

CITY OF SPRUCE GROVE
MID-YEAR DEVELOPMENT ACTIVITY REPORT
2015

PREPARED BY CITY OF SPRUCE GROVE
PLANNING AND DEVELOPMENT DEPARTMENT
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City of Spruce Grove Mid-Year Development Activity Report – 2015

Introduction

The Planning and Development department prepares a mid-year development activity report, as well as a more in-depth annual report providing additional data and analysis. Administration compiles these reports in order to provide an outlook to Council that might indicate future trends in population growth, increases in property tax payers, and the cost for providing both hard and soft infrastructure to the community at large. The mid-year reports are posted on the City's website accompanied with a press release. Timing of the reports will typically be in late summer for the first six months of activity each year and in February or March for the year-end report. The year-end report is also presented to Council or Committee of the Whole at a public meeting.

Readers should note that all of the data shown in this report, whether for this year or previous years, refers solely to activity taking place between January 1 and June 30. For a more complete picture, readers should refer to the annual report.

Building Permits

Building permits are issued by the City according to the regulations set out in the Alberta Building Code. Approvals are based on building plans that conform to safety codes. For new construction of houses and businesses, both a building and a development permit are required. However, for structural alterations to buildings, only a building permit may be required. Building permits are the industry standard used to track growth in development for communities as it is the last permitting process before building construction, and therefore the most indicative of pending construction activity. As such, more attention is typically placed on analysis of building permits than development permits.

Typical of the construction season in Alberta, the first two quarters of 2015 saw lower permitting levels that increased as spring started. A little less typical though, is the dip that occurred since April. That said, 2014 building permits in summer were artificially high due to

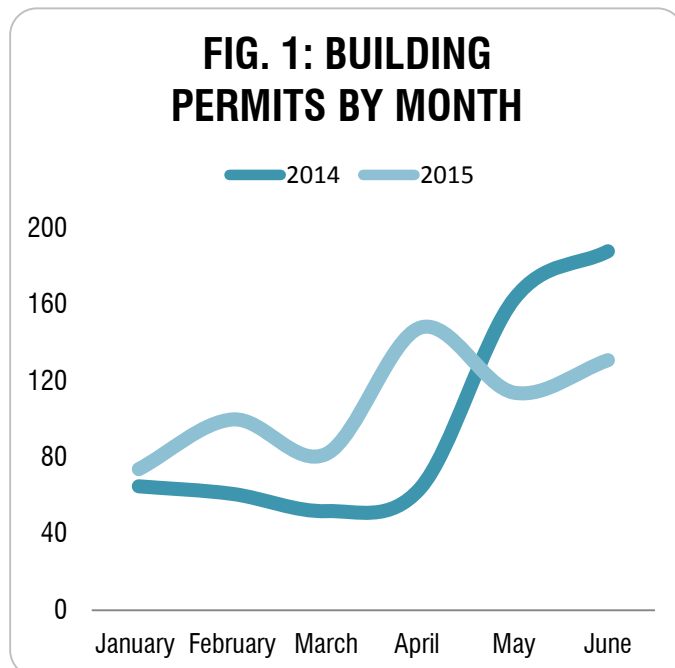
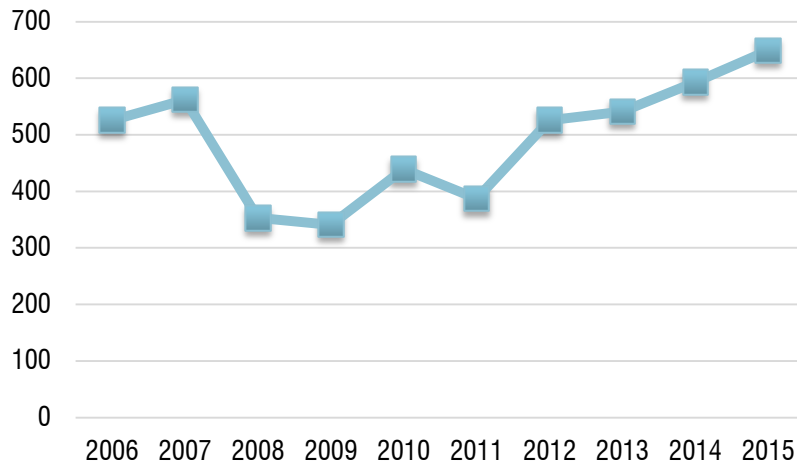


FIG. 2: HISTORIC VOLUME OF BUILDING PERMITS



bottlenecks with processing during Spring 2014 that pushed permitting into the early summer months.

