

MetroStats



Recent Public and Institutional Construction Activity in the Twin Cities Region

March 2015

Key Findings

- One of every three dollars of nonresidential construction in the Twin Cities region came from public and institutional construction, which totaled \$366 million in 2013.
- The overall growth of this sector was the result of a steady increase in transportation-related projects, paired with consistent activity in school projects and a recent surge of large-scale hospital and nursing home construction.
- Public and institutional construction increased in the region's suburban areas between 2010 and 2013, with total permit values in Suburban and Suburban Edge areas growing especially fast.
- Activity in school construction shifted from higher education projects in 2010 and 2011 to K-12 projects in 2012 and 2013.

About us

This *MetroStats* was written by the Regional Policy and Research team at the Metropolitan Council. We serve the Twin Cities region and your community by providing data, reports and technical assistance about demographic trends and development patterns, and exploring regional issues that matter.

For more information, please contact us at research@metc.state.mn.us.

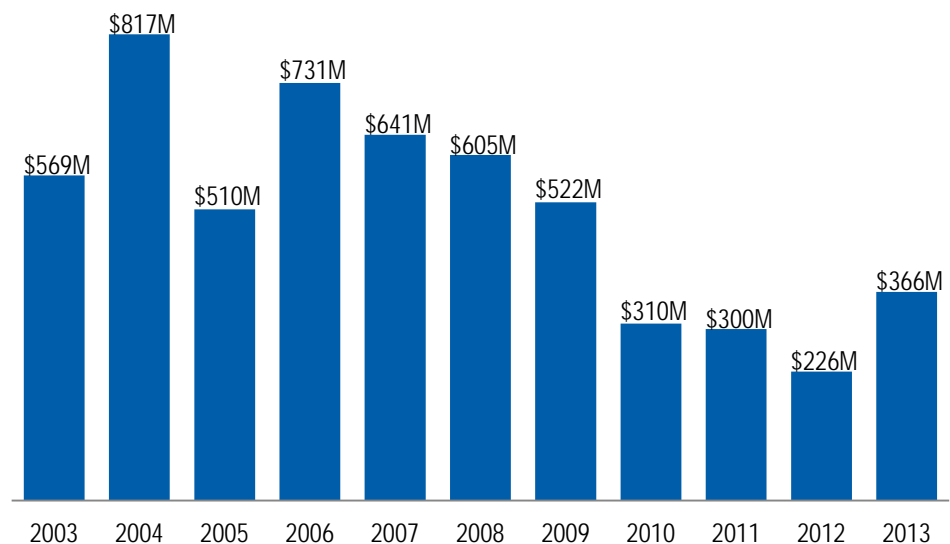
Download the data used in this report at <http://metro council.org/data>. Select "Building Permits, commercial, industrial and public" and select your geographic areas of interest.

Nonresidential construction is an umbrella term for construction activity within three major sectors—commercial, industrial, and public and institutional. For a general overview of nonresidential activity, please read our *MetroStats*, "[Recent Nonresidential Construction Activity in the Twin Cities Region \(pdf\)](#)".

In 2013, the total permit value of nonresidential construction in the Twin Cities region reached \$1.1 billion, the highest level of activity since 2010. About one of every three dollars (32%) of this total permit value came from public and institutional construction.¹

Like nonresidential construction overall, the total permit value for public and institutional construction in the region was highest in the years directly preceding the recession. Public and institutional permit value peaked in 2004 (\$817M) then contracted to less than a quarter of its peak value by 2012 (Figure 1). In 2013, the total permit value for public and institutional construction reached \$366 million. Since 2003, the Twin Cities region issued over \$5.6 billion in building permits for public and institutional construction projects.

