

2015 DEVELOPMENT ACTIVITY REPORT



February
2016

Planning and Development Department

An overview of development activity for 2015 and trend analysis for historical activity in the City of Spruce Grove.

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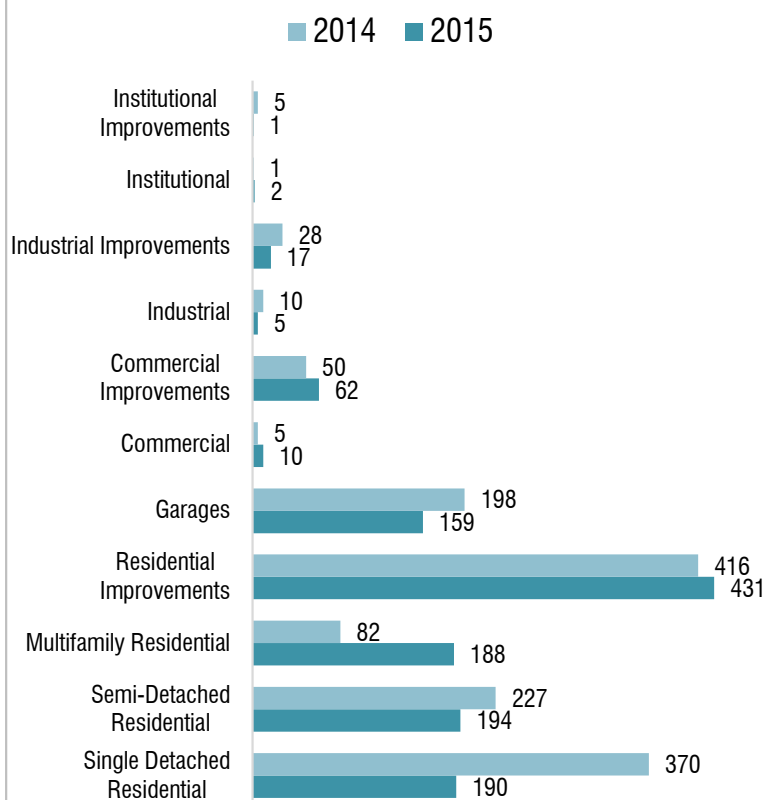
INTRODUCTION

The Planning and Development Department tracks various development activities in the City for the purpose of providing growth information to Council and other stakeholders. Building permit and development permit activity levels are common measurements used to track economic vitality and growth in communities. It is useful for communities to monitor trends in permitting levels to determine their economic health, as well as to examine the impact of external forces on growth and development.

Growth in Spruce Grove has generally been stronger than average for the Capital Region. During the last decade, this community experienced unprecedented growth. With the exception of a slight cooling off period over the next few years, the rapid pace of growth is expected to continue.

The following pages contain analysis of the growth trends for the past decade (2006-2015), focusing specifically on activity in 2015. This report provides an overview of building permit and development permit information. In addition, compliances and other permits are tracked in order to provide a more accurate picture of the total activity taking place in the Planning and Development Department of the City.

FIGURE 1: VOLUME OF BUILDING PERMITS BY TYPE (2014 & 2015)



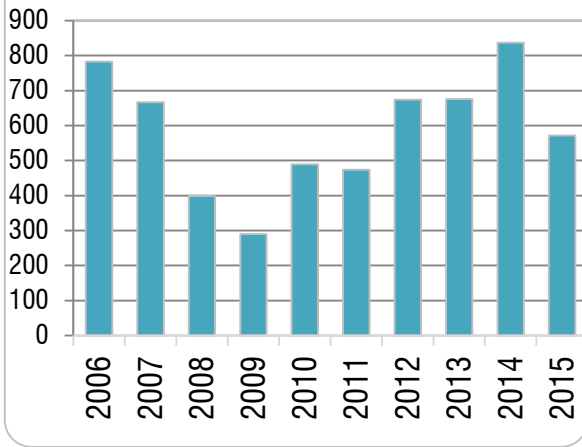
BUILDING PERMITS

Spruce Grove issued 1,295 building permits in 2015, a 9.5% decrease from permit activity in 2014 but still over 16% higher than the activity levels of 2013. That said, the City has started to see activity decrease toward the end of 2015, with 36 cancelled building permits and another 52 building permits extended for residential dwellings as builders wait for additional sales before starting construction of new units.

Figure 1 illustrates the breakdown of building permits issued by type, and compares the volume for the past two years.

