

2016 DEVELOPMENT ACTIVITY REPORT



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Planning and Development Department

An overview of development activity for 2016 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 cooling off period over the next few years, growth rates greater than regional average are expected to continue.

The following pages contain analysis of the growth trends for the past decade (2007-2016), focusing specifically on activity in 2016. 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.

BUILDING PERMITS

Spruce Grove issued 812 building permits in 2016, a 35% decrease from permit activity in 2015. Although only a minor influence, it should be noted that changes to the City’s Quality Management Plan in 2016 have resulted in longer permit validity periods, meaning fewer permits are expiring and being reissued.

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

Overall, about 91% of the permits issued in 2016 were for residential construction, including new dwellings, improvements and garages, which is consistent with the

FIGURE 1: VOLUME OF BUILDING PERMITS BY TYPE (2015 & 2016)

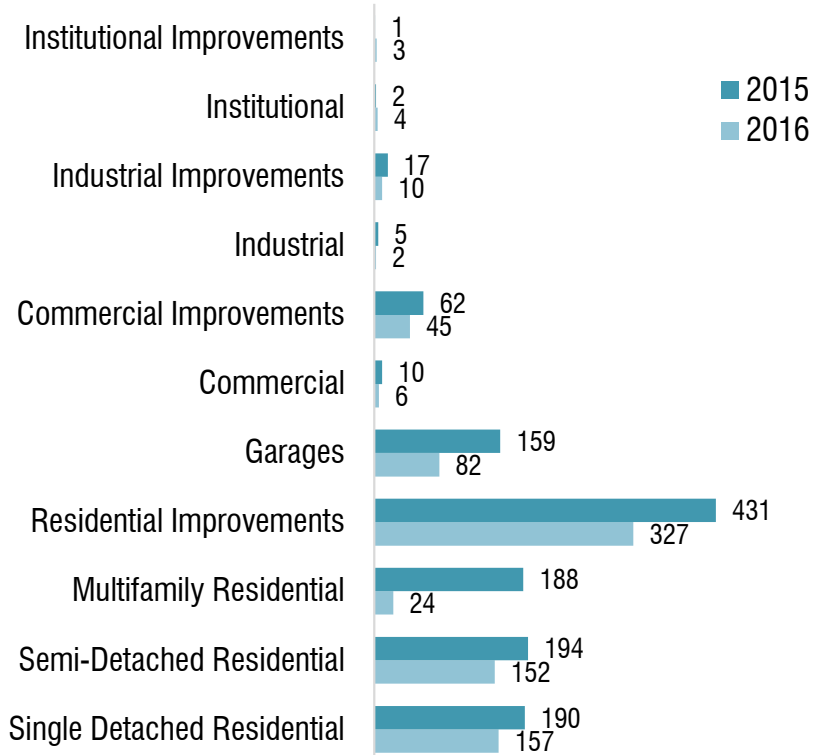


FIGURE 2: DWELLING UNITS PERMITTED (2007-2016)

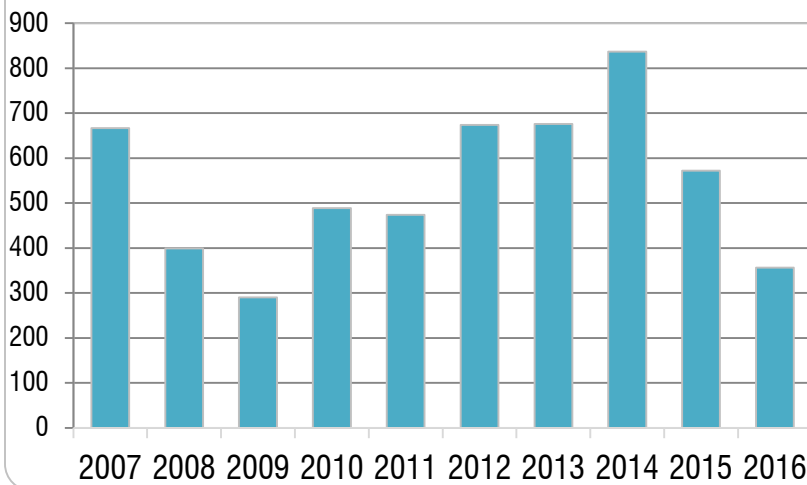
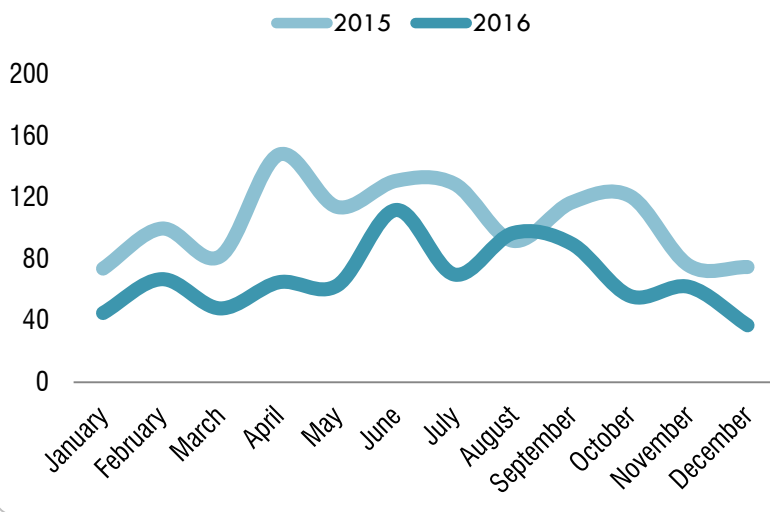