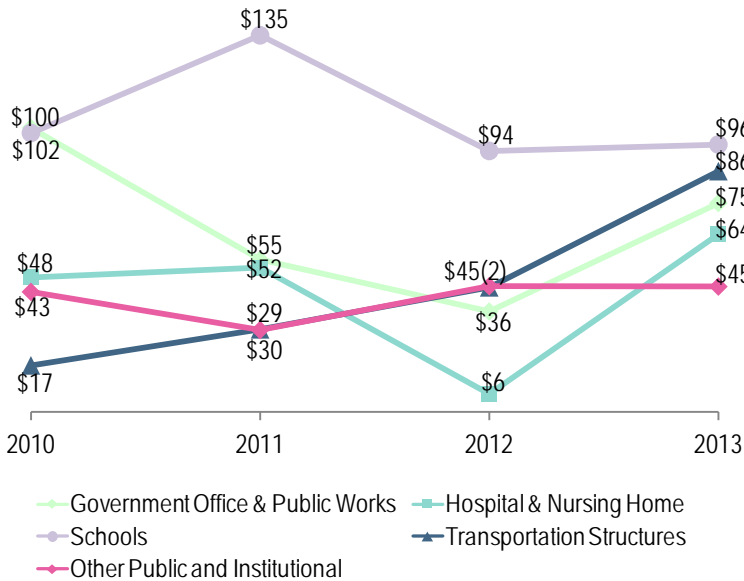
Figure 1. Total permit value of public and institutional construction in the Twin Cities region (2013 dollars)



Source: Metropolitan Council Commercial, Industrial, Public and Institutional Building Permit Survey, 2003-2013.

¹ Public and institutional refers to a type of nonresidential construction usually permitted to tax-exempt entities, such as city and state governments, schools, nonprofits and (most) hospitals.

Figure 2. Total permit value of public and institutional construction by subsector (in millions of 2013 dollars)



Source: Metropolitan Council Commercial, Industrial, Public and Institutional Building Permit Survey, 2010-2013.

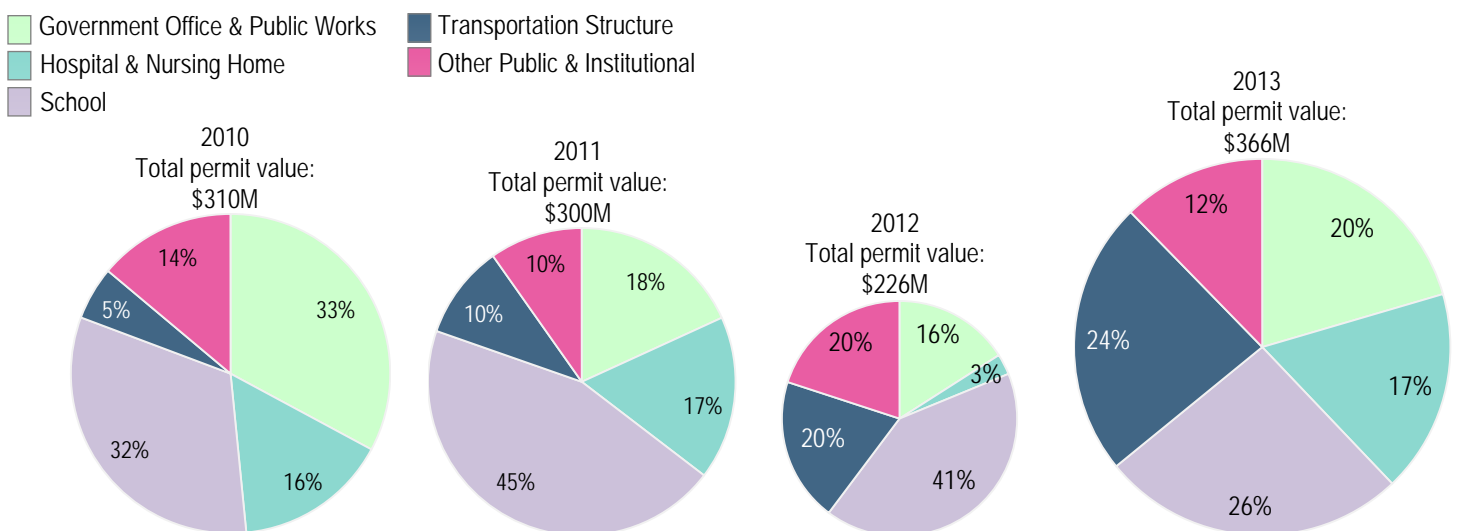
The consistent activity in school construction—paired with growth in transportation-related construction and hospital and nursing home projects—helped public and institutional permit value increase 18% between 2010 and 2013 (Figure 2). School construction permit value varied slightly in the post-recession years; between 2010 and 2013 it declined 4% overall, but remained the largest subcategory of public and institutional construction in terms of permit value. Transportation structures increased fivefold, going from \$17 million in 2010 to \$86 million in 2013. Over a third (37%) of the total permit value (\$177M) of transportation structures between 2010 and 2013 is directly related to the METRO Green Line construction, including platforms and stations. Hospital and nursing home permit value increased 31% over the same time period, reaching its highest annual total (\$64M) since 2008.

