted and 127 single-family units will be permitted, for a total of 847 residential permits. This recognizes the expected continued strength of the market, especially for housing. Slightly more conservative growth rates have been forecasted for the years 2023-2026.

Historically, over the last 20 years, the permit growth rate has averaged 1.8%, 1.8% over the last 10 years, 2.7% over the last 5 years, and 2.7% over the last 3 years. The growth rate in 2020 was 2.3%. The growth rates used for these estimates acknowledge that the economy is strong and there are still a large number of projects that are expected to pull permits in the next few years. These estimates, and the slightly lower growth rates also acknowledge that there is more uncertainty in the coming years. The estimates, along with projected growth rates, for the period 2021 – 2026 are shown in the table below:

**Residential Building Permit Estimates  
(Dwelling Units)  
2021 – 2026**

Year	Annual Estimates	Total Dwelling Units	Percentage Increase in Total Dwelling Units
2021	729	42,354	1.75%
2022	847	43,201	2.0%
2023	778	43,979	1.8%
2024	660	44,638	1.5%
2025	670	45,308	1.5%
2026	566	45,874	1.25%

**Nonresidential Construction**

Last year the City issued building permits for 650,753 square feet of nonresidential development. Through March 2021, the City has issued permits for 97,663 square feet of nonresidential development (as compared with 7,563 square feet through March 2020). An assessment of the plans in various stages of review indicates



that approximately 90,000 additional square feet of nonresidential development could be permitted this year. A realistic estimate of the square footage that will likely be permitted in 2021 is approximately 187,663 square feet.

Nonresidential estimates are more difficult to project and historically nonresidential construction varies markedly from year-to-year. There are numerous factors that influence non-residential construction, such as vacancy rates, the state of the economy, access to capital and redevelopment activity. One or two large non-residential projects can greatly affect the yearly square footage total.

The Longmont Economic Development Partnership (LEDP) tracks vacancy rates for office and industrial space in the Longmont area. Their data shows that vacancy rates are 10.7% and 10%, respectively. This is generally consistent with what was reported through March 2020. 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 2021, a total of 250,000 square feet of nonresidential space is estimated for 2022; for years 2023 – 2026 the estimates are conservatively estimated, 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) 2021 – 2026**

Year	Estimated Square Feet
2021	187,663
2022	250,000
2023	250,000
2024	200,000
2025	200,000
2026	200,000

CC:

- Harold Dominguez, City Manager
  - Joni Marsh, Assistant City Manager
  - Planning Staff
  - Jim Golden, Director of Finance
  - Teresa Molloy, Budget Manager
  - Melody Pallaoro, Senior Budget Analyst
  - Marijke Unger, Communications Manager
  - Rigo Leal, Public Information Officer
  - Dale Rademacher, Deputy City Manager
  - Bob Allen, PWNR Operations Manager
  - Kate Medina, Internal Services Director
  - Kathy Fedler, CDBG Coordinator
  - Tracy Defrancesco, Housing Program Specialist
  - Barb McGrane, Business/Strategic Planning Manager
  - Becky Doyle, Utilities Financial Analyst
  - Scott Toillion, SVVSD
- File: #2491-3b

**Appendix 1: 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
2017	1,009	1,125
2018	1,360	1,105
2019	947	1,216
2020	939	706



**Appendix 2: 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	386,735	154,363
2015	728,187	587,379
2016	366,836	404,746
2017	543,023	644,518
2018	723,287	649,007
2019	301,299	288,000
2020	650,753	482,563