Taking a longer comparative view, permitting during the first two quarters of 2015 were at the highest level in the City's history (Figure 2). While building permits are the best indicator of near-term development activity, the City is starting to receive requests for permit

extensions, meaning many construction projects (largely residential units) will be pushed out due to softening market demand. As such, the City is anticipating lower permit numbers on average for the second half of the year.

Delving deeper into the numbers, the City looks at the distribution of building permits issued, categorized by residential, commercial, industrial or institutional use.

Residential construction continues to dominate permit activity in Spruce Grove. Therefore, residential permit activity is broken down into new construction and

FIG. 3: VOLUME OF BUILDING PERMITS BY TYPE

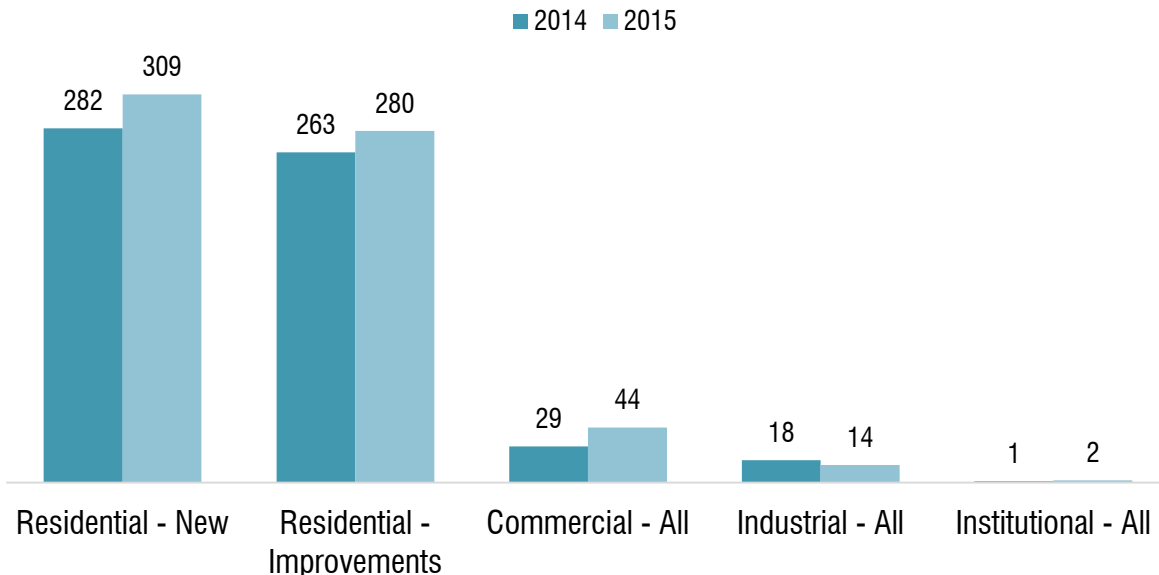
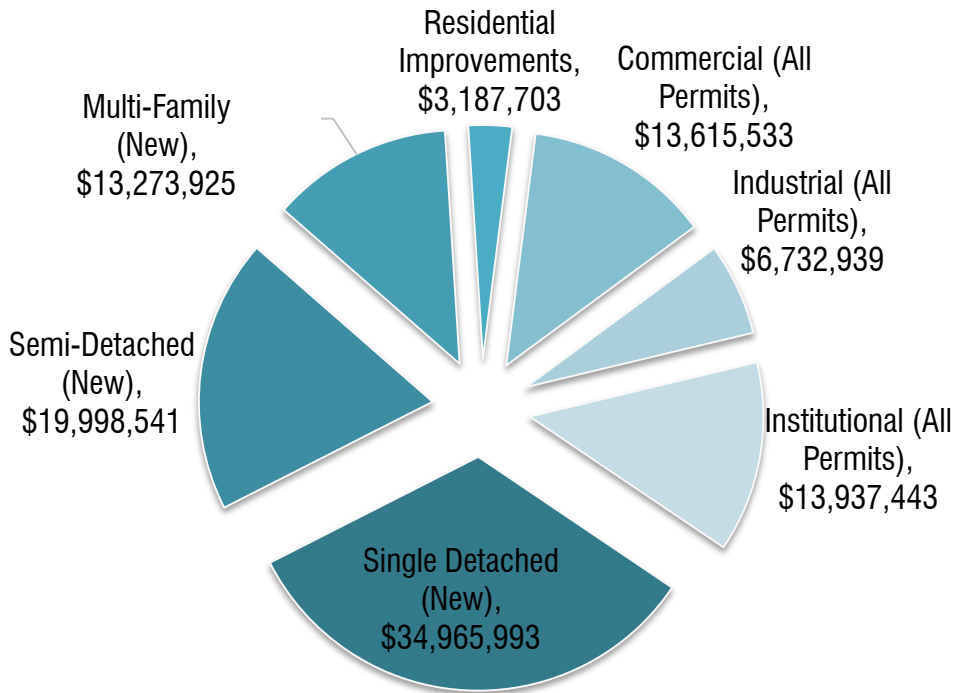