Overall, about 92% of the permits issued in 2015 were for residential construction, including new dwellings, improvements and garages, which is consistent with

FIGURE 2: DWELLING UNITS PERMITTED (2006 - 2015)



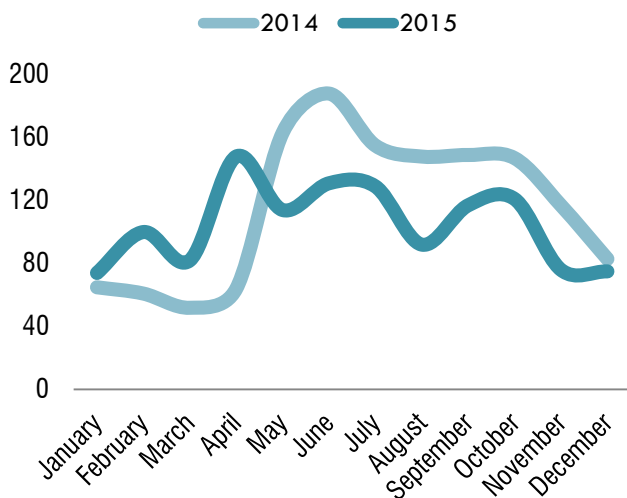
the past few years. Detached garages comprised about 12.6% of all permits in 2015 which is slightly less than in 2014, but in line with 2013. Also of note, approximately 60 of the residential improvement building permits in 2015 were issued to rectify Safety Code issues due to location errors when pouring foundations where buildings were built too close to the property line. In these circumstances, builders had to apply for a separate building permit to rebuild facades to meet more rigorous Safety Codes standards due to being less than 1.2 m to the side property line.

Residential activity was more robust in 2015 than predicted given the cooling economy. The types of housing receiving permits remain balanced in Spruce Grove, with single detached, semi-detached and rowhousing units each representing roughly a one-third of the housing market. The only housing type not represented was apartment units, as no new apartments were received building permits in 2015. The total number of new dwelling units approved decreased about 32% from 2014 for a total of 572 dwelling units. Looking at **Figure 2**, one can see the cyclical nature of growth that parallels the regional economy.

In the non-residential sector, the City saw five new industrial buildings compared to ten in 2014. Typical years see three new industrial buildings. Industrial permit valuation was lower than the past few years at \$6.2 million.

Building permits issued for new commercial structures doubled in 2015 to 10 new buildings, the highest activity level since 2010. Permit valuation for new commercial buildings was the highest in Spruce Grove’s history at \$22.8 million, on the back of high value projects such as the Tri-Village medical office building.

FIGURE 3: VOLUME OF BUILDING PERMITS BY MONTH (2014 & 2015)



Typical commercial investment is approximately \$12 million per year. The number of commercial improvements increased slightly to 62 building permits from 50 the previous year, and represents a new record for commercial improvements.

Figure 3 depicts the number of building permits issued per month for 2014 and 2015. In this region, permit activity is usually slowest during the winter months, increasing in the spring and remaining high until the autumn. Permitting normalized in 2015 to reflect typical season patterns, following the backlogs occurring in the first half of 2014.

FIGURE 4

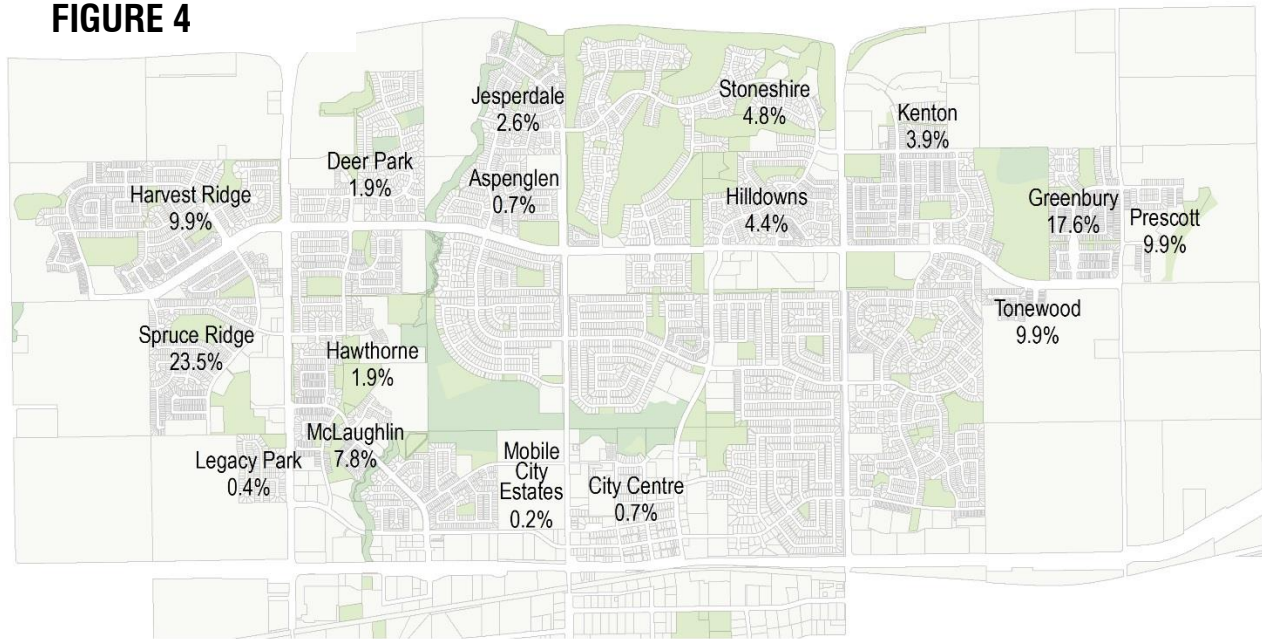
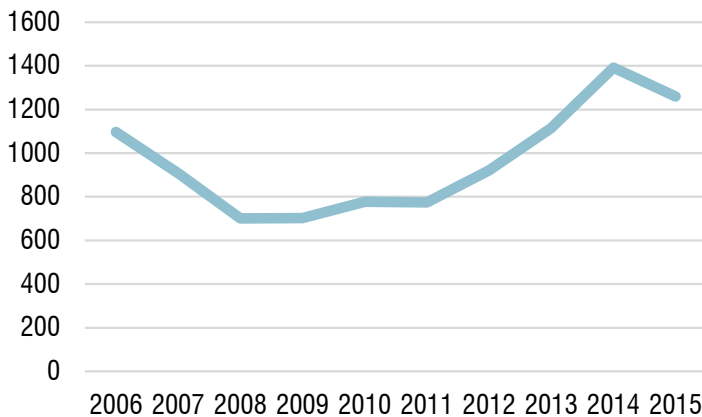