FIGURE 3: VOLUME OF BUILDING PERMITS BY MONTH (2015 & 2016)



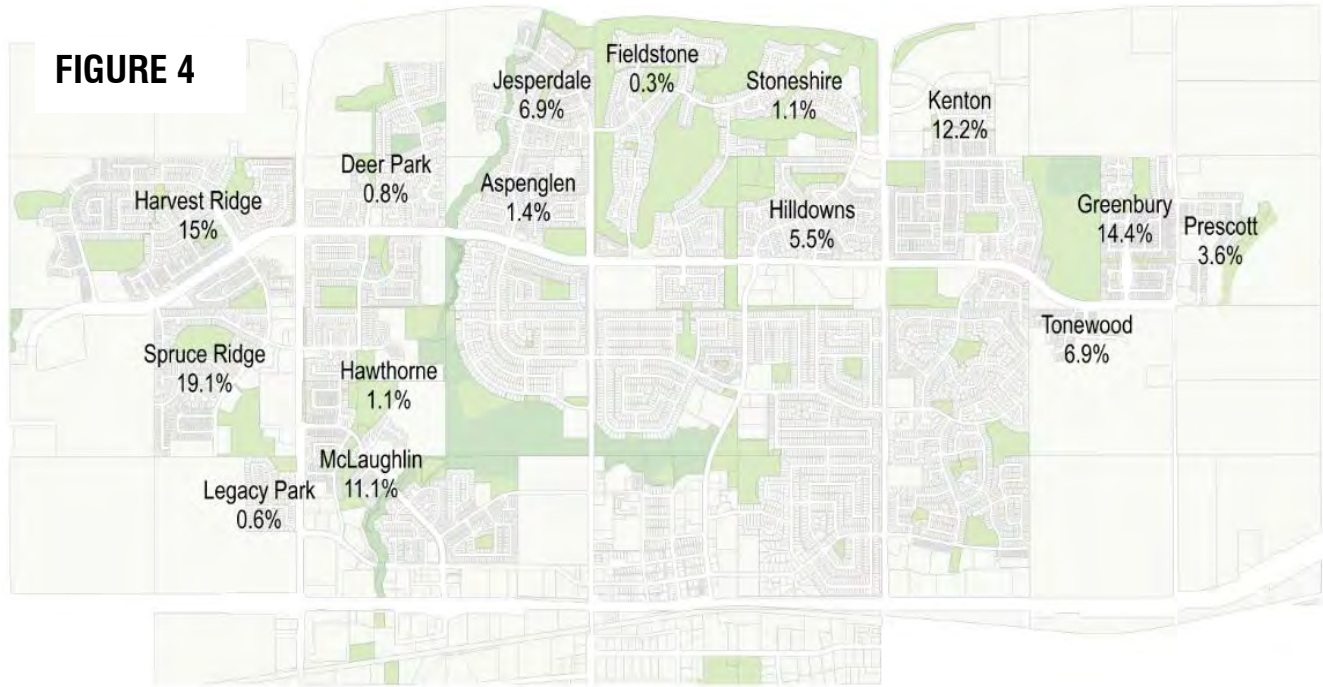
past few years. Detached garages comprised about 10% of all permits in 2016, which is lower than the last few years.

Residential activity cooled substantially in 2016. Given the number of dwelling units permitted in 2015 exceeded predictions, the lower unit count in 2016 is understandable. While both single detached and semi-detached products decreased approximately 17% and 22% respectively, multifamily units had the greatest decline. With no apartment housing permits issued in 2016 and a reduction in rowhouse products, multifamily units ended up declining by 75%. The total number of new dwelling units approved decreased about 38% from 2015 for a total of 356 dwelling units. Looking at **Figure 2**, one can see the cyclical nature of residential growth that parallels the regional economy.

In the non-residential sector, the City saw two new industrial buildings, compared to five in 2015. Typical years see three new industrial buildings. Industrial permit valuation was substantially lower than the past few years at \$1.1 million. Industrial improvements also decreased from 17 in 2015 to 10 in 2016.

Building permits issued for new commercial structures also declined from 10 in 2015 to six in 2016. That said, six new commercial building permits is typical in a year, so permitting levels are not substantially lower than average. Valuation for new commercial buildings was \$10.6 million, the sixth consecutive year new commercial construction exceeded \$10 million. The number of commercial improvements decreased from 62 building permits in 2015 to 45 building permit in 2016.

Figure 3 depicts the number of building permits issued per month for 2015 and 2016. In this region, permit activity is usually slowest during the winter months, increasing in the spring and



remaining high until autumn. Permitting in the last two years have followed this pattern. The only anomaly is the uptick in permits during November due to increased application levels before the start of new energy regulations and associated increased processing requirements.