All subcategories of public and institutional construction increased between 2012 and 2013.

In particular, hospital and nursing home projects increased tenfold, followed by government office and public works projects, which doubled in permit value.

Even with slight annual changes, school construction maintained a large share of the region’s total public and institutional permit value (Figure 3). Transportation-related construction increased its overall share from 5% in 2010 to 24% in 2013. Government office and public works construction decreased in share over the same time period. Both other public and institutional projects and hospital and nursing home construction remained relatively consistent in their respective shares between 2010 and 2013.

Figure 3. Share of the regional permit value of public and institutional construction by subsector (2013 dollars)



Source: Metropolitan Council Commercial, Industrial, Public and Institutional Building Permit Survey, 2010-2013.

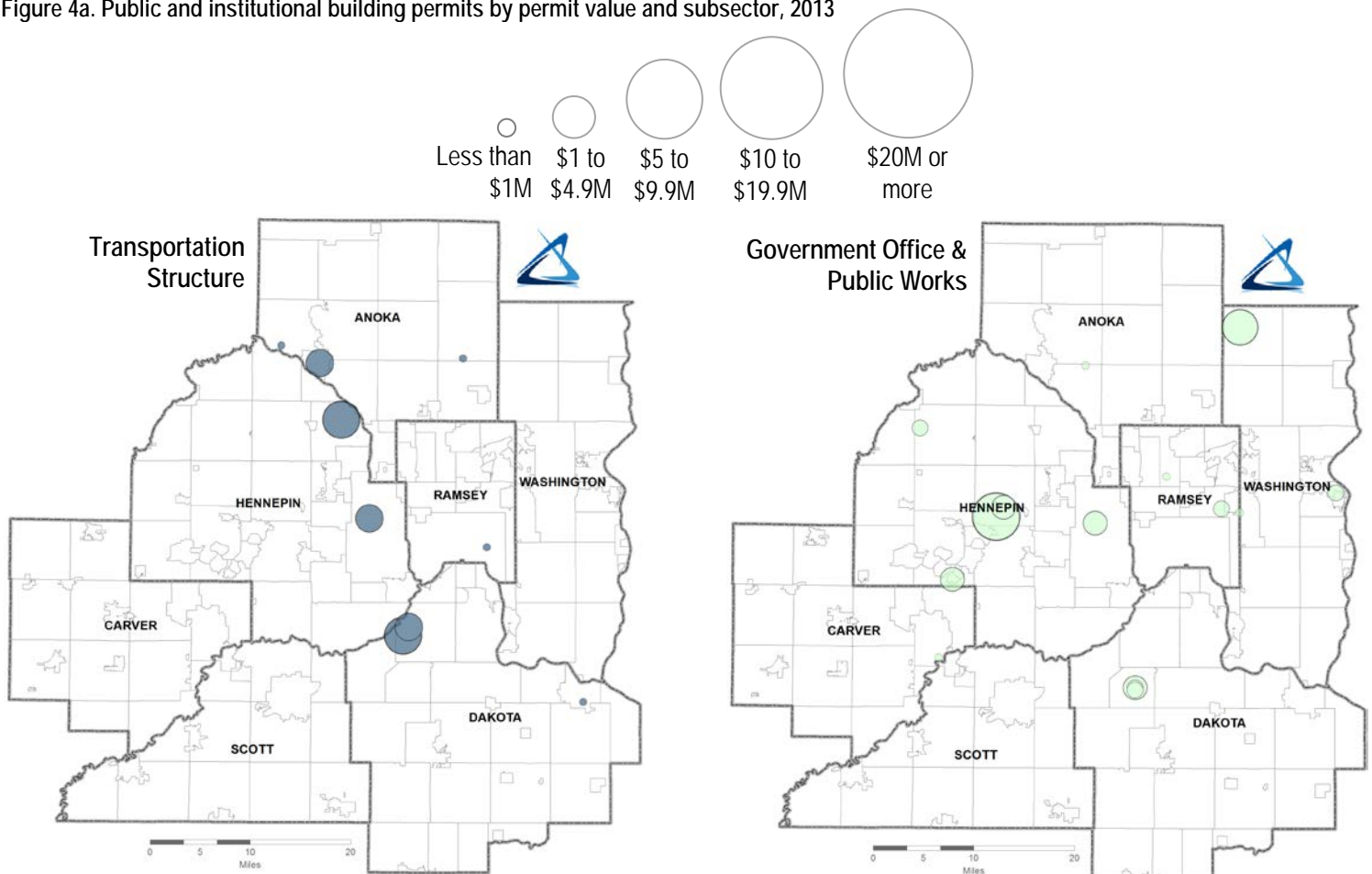
Public and institutional construction—technically—includes new permits issued for any of the region’s airports. However, the total permit value of airport projects are excluded from the regional total of public and institutional construction, and nonresidential construction overall. While airport projects create employment, their impact on land use tends to be minimal because they are limited to fixed airport boundaries.