FIG. 4: BUILDING PERMIT VALUE BY TYPE

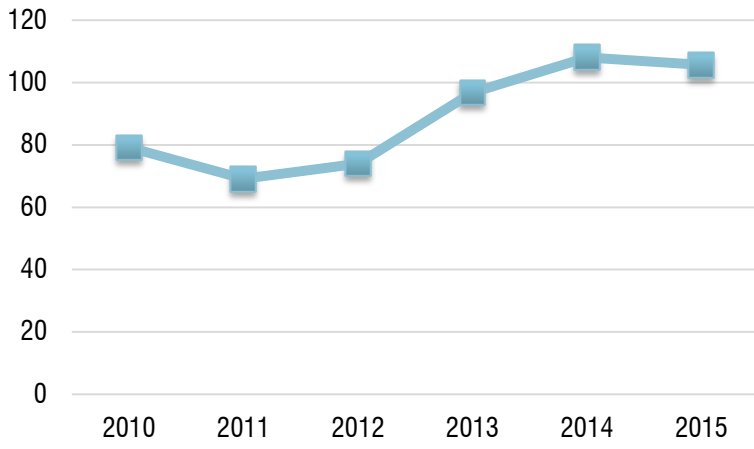


improvements for charting purposes. For the purpose of this report, improvements also include new detached garages.

As seen in Figure 3 (previous page), about 47.6% of building permits issued in the first half of 2015 were for new dwellings, and another 43% of permits were for residential improvements, for a total of nearly 92% of all permits. This is nearly identical to 2014 residential activity percentages. Commercial permits accounted for approximately 6.8% of the building permit activity in Spruce Grove, up slightly from 2013 and 2014. Industrial activity comprised a little over 2% of building permits, down slightly from typical levels around 3%.

The City also reports on building permit valuations to help show which sectors are seeing the most investment each year. The graph above (Figure 4) depicts the value of building permits when assessed by building type. Although commercial construction represents 6.8% of the total number of building permits, commercial construction for the first six months of 2015 comprised 12.9% of building permit valuation. Commercial valuations are greater than 2014 but are generally down from previous years, as fewer new buildings are constructed due to a dearth of serviced commercial lands. That said, tenant improvements and redevelopments are steady with previous years. Conversely, industrial permits saw the greatest decrease in building permit valuation in 2015,