Figure 4 illustrates the housing starts in Spruce Grove by neighbourhood. 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 for the second year in a row. Greenbury, Harvest Ridge, Kenton and McLaughlin also saw high activity levels in 2016.

To get a better context of permitting levels for 2016, **Figure 5** depicts the total number of building permits over the past decade. One can see the impact of the downturn in 2008 and 2009 coming off of the 2006 and 2007 boom in Spruce Grove. Despite the sharp decline in building permit activity in 2015 and 2016, the number of building permits issued is only about 14% lower than average permitting levels for the past decade. **Figure 6** (next page) provides additional detail regarding the historic split between new buildings and improvements. As one can see, the

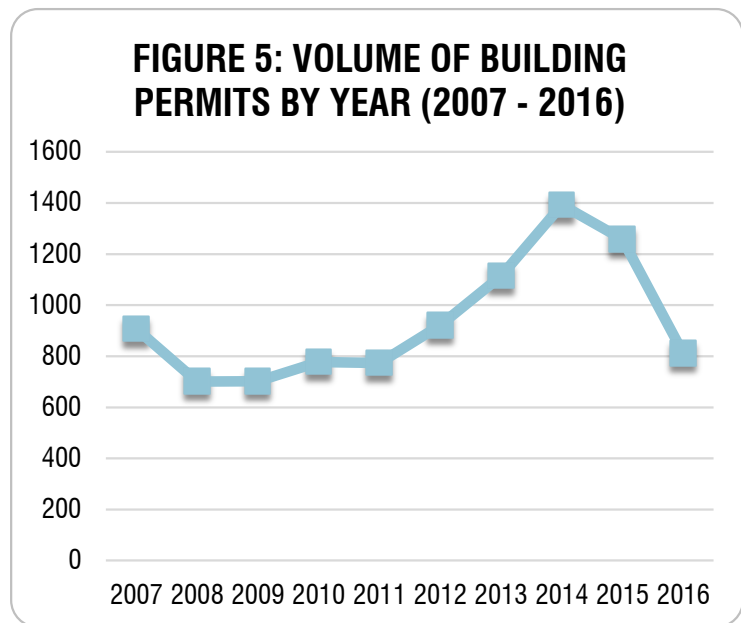
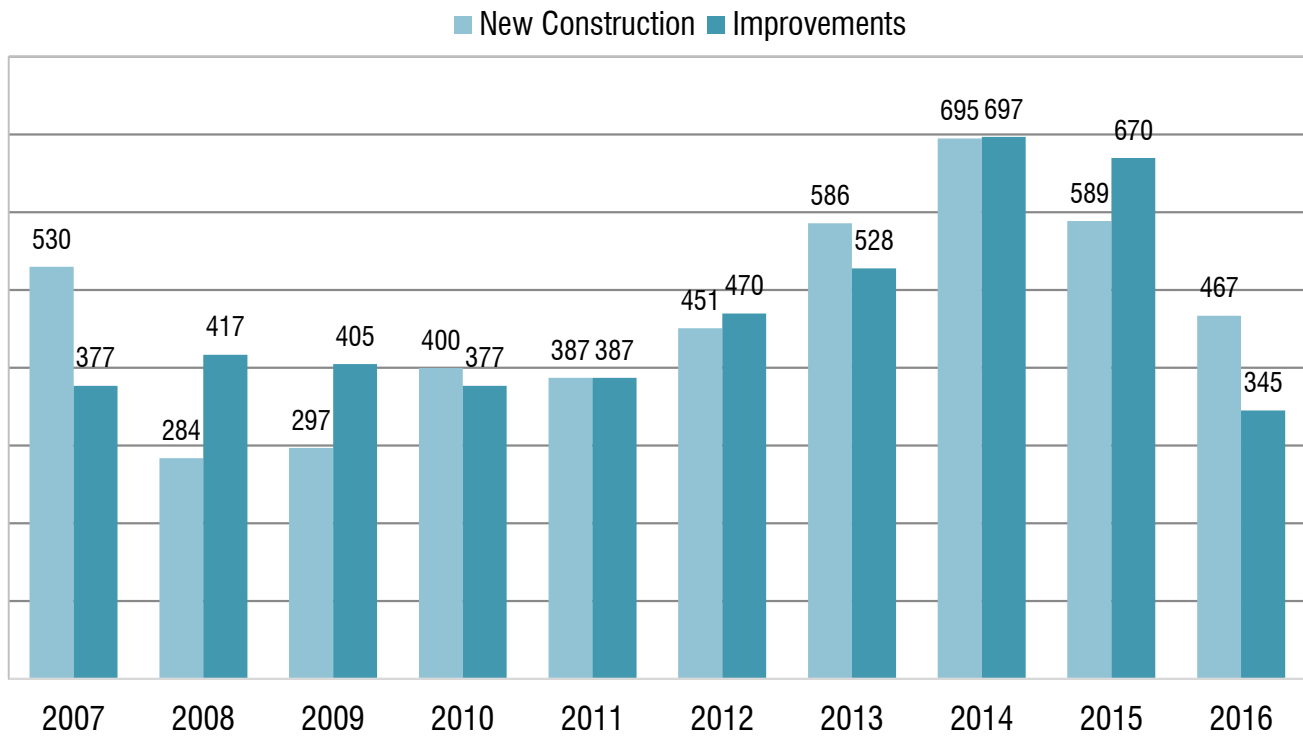


FIGURE 6: VOLUME OF BUILDING PERMITS BY TYPE (2007-2016)



decline in permitting levels in the past year affected improvements to a greater degree than new structures.