Figure 4 illustrates the housing starts in Spruce Grove by subdivision. The percentages include all unit types: single detached, semi-detached, and multifamily dwellings. The highest percentage of building permits for new units occurred in Spruce Ridge, which included a coach home project with 72 units as well as the reissuance of 22 units in Spruce Ridge Gardens due to a court action. Greenbury, Harvest Ridge, Tonewood, and Prescott also saw high activity levels in 2015.

A summary of permit activity over the past decade is displayed in **Figures 5 and 6**, with Figure 5 depicting the total number of building permits and Figure 6 separating new construction from improvements. The numbers displayed include residential, commercial, industrial and institutional permits. We can see that both new construction and improvements are both

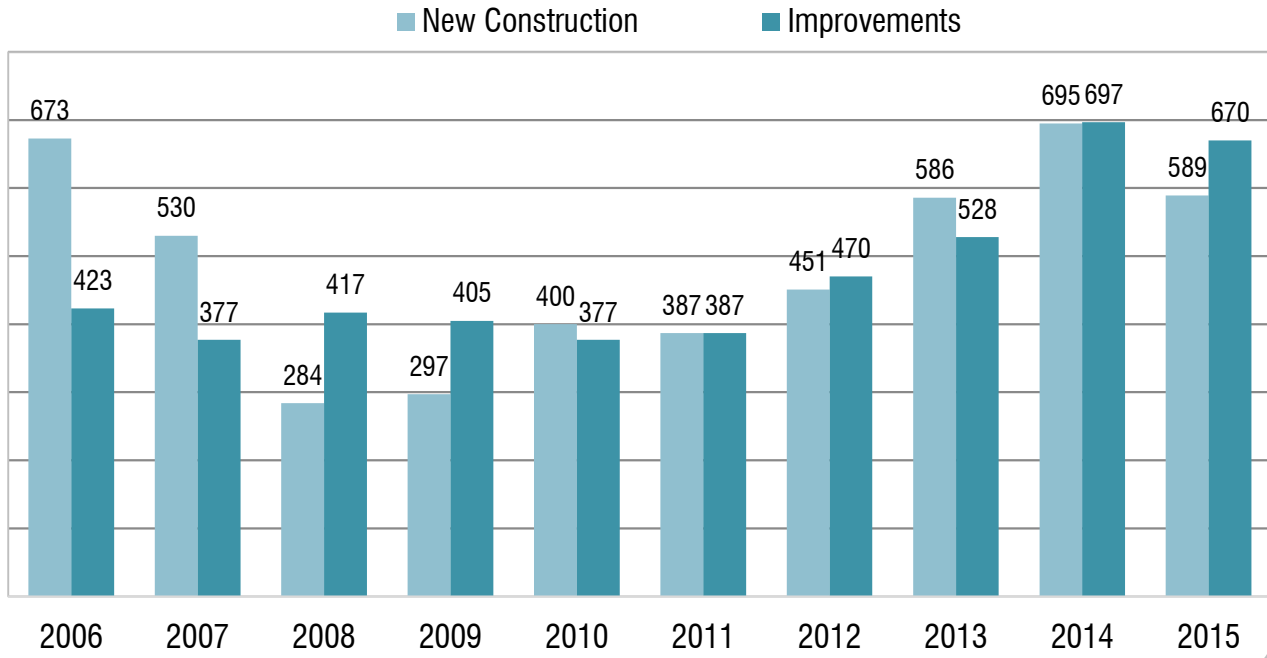
FIGURE 5: VOLUME OF BUILDING PERMITS BY YEAR (2006-2015)



reduced from the record highs of 2014, with total permits down by about 7%. Total valuation was also down from \$244 million in 2014 to \$189 million in 2015, but still higher than the average for the past decade (**Figure 7, next page**).