FIG. 5: TOTAL VALUE OF BUILDING PERMITS



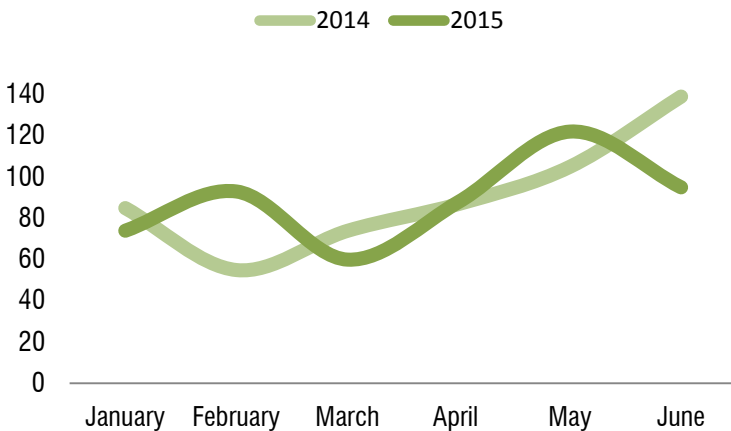
representing 6.4% of new construction investment versus 18% from 2014. That said, 2014 was the City’s most robust year for industrial development activity in its history.

Overall most private investment in Spruce Grove is going toward the construction of new residential units, including single detached, semi-detached and multi-family dwellings. Generally, over the course of a year, the

residential permit values are much higher than the non-residential values, which remained the case in 2015.

The last graph in this section, Figure 5, displays the value of building permits by year since 2010. These values are not adjusted for inflation. We can see from the graph that the first six months of 2015 show permit valuation slightly lower than the record high investment of 2014, with a total permit value of nearly \$106 million, versus \$108 million. Both years indicate elevated investment levels in the city, just shy of the \$114 million experienced during the first six months of 2007. Administration expects the remainder of the year to be lower from the first half of the year, as some permits are being extended and therefore new construction from some homebuilders may be delayed.

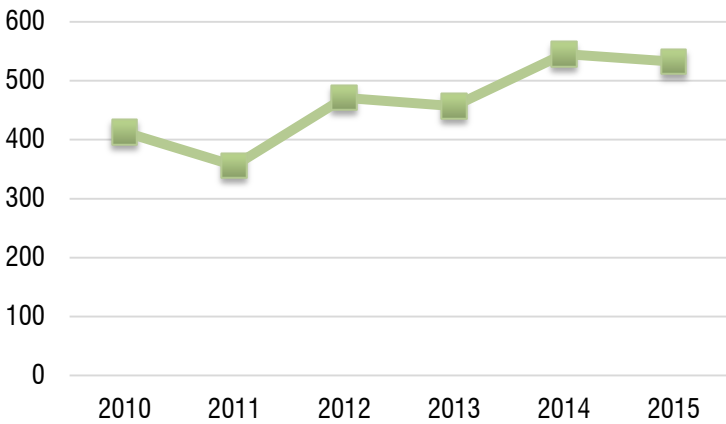
FIG. 6: VOLUME OF DEVELOPMENT PERMITS BY MONTH



Development Permits

Development permits are issued by the City’s development officers in order to approve the location and use of a building on a property in accordance with the Land Use Bylaw. Development permits are valid for one year after the date of approval, and are therefore often a good indicator of what levels of construction *may* occur in the next several months.