Looking at values of building permits, total valuation was also down from \$189 million in 2015 to \$114 million in 2016. The average over the past decade is approximately \$129 million (Figure 7).

Looking closer at investment trends over the past decade, one can also see that the average new commercial and industrial permit value (Figure 8, next page) has followed similar patterns as the overall value of permits, which is also echoed by residential permitting values (Figure 9, next page).

In reviewing the investment trends over the past few years, the average value of new commercial and industrial

FIGURE 7: VALUE OF BUILDING PERMITS (2007-2016)

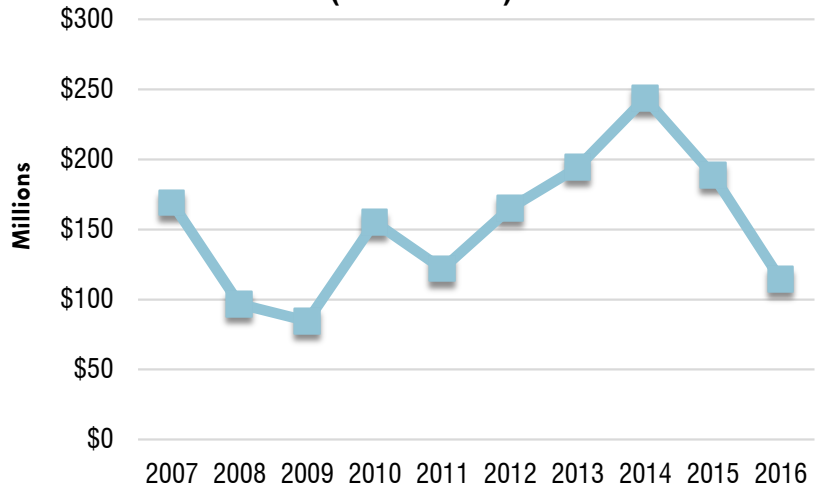


FIGURE 8: AVG. NEW COMMERCIAL & INDUSTRIAL BUILDING PERMIT VALUE (2007-2016)

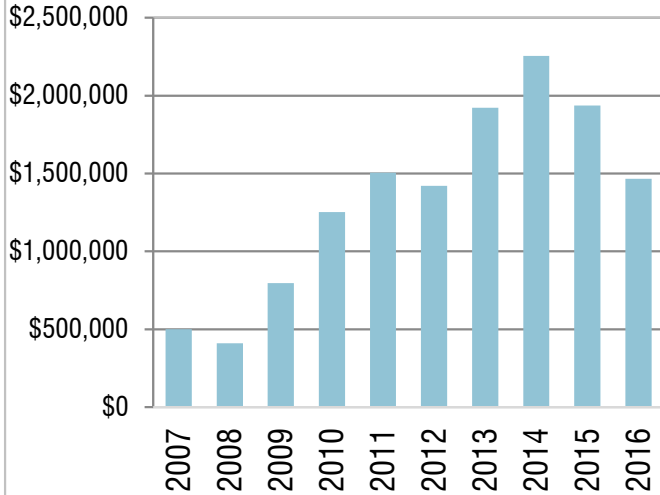
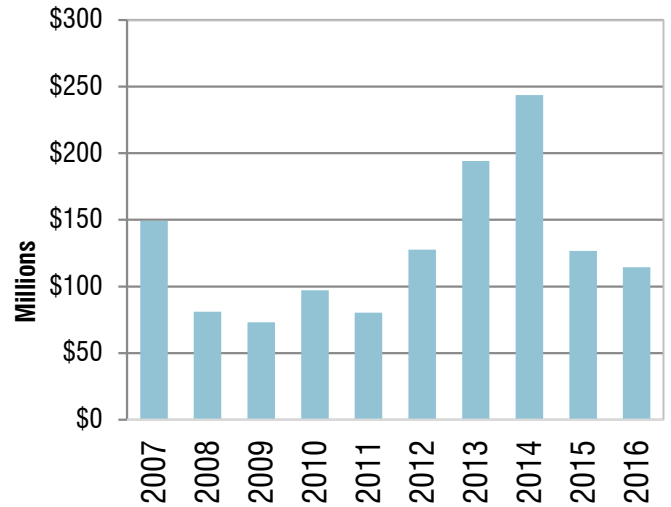


FIGURE 9: TOTAL VALUE OF NEW RESIDENTIAL CONSTRUCTION (2007-2016)



buildings has been generally higher the past several years compared to historic investment values. This reflects the development of larger, higher quality structures.