As indicated earlier in the report, the City experienced an increase in commercial, and decrease in industrial, building permit valuations in 2015. In reviewing the investment trends over the past few years, the average value of new commercial and industrial buildings

FIGURE 6: VOLUME OF BUILDING PERMITS BY TYPE (2006-2015)



has been generally increasing, as shown in **Figure 8**. This reflects the development of larger, higher quality structures.

The City also typically provides a residential valuation review as part of this report, taking into account inflation. Information on inflation rates is provided by Statistics Canada, which will be released in mid-February. Therefore, the report will include an addendum when it is circulated in late-February. That said, residential investment was down approximately 30% from 2014, mostly in the single detached home product.

FIGURE 7: TOTAL VALUE OF BUILDING PERMITS (2006-2015)

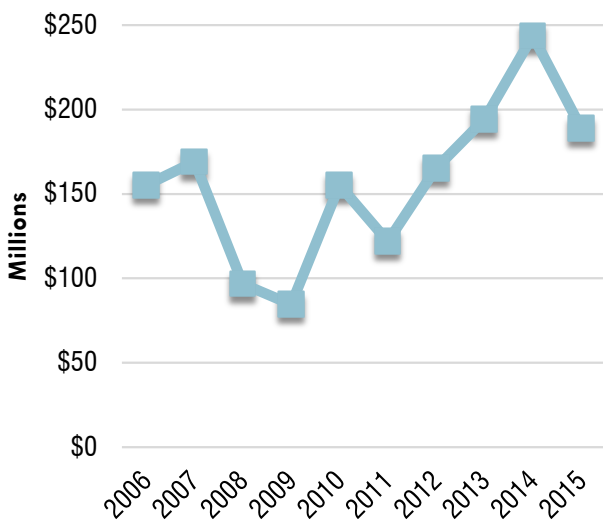
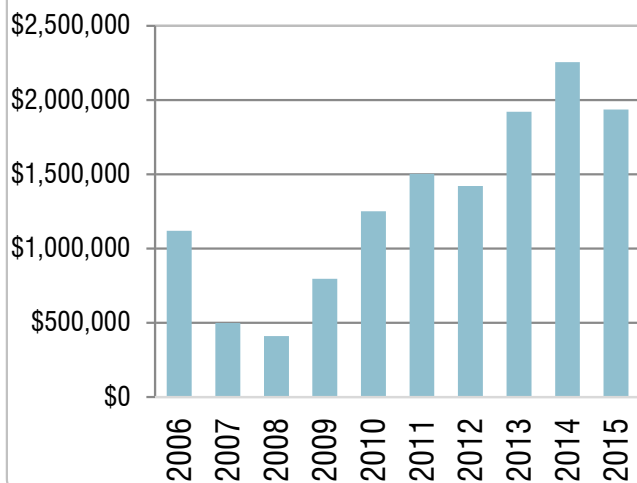


FIGURE 8: AVG. NEW COMMERCIAL & INDUSTRIAL BUILDING PERMIT VALUE (2006-2015)



DEVELOPMENT PERMITS

Figure 9 illustrates the trends in the volume of development permits issued over the last ten years. Development permit activity in 2015 was down about 14% from 2014. The minor difference between building permit and development permit activity levels is due to the ability to issue a single development permit for several structures on a lot, while separate building permits are required for each structure on a property as well as for changes of use or tenant improvements.

The next factor under examination is the volume of development permits issued on a monthly basis. **Figure 10** shows the number of permits issued by month for 2014 and 2015. The pattern shown is typical of development activity for the region, where more activity tends to take place during the warmer months. Activity in 2015 is a more typical pattern than in recent years, as a typical permit reduction occurs leading into fall and carrying on into winter.

Figure 11 provides the breakdown of residential development permits issued by type. The graph is dominated by new single detached dwellings and improvements made to existing residences, which is typical of Spruce Grove. Generally, the development permit numbers echo what we have already seen with the building permits.

It should be explained that once again, multifamily dwellings tend to show a discrepancy for certain building types, such as rowhouse projects or apartment complexes with multiple buildings, as a separate building permit is required for