FIG. 7: VOLUME OF DEVELOPMENT PERMITS BY YEAR

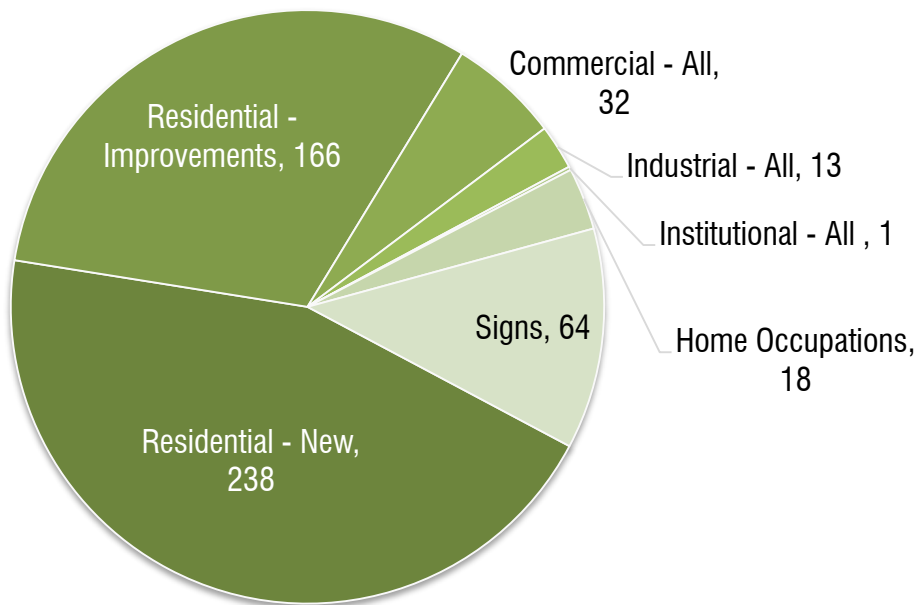


For the first six months of 2015 development permits are down slightly from 2014, which saw the City’s highest development permit activity on record (Figure 6 and 7). Administration will be watching development permit activity closely in the second half of 2015 as an indicator of 2016 activity, as the reduction in permits heading into summer is atypical (Figure 6).

Figure 8 looks at the number of development permit approvals categorized by the type of

permit. As expected in Spruce Grove, residential permits represent the majority of applications. Residential development is broken down by new development and improvements, but for all other categories new construction and improvements are combined due to smaller overall numbers. Residential improvements include new garages. The number of commercial permits includes changes in occupancy (i.e. a new shop moving into an existing building) as well as the development of new commercial buildings.

FIG 8: DEVELOPMENT PERMITS BY TYPE (2015)



Business Licenses

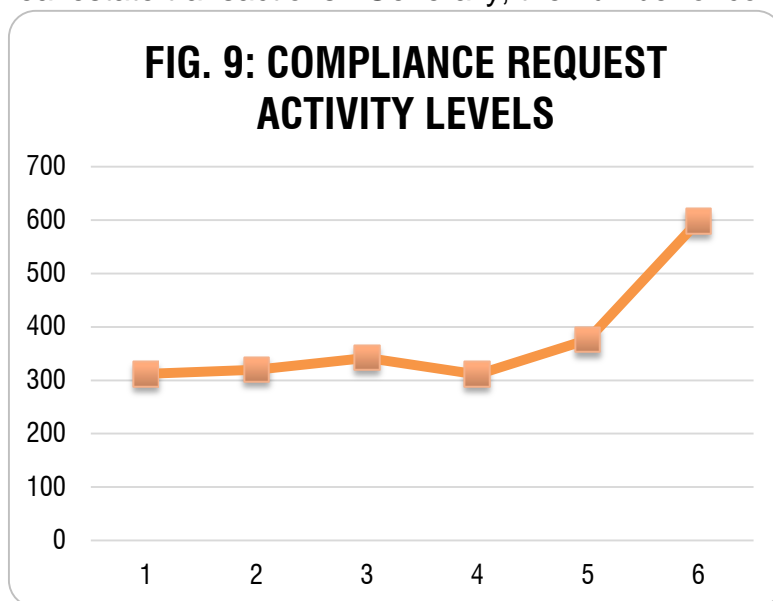
The City of Spruce Grove issues business licenses to people or companies wishing to operate a commercial enterprise. Licenses are issued for typical 'storefront' businesses, as well as temporary operations, and home occupations. The business license numbers include non-resident businesses, which are businesses physically located outside Spruce Grove that conduct business within the city. The number of businesses fluctuates throughout the year as new licenses are approved and some are cancelled.

In January 2014, a new Business License Bylaw went into effect, and the City moved its tracking of business licenses to the CityView software program. Staff took the opportunity to build a new, clean business license database. All businesses were sent notifications and given the opportunity to renew licenses online. At the time of renewal, all businesses needed to verify their information, including business location, owner, etc., which was never requested in the past. This formal verification process resulted in a major revision to the number of resident and non-resident businesses operating in the City.

In 2013, the number of businesses operating in Spruce Grove according to manual tracking was around 1700. In 2014 during the mid-year review, the City had about 1370 permitted businesses. Through education, enforcement, and business growth, issued licenses grew to 1600 in 2015.