DEVELOPMENT PERMITS

Figure 10 illustrates the trends in the volume of development permits issued over the last ten years. Development permit activity in 2016 was down approximately 20% from 2015. 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 11** (next page) shows the number of permits issued by month for 2015 and 2016. The pattern shown is typical of development activity for the region, where higher activity levels occur during the

FIGURE 10: VOLUME OF DEVELOPMENT PERMITS BY YEAR (2007-2016)

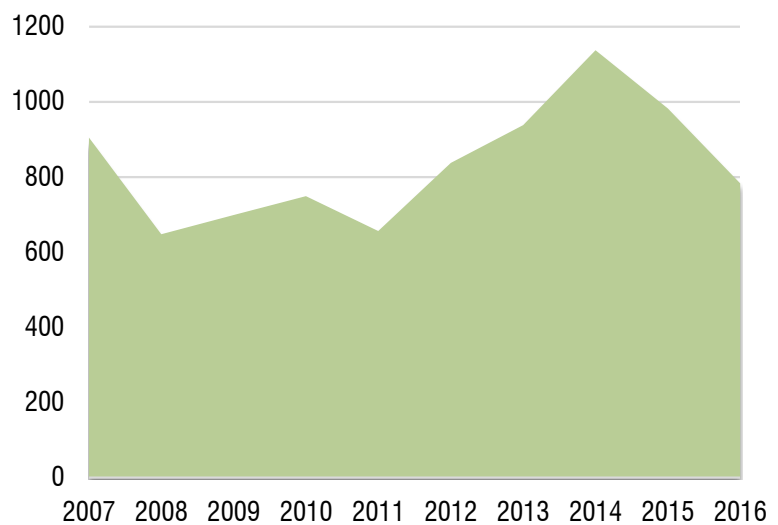
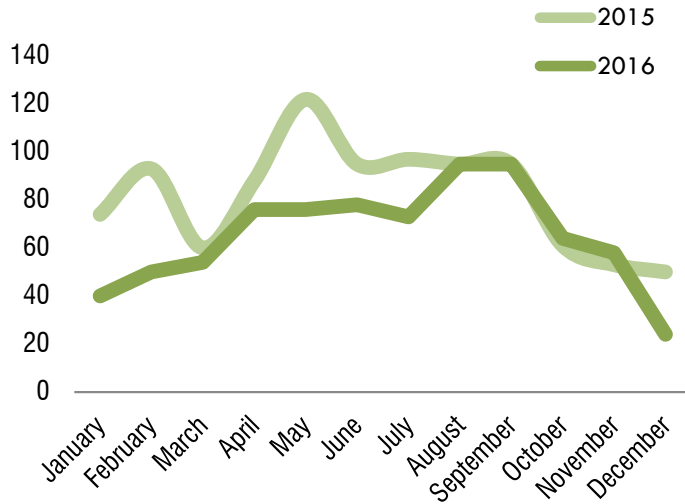


FIGURE 11: VOLUME OF DEVELOPMENT PERMITS BY MONTH (2015 & 2016)



warmer months. Activity in 2016 follows this typical pattern, after a few years of abnormally high activity in the winter months.

Figure 12 provides the breakdown of residential development permits issued by type. The graph is dominated by residential improvements made to existing residences, with new semi-detached and single detached units representing the next most common permit type. Generally, the development permit numbers echo what we have already seen with building permits, although fewer multifamily permits reflect the fact that several dwelling units can be approved under one development permit.

The breakdown of non-residential permits issued in 2016 by type is examined in **Figure 13**. Again, the trends seen earlier with building permits are evident here, with commercial and industrial improvements comprising the largest percentage of development permit approvals. These permits are largely for tenant improvements and approvals required for new uses.

Development permits for permanent signs decreased slightly from 30 permits in 2015 to 29 in 2016, while temporary sign permits decreased from 91 to 84 approvals.

FIGURE 12: VOLUME OF RESIDENTIAL PERMITS BY TYPE (2016)

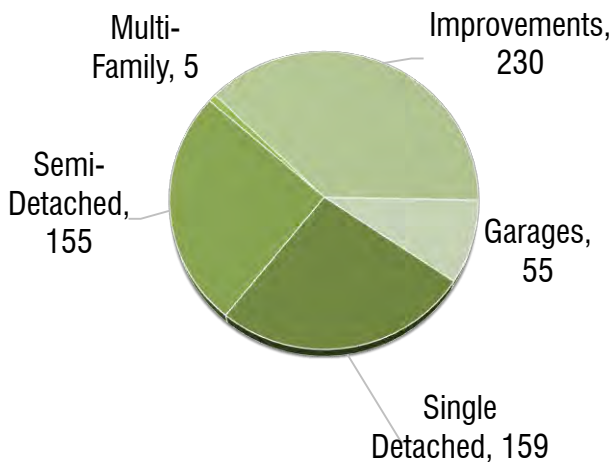


FIGURE 13: VOLUME OF NON-RESIDENTIAL PERMITS BY TYPE (2016)