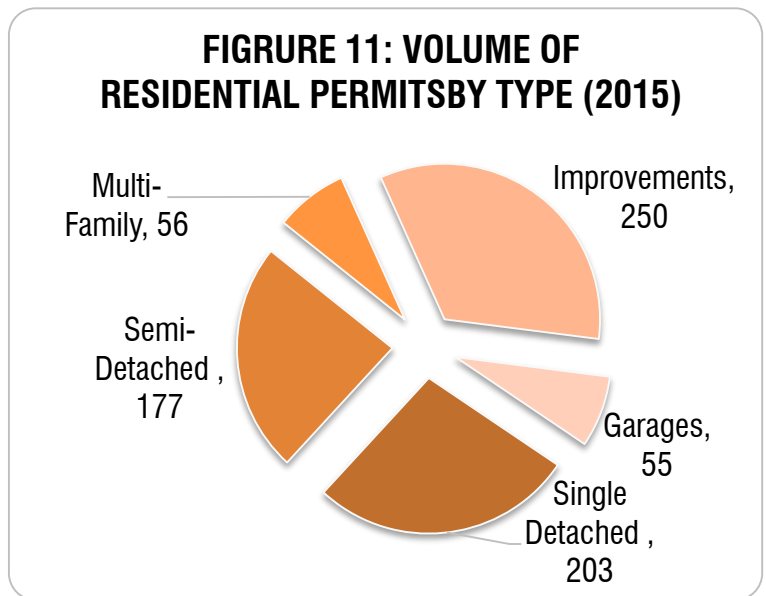
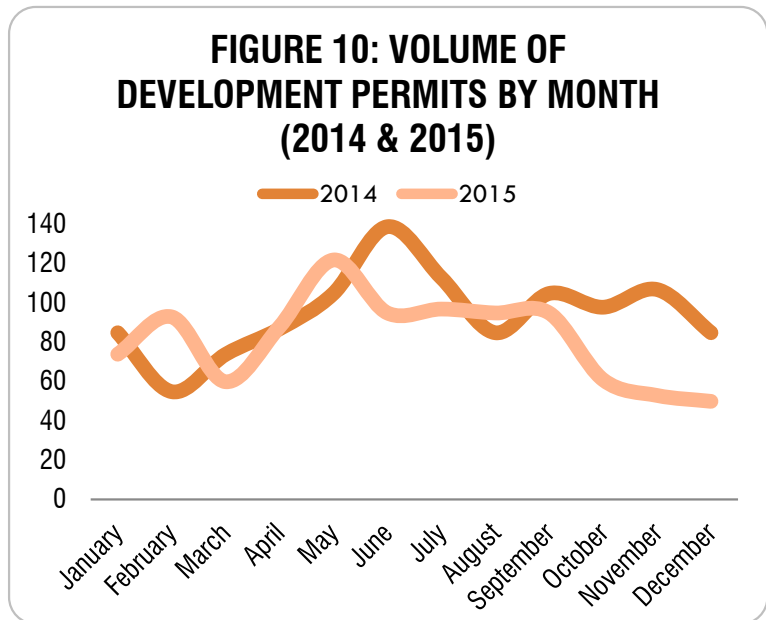
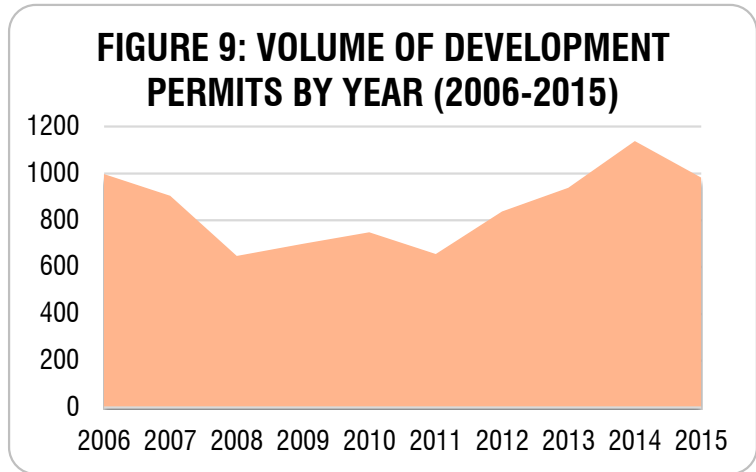
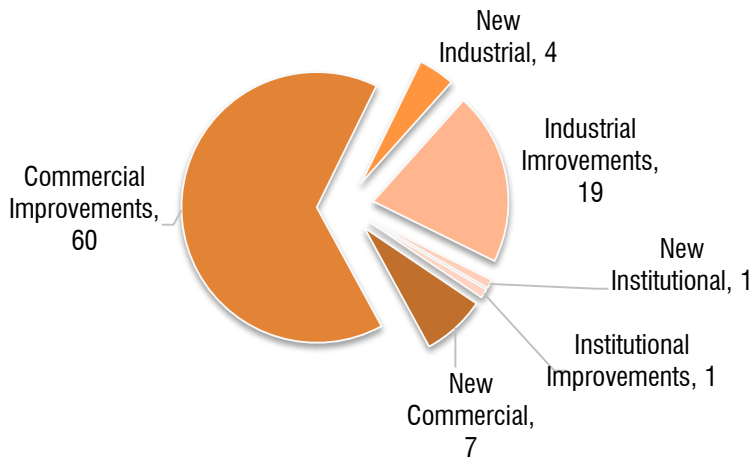


FIGURE 12: VOLUME OF NON-RESIDENTIAL PERMITS BY TYPE (2015)



each structure, but only one development permit is required for the entire project regardless of the number of units contained within.