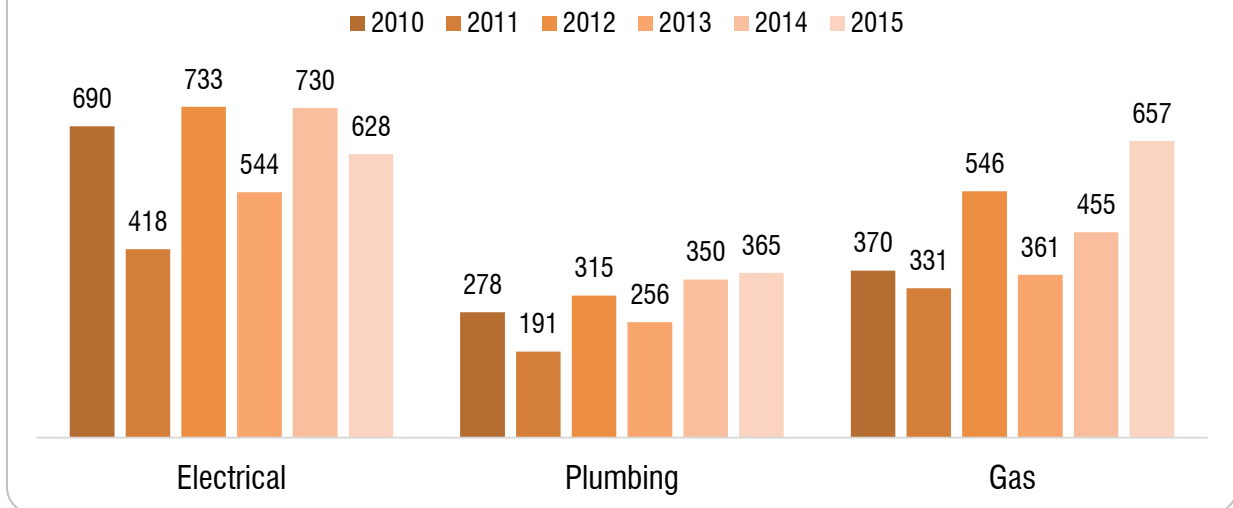
Other

Spruce Grove continues to track the number of compliance requests received by the City. Letters of compliance are a service offered by the City to assist homeowners with real estate transactions. Generally, the number of compliances issued reflects the level



of activity in the real estate market, although the last few years have been heavily influenced by new house construction. We can see in Figure 9 that compliance requests jumped significantly in 2015, representing the City's highest level of activity on record. The largest number of compliances was previously 471 applications reviewed in the first six months of 2007. Therefore, at 598 compliance requests processed, activity in 2015 was 59% higher than 2014 and 27% higher than the

SAFETY CODE PERMITS BY TYPE



previous record year of 2007. Administration expects compliance requests to remain elevated through the end of the year, as residences under construction come to completion. Should permitting levels decline in the coming months, compliances will also see a decline approximately four to six months later.

The City tracks Safety Codes permits for general information as a snapshot of department activity. Typically, a new building requires two electrical permits, one gas and one plumbing permit, although that may vary depending on the specifics of the building, proposed uses, and the season (as work in the winter may require gas permits for temporary heating). We can see the number of safety codes permits issued has slowly increased in the past five years, with a slight correction in 2013 due to ATCO Structures moving away from using City inspection services and hiring a private contractor. This resulted in a temporary reduction of approximately 140 plumbing permits and 200 gas permits per year from ATCO alone. One other anomaly is that the City has seen a jump in temporary gas permits this year due to increased activity over winter months coupled with education and enforcement.

Conclusion

While the City continued to see record residential growth in the first half of 2015, indications of a slower second half of the year are evident. In particular, developers have been requesting extensions to subdivision approvals and choosing not to register subdivision plans (or scaling back plans to register fewer lots). In addition, homebuilders have been inquiring about extending building permits due to weaker demand. That said, a few large rowhousing projects are starting up in the second half of the year, which demonstrates ongoing demand for entry level housing throughout the community. Servicing of commercial lands underway in the Westwind area will likely have a positive impact on commercial development and building permit levels, as well as valuations, in 2016.