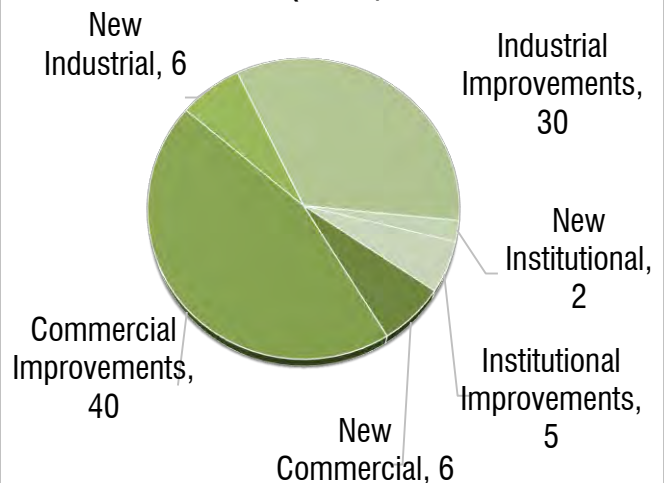
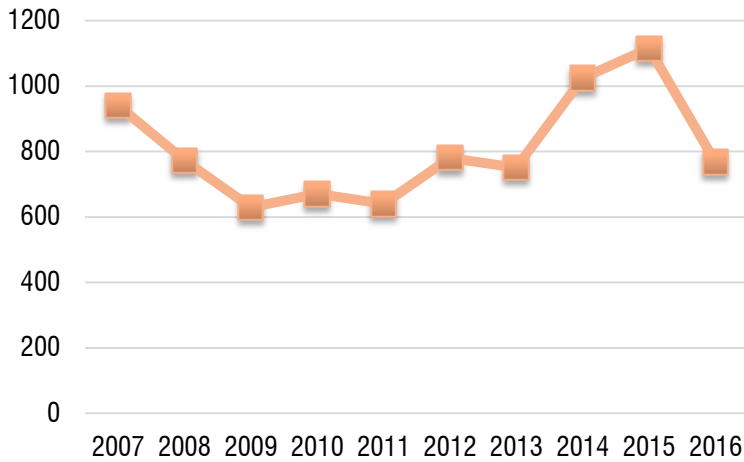


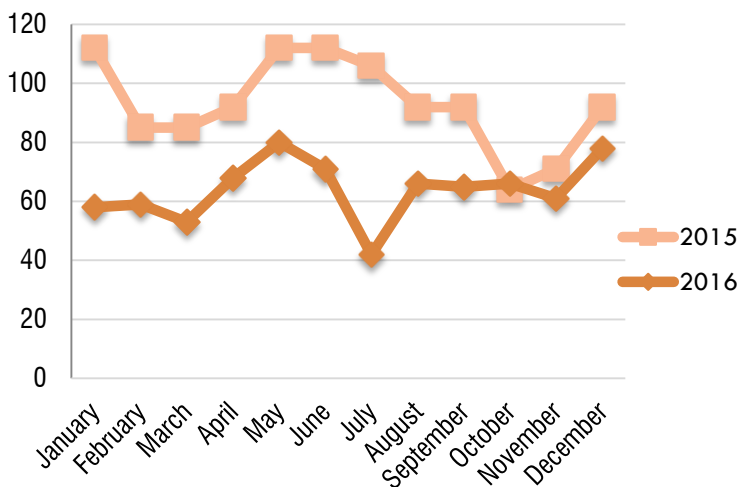
FIGURE 14: COMPLIANCES ISSUED BY YEAR (2007-2016)



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 2016, there were 767 compliance decisions issued, down 31% from a record high in 2015. Compliance activity has therefore returned to levels considered normal after two years of activity spikes. We can see in **Figure 14** that compliances follow the ramp up and cool down cycle typical of the real estate market in Alberta.