The breakdown of non-residential permits issued in 2015 by type is examined in **Figure 12**. Again, the trends seen earlier with building permits are evident here with the number and type of development permits with commercial and industrial improvements comprising the largest percentage of approvals, which is largely due to tenant improvements and approvals required for new uses. Similar to the

building permits, commercial improvements were up from 2014 and industrial improvements were lower.

Development permits for permanent signs increased in 2015 from 22 to 30 development permits, while temporary sign permits increased from 52 to 91. These increases parallel the increased commercial activity seen in the Building Permit section of this report.

OTHER PERMIT ACTIVITY

The City of Spruce Grove provides compliance requests as a service to residents during real estate transactions, as a safeguard for purchasers who want confirmation that the residence conforms to City bylaws. Compliance requests can be used to gauge residential transaction activity in the community. In 2015, there were 1,115 compliance decisions issued, up 9% from 2014 (and more remarkably up 48% from 2013), setting a record for the City. We can see in **Figure 13** that compliances were at a high during the boom year of 2007, with a subsequent correction, and have since been rebounding. While housing sales were especially high in 2014, changes to the compliance review process prompted reapplications in October, causing an abnormal spike in residential activity. This spike in activity carried into 2015 leading to record application levels over the winter.

FIGURE 13: COMPLIANCE DECISIONS ISSUED BY YEAR (2006-2015)

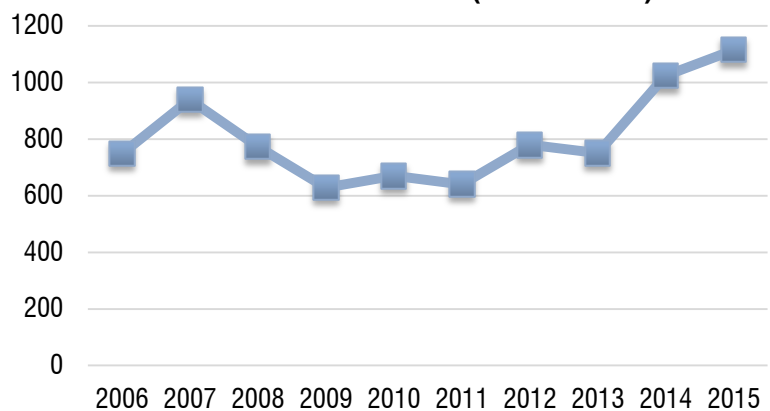
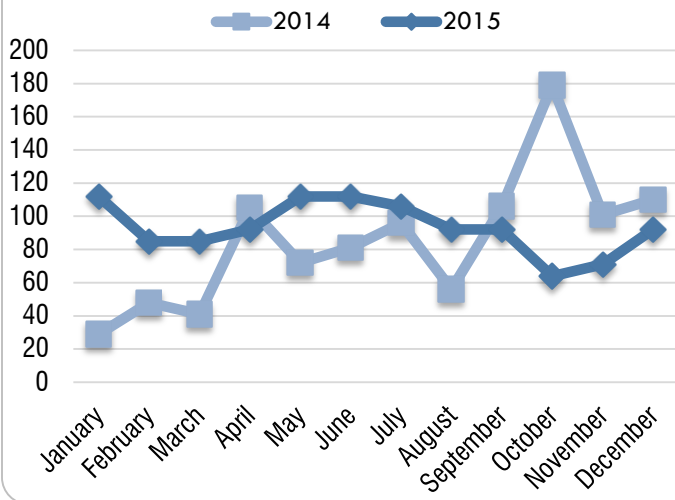


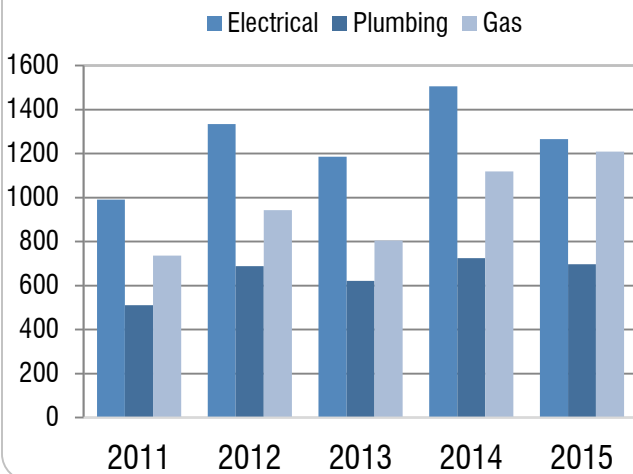
FIGURE 14: COMPLIANCES ISSUED BY MONTH



This anomaly is best depicted in **Figure 14**, where one can see the compliance activity for 2014 and 2015 on a monthly basis. Activity was especially low in August and September 2014 as lawyers awaited the new process, and then peaking in October 2014 for those compliance requests that had been put on hold. Elevated activity levels continued into January 2015 on the back of record housing starts the previous year, finally normalizing in the autumn of 2015.