Since 2003, permits totaling \$1.5 billion dollars were issued for airport projects across the region. In addition to the Minneapolis-Saint Paul International airport in Fort Snelling, there are six minor airports and two special purpose airports in the Twin Cities region. In 2013, two large projects at MSP—a new baggage handling system for Terminal 2 and new car rental facilities—accounted for 99% of the \$54 million permitted. Permits for airplane hangars and other storage facilities at the region’s other airports accounted for the remaining \$500,000.

Public and institutional construction increased in the region’s suburban areas

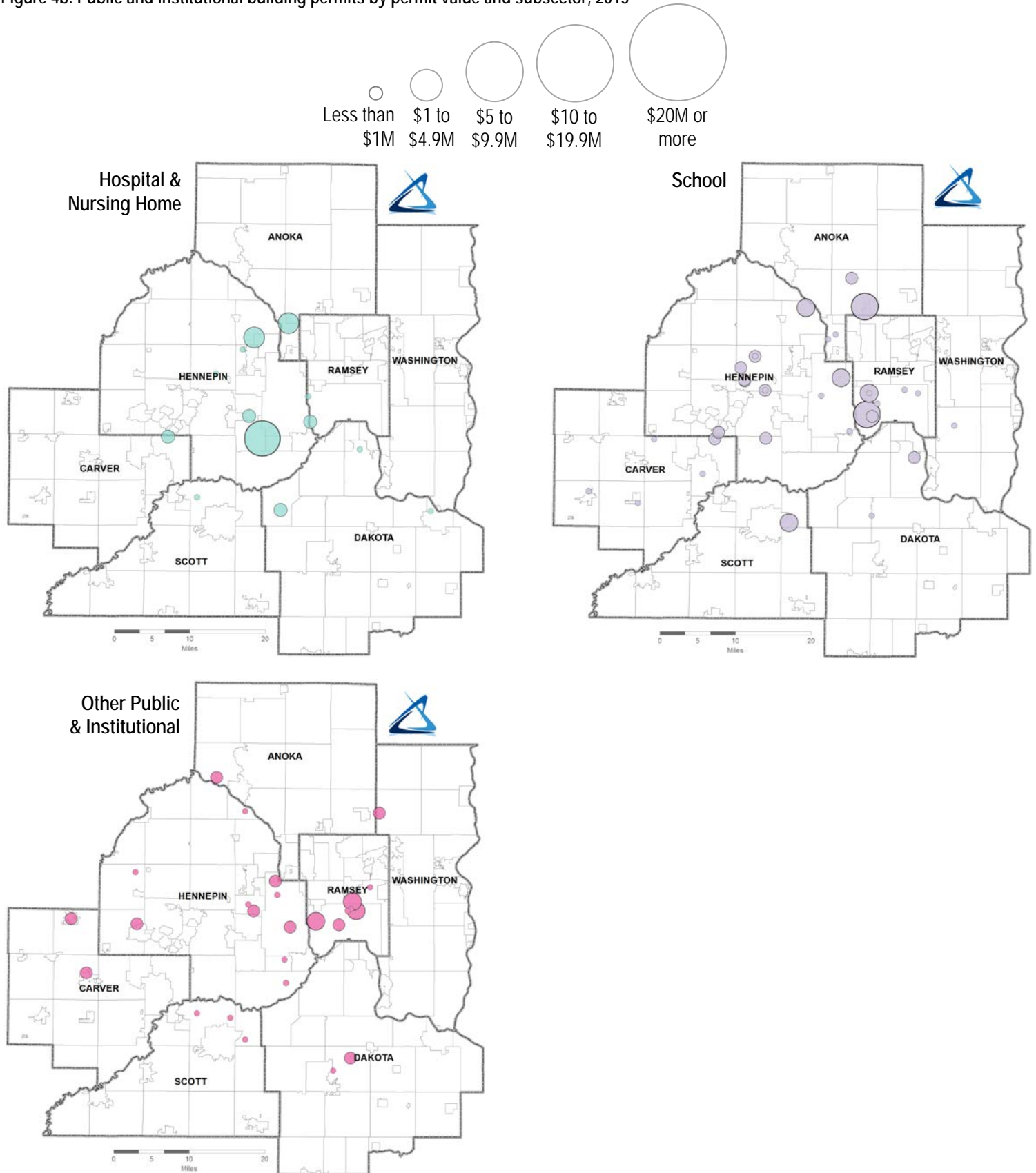
Hennepin County issued almost half (49%) of the region’s total public and institutional permit value in 2013, followed by Ramsey County (16%) and Dakota County (14%). Ten cities in the region had total public and institutional permit value over \$10 million in 2013: Minneapolis (\$54M), Saint Paul (\$49M), Plymouth (\$43M), Edina (\$27M), Eagan (\$24M), Brooklyn Park (\$18M), Blaine (\$14M), Apple Valley (\$13M), Forest Lake (\$12M) and Fridley (\$11M).