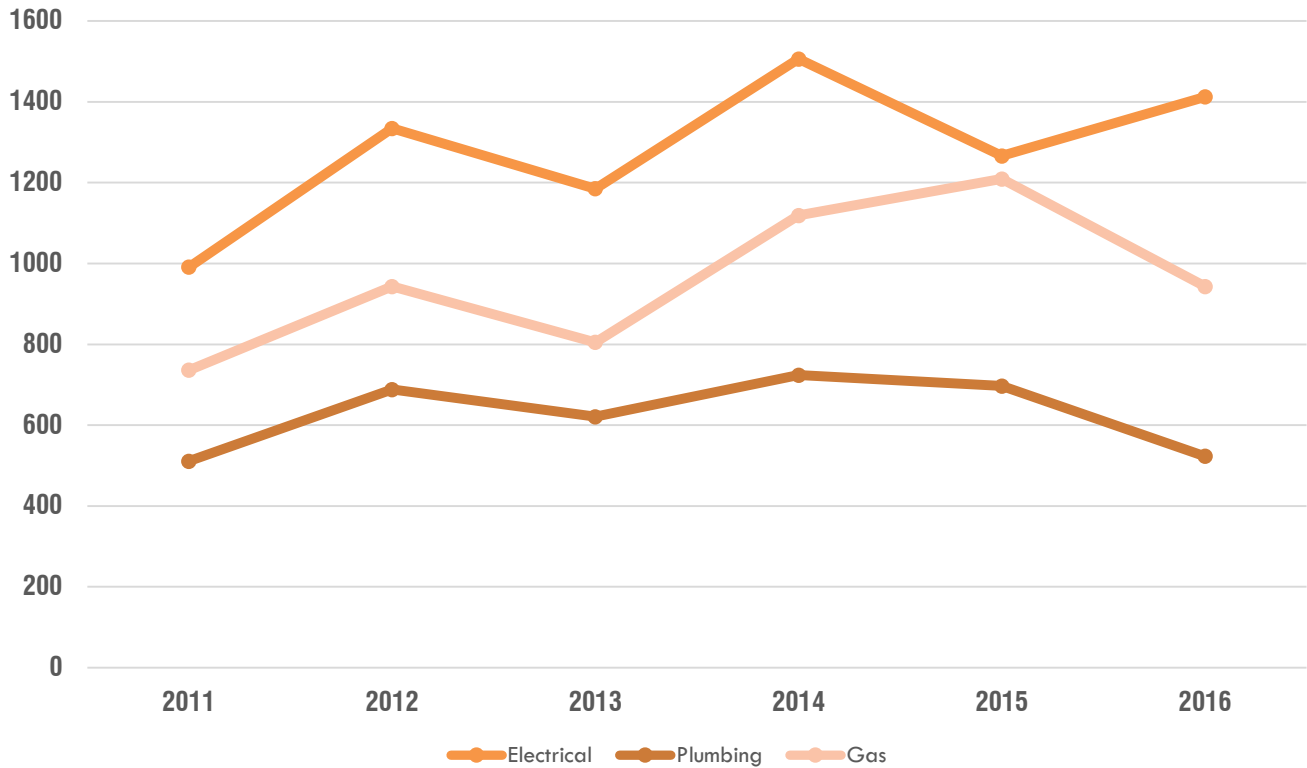
FIGURE 15: COMPLIANCES ISSUED BY MONTH (2015 & 2016)



Looking closer at the activity patterns of the past two years (**Figure 15**), one can see an atypical activity pattern in 2015, where record level activity occurred over the winter months. This anomaly was a carryover of an activity spike following changes to the compliance process that occurred in late-2014. Activity levels in 2016 follow typical seasonal patterns, with the exception of an unexplained dip in activity in July.

The Planning and Development Department has been tracking Safety Codes Permits (other than building permits) since 2011, which is depicted in **Figure 16** (next page). 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. 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 2,878 trade permits in 2016, a 9% decrease over 2015 activity. That said, activity levels remained just above the average permitting levels for the past five years.

**FIGURE 16: SAFETY CODE PERMITS BY YEAR
(2011-2016)**



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 coupled with development of a new, clean business licence database. In doing so, the Planning and Development Department found a number of businesses that moved out of Spruce Grove and failed to inform the City of their new location. Similarly, Administration subsequently identified other businesses that have been operating without permits. That said, at the end of 2015, the City had 1,320 active businesses licensed within the City and in 2016 that number climbed to 1,368 active businesses. For better tracking of business metrics, future reports will include an additional table that shows the number of resident, non-resident and temporary businesses each year.

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 17** 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 source for growth analysis. In 2016, there were 380 housing starts in Spruce Grove, a 34.1% decrease from 2015. This decrease, while significant, is muted compared with

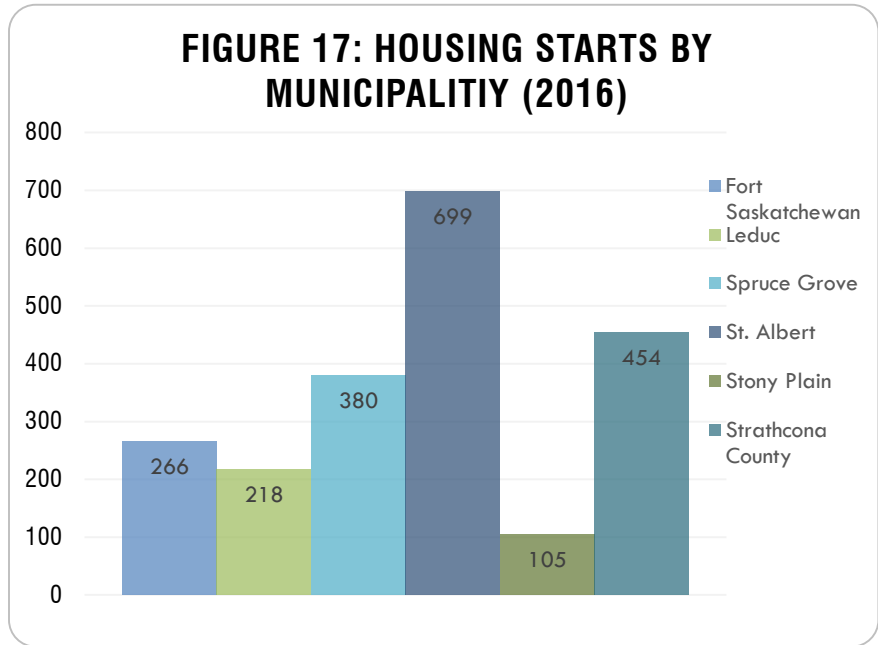


FIGURE 18: REGIONAL HOUSING STARTS BY DWELLING TYPE (2016)