The Planning and Development Department has been tracking Safety Codes Permits (other than building permits) since 2011, which is depicted in **Figure 15**. We can see in this figure the number of electrical permits is higher than plumbing and gas. This generally occurs because new construction often requires two electrical permits, where only one is required in the other two disciplines. That said, the number of gas permits increased substantially in 2014 and 2015 due to education with homebuilders regarding the requirement for temporary gas permits for heating during winter months. Overall, the City of Spruce Grove issued 3,172 trade permits in 2015, a 5.3% decrease over 2014 activity.

FIGURE 15: SAFETY CODE PERMITS BY YEAR & TYPE (2011-2015)



In previous years, Administration has included a chart in this section highlighting

growth of businesses licensed with the City. At the end of the year in 2013, the City adopted a new business license bylaw at which time new software was launched and the Department created a new, clean database. In doing so, the Planning and Development Department found a number of businesses that have moved out of Spruce Grove and failed to inform the City of their new location. Similarly, Administration has identified other businesses that have been operating without permits. The result is the identification of 1,064 businesses in operation at the end of 2014, approximately 500 fewer than what was assumed under the manual database. That said, at the end of year 2015, the City had 1,320 active businesses licensed within the City, representing a 24% increase from 2014.

HOUSING STARTS AND POPULATION

In order to provide some regional context for Spruce Grove’s growth, housing data released by the Canada Mortgage and Housing Corporation (CMHC) is reviewed each year and compiled as part of this report. **Figure 16** shows the number of new housing starts in a number of communities in the Capital Region. Housing starts are different than building permits, as housing starts are determined by the pouring of a foundation as inspected by CMHC. As some building permits do not result in construction, housing starts

are the most dependable information for growth. In 2015, there were 577 housing starts in Spruce Grove, a 31% decrease from 2014. While this may seem like a large decrease, some

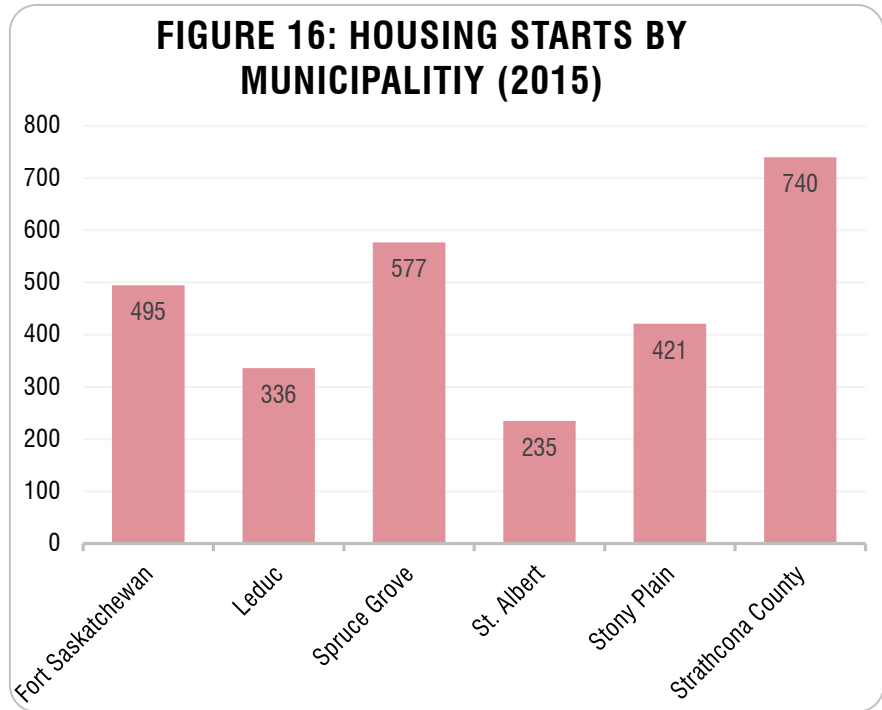


FIGURE 17: REGIONAL HOUSING STARTS BY DWELLING TYPE (2015)