Figure 4a. Public and institutional building permits by permit value and subsector, 2013



Source: Metropolitan Council Commercial, Industrial, Public and Institutional Building Permit Survey, 2013.

Figure 4b. Public and institutional building permits by permit value and subsector, 2013



Source: Metropolitan Council Commercial, Industrial, Public and Institutional Building Permit Survey, 2013.

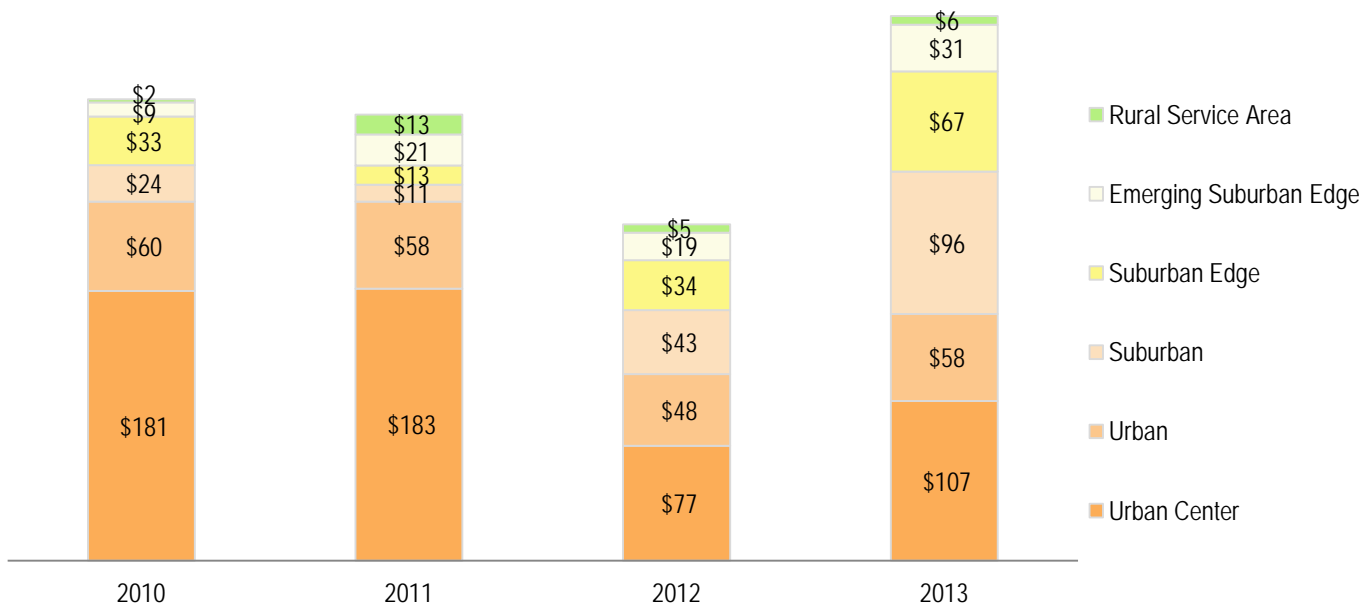
The seven-county region contains a wide variety of communities ranging from farming-based townships to densely developed downtown neighborhoods. Recognizing that one size does not fit all, we use *Thrive MSP 2040* Community Designations to group communities with similar characteristics in order to more effectively target policies. Each city and township in the region receives a designation based on its existing development patterns, common challenges and shared opportunities (read more about Community Designations in the regional development guide, *Thrive MSP 2040*—[pdf](#)).