■ Single Detached ■ Semi-detached ■ Rowhouse ■ Apartment

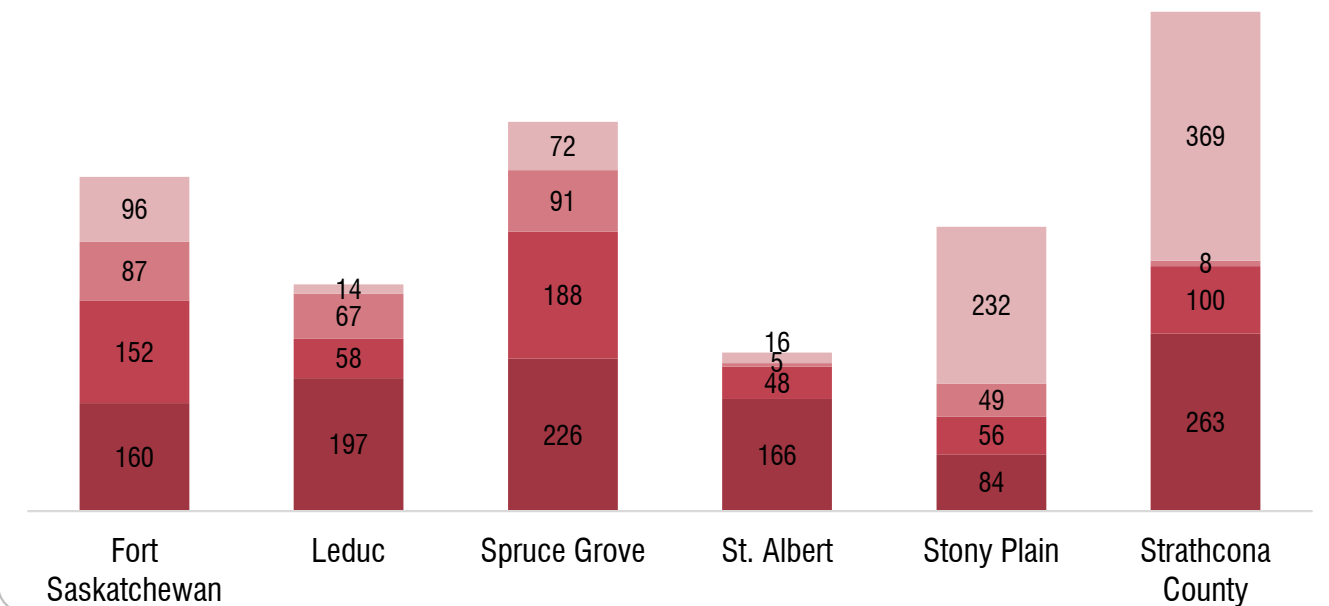
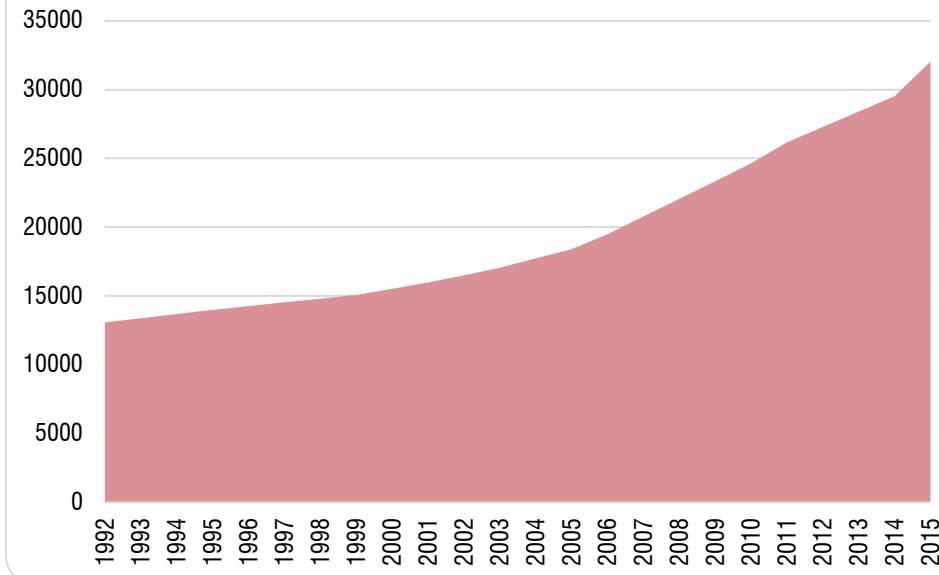


FIGURE 18: POPULATION (1992-2015)

other fast-growing municipalities like the City of Leduc and City of St. Albert saw housing start reductions of over 50%. The Town of Stony Plain was one of the anomalies last year, recording a 123% increase in housing starts in 2015.

Looking more closely at the composition of the housing starts by reviewing unit types, one can see that the number of housing starts in

Spruce Grove is partially influenced by its housing diversity, while other municipalities have less balance between housing products (**Figure 17, previous page**). Spruce Grove's policy-led dedication toward housing diversity in the community, coupled with flexible residential land use districts, has made the City competitive in the regional housing market for all unit types.

The City completed a successful municipal census in 2015. Results indicate there are 12,025 households with a total population of 32,036. In the past decade the City has grown approximately 5.9% per year.

CONCLUSION AND 2016 OUTLOOK

Activity levels in 2015 were down from the previous year, and indicators such as permit cancellations and extensions indicate further activity moderation in the year ahead, especially for the residential sector. The reduction in activity levels has been expected due to the unprecedented growth that has occurred in the past few years, coupled with unabsorbed dwellings on the market. That said, the rapid population growth over the past decade has left a pent up demand for commercial lands, which may result in increased activity in 2016. Construction valuations should also be buoyed by institutional projects, such as a new K-9 school in the West Area Structure Plan.

In terms of the spatial location of new development, the east side of Spruce Grove will see continued activity, including breaking ground in the new Fenwyck neighbourhood, as well as commercial activity starting up in Westwind. A new school in the west, south of Harvest Ridge, will kick off development in a new neighbourhood (yet to be named).