The region's Suburban communities saw the largest overall increase in total public and institutional permit value between 2010 and 2013, going from \$24 million to \$96 million (Figure 5). Emerging Suburban Edge communities more than tripled in total public and institutional permit value issued over this time period. Urban Center and Urban communities declined in total public and institutional permit value issued between 2010 and 2013 by 41% and 3%, respectively.

Public and institutional construction grew considerably—62%—between 2012 and 2013, the highest annual growth rate in the post-recession years. In fact, all *Thrive MSP 2040* Community Designations experienced an increase between 2010 and 2013. Highlights of this recent activity include:

- In Suburban communities, which more than doubled in this one-year period, three large permits for transportation projects in Eagan (\$18M), Brooklyn Park (\$10M) and Anoka (\$9M) accounted for 39% of its total public and institutional permit value.
- The permit issued for the new Hennepin County Emergency Communications building in Plymouth (\$22M) was a third (33%) of all activity in Suburban Edge communities in 2013.
- Despite an overall decrease in permit value in the post-recession years, Urban communities experienced a sizeable increase (62%) in total public and institutional permit value between 2012 and 2013, going from \$77 million to \$107 million. Forty percent of their 2013 permit value came from three large hospital and nursing home projects.

Figure 5. Total public and institutional permit value by *Thrive MSP 2040* Community Designations (in millions of 2013 dollars)

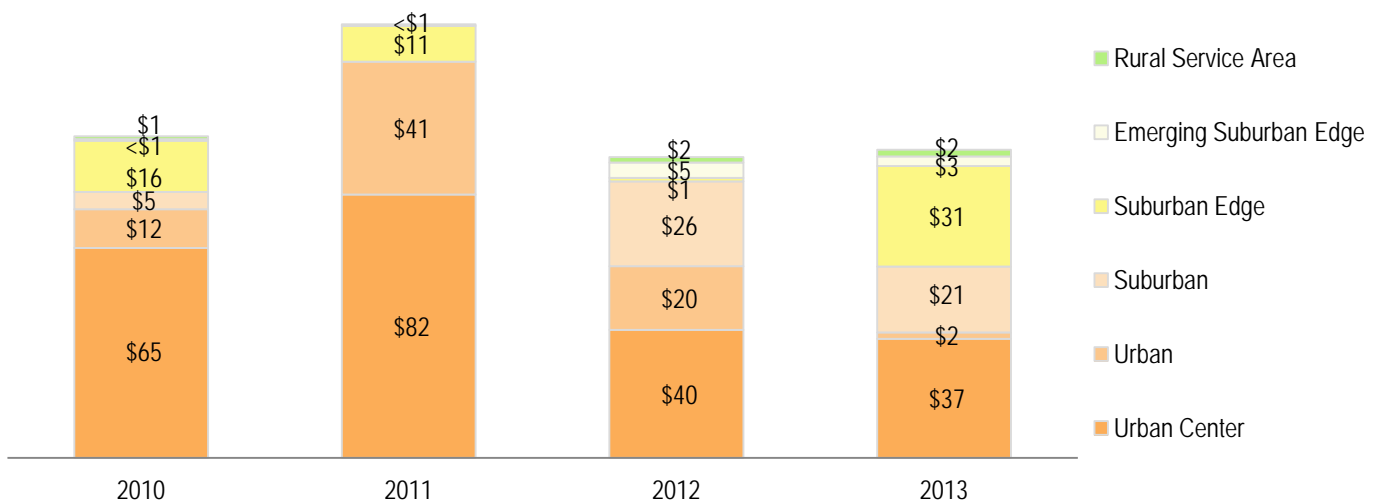


Source: Metropolitan Council Commercial, Industrial, Public and Institutional Building Permit Survey, 2010-2013. The region's Rural Service Area consists of Rural Centers, Diversified Rural, Rural Residential and Agricultural communities. The permit values of non-Council communities are excluded in Figure 5.

School construction highlights

The total permit value of public and institutional construction in the Twin Cities region was \$96 million in 2013; an amount consistent with annual totals since 2010. Although the share of school permit value within region-wide public and institutional construction decreased between 2010 and 2013, it was still a quarter (26%) of the public and institutional permit value. While the total permit value of school construction in the Twin Cities region was largely static between 2010 and 2013, the geography of school construction changed considerably: permit value declined in Urban, Urban Centers and Suburban communities as the permit value in Suburban Edge Communities expanded (Figure 6).

Figure 6. Total school permit value by *Thrive MSP 2040* Community Designations (in millions of 2013 dollars)



Source: Metropolitan Council Commercial, Industrial, Public and Institutional Building Permit Survey, 2010-2013. The region's Rural Service Area consists of Rural Centers, Diversified Rural, Rural Residential and Agricultural communities. The permit values of non-Council communities are excluded in Figure 6.

Despite a decreasing share of the region's total public and institutional permit value between 2010 and 2013, Urban Centers surpassed other communities in terms of the total value of permits issued for schools since 2010 (Figure 6). This pattern reflects new construction undertaken by higher education institutions located in Urban Centers. Taking advantage of lower construction costs in a time of recession, colleges and universities such as Hamline University, the University of Saint Thomas and Macalester College made large-scale capital investments to improve their campuses. In 2010 and 2011, the share of higher education institution permit values in the overall value of permits issued for school construction was 77% and 52%, respectively. While this activity slowed in 2012 and 2013, the largest school construction permit issued region-wide was for the Janet Wallace Fine Arts Center at Macalester College in Saint Paul, totaling \$18 million (Figure 7).

Figure 7. Janet Wallace Fine Arts Center at Macalester College in Saint Paul, MN



Photo credit: [Finance & Commerce](#)

As the construction activity within higher education institutions cooled, the expansion of K-12 school construction increased. This trend was especially strong in Suburban Edge communities where the total permit value of K-12 school construction went from \$1 million in 2012 to \$31 million in 2013. The region’s second largest school construction permit (\$12M) in 2013 was for a new school, the Karner Blue Education Center, located in Blaine, a Suburban Edge community (Figure 8). Plymouth, another Suburban Edge community, also issued two larger 2013 permits (\$3M each) for additions to existing K-12 schools, Greenwood Elementary School and Providence Academy.

Figure 8. Karner Blue Education Center in Blaine, MN



Photo credit: [ABC Newspapers](#)

Hospital and nursing home construction highlights

The total permit value of hospital and nursing home construction in the Twin Cities region reached \$64 million in 2013, 17% of the regional share of public and institutional permit value overall. Activity in this subcategory has been largely consistent since 2010 with the exception of 2012, when permit value plummeted to \$6 million.

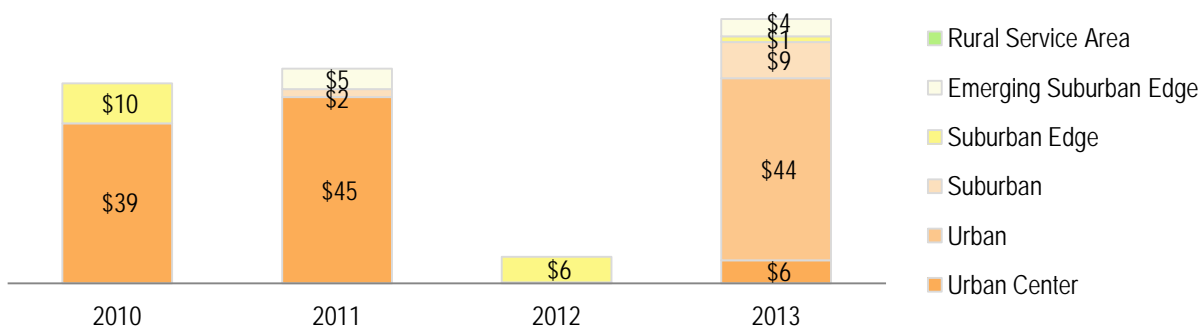
Figure 9. Fairview Southdale Hospital in Edina, MN



Photo credit: [UMNHealth.org](#)

In 2013, 42% of the total permit value of hospital and nursing home construction in the region came from one large permit issued in Edina for the Fairview Southdale Hospital (\$22M), pictured in Figure 9. This project also accounted for 61% of the total permit value in Urban communities (Figure 10). The second and third largest permits of 2013 were also issued in Urban communities—Fridley and Brooklyn Center, respectively. Both of these projects involved the construction of new transitional care facilities with a memory care component. Just under half (45%) of the 2013 total permit value of hospital and nursing home construction was for projects explicitly for nursing homes.

Figure 10. Total hospital and nursing home permit value by *Thrive MSP 2040* Community Designations (in millions of 2013 dollars)



Source: Metropolitan Council Commercial, Industrial, Public and Institutional Building Permit Survey, 2010-2013. The region’s Rural Service Area consists of Rural Centers, Diversified Rural, Rural Residential and Agricultural communities. The permit values of non-Council communities are excluded in Figure 10.

About Metropolitan Council's Nonresidential Building Permit Data

Measuring the volume of commercial, industrial, and public and institutional construction activity over a given period of time is not straightforward. Some information sources that report new development focus on when construction started. Others, on how much development is underway at a point in time, and still others on when a structure is completed or occupied. In this report, projects are counted at the time local governments issue building permits. No information on demolitions is included, so the data represent a gross construction volume, but not the net gain in property value. With annual updates, the data are useful for assessing long-range trends.

Data collection methods

The Metropolitan Council surveyed each city and township, requesting the following information:

Building name or tenant (if unknown, may list developer)	Description of building use
Building type	Parcel identification number (PIN)
Address	Permit value of building
Square footage	New building or addition

Council Research staff designated each listing as either "Commercial," "Industrial," or "Public and Institutional" based on descriptive information provided by survey respondents. The Public and Institutional category includes government offices, public works facilities, schools (public and private), hospitals and nursing homes (without a residential component), religious entities, public recreation structures, transit and other transportation facilities, and other institutions such as non-profit organizations and community centers.

Data considerations

One project may consist of multiple building permits; one for the major structural construction, with separate permits for other work such as mechanical, electrical and finishing work. Metropolitan Council has attempted to represent the permit valuation for all new projects and additions (if over \$100,000) and to avoid duplication. However, there may be some inconsistency because of project complexity and differences among local permit record-keeping systems. Whenever possible to differentiate, the Research team only included building permits that involved the addition of new square footage.

Project "value" reflects the estimated cost of construction reported on the building permit. Permit values exclude some costs including land and landscaping, and are typically lower than market values of completed properties. City-to-city comparisons may not be entirely valid if there are differences in survey completeness or methods of permit valuation.

Other construction activity may have occurred on properties of state and federal jurisdictions that are not included in this report. The University of Minnesota, for example, is not covered in Metropolitan Council's survey since it does not have to apply for building permits from local jurisdictions.

Occasionally a project will be put on hold after the building permit has been issued. All permits reported by local officials for this survey are included in Metropolitan Council's data base and in this report, regardless of status. For the most current data, download this dataset directly from our website: <http://metrocouncil.org/data>

Airport permits in public and institutional construction

Throughout this report, the total value of commercial, industrial, and public and institutional projects excludes the permit values of airport projects. While airport projects create employment, their impact on land use tends to be inconsequential because they are limited to fixed airport boundaries. Including airport projects in public and institutional construction project totals artificially inflates the share of the region's permit value for communities with airports.