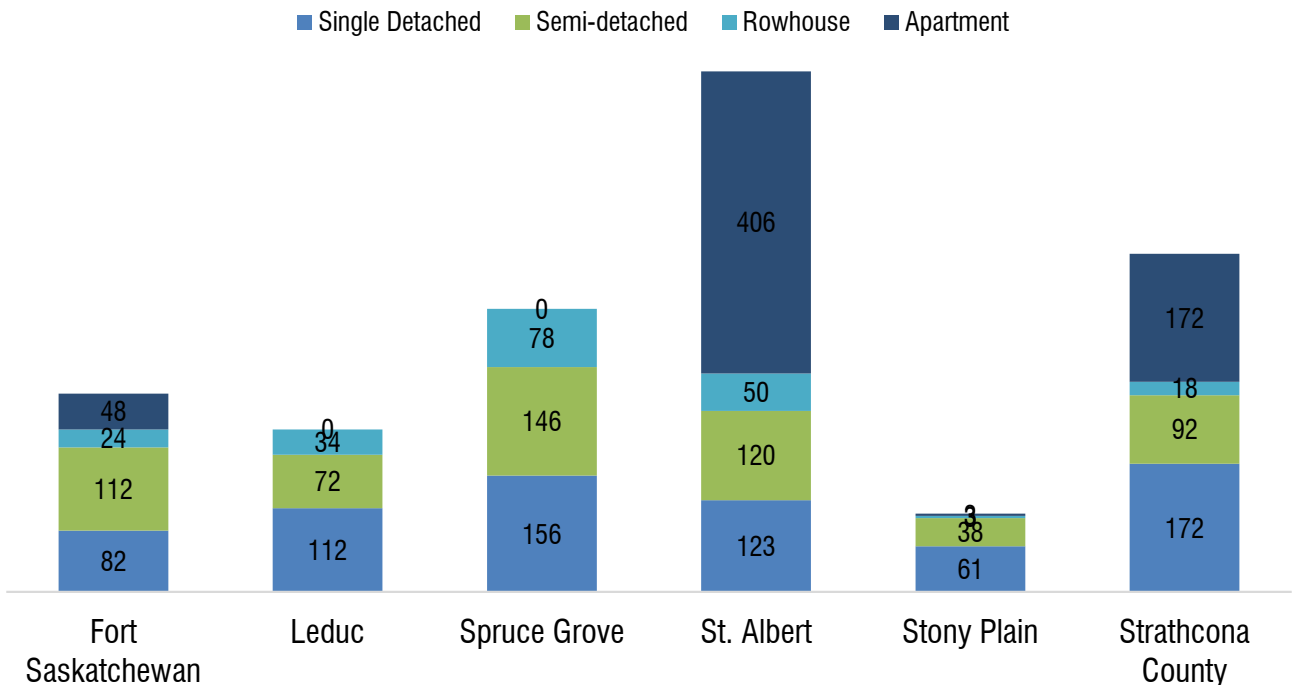
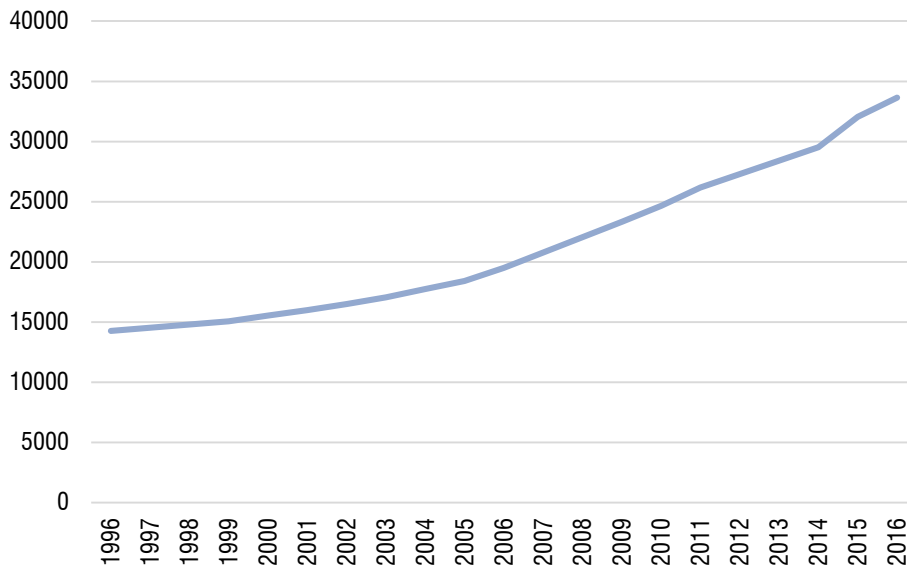


FIGURE 19: POPULATION (1996-2006)

the regional decrease of 41.1% reported by Canadian Mortgage and Housing Corporation. Looking at peer municipalities, the City of Leduc saw a decrease in housing starts of 35.1%; the City of Fort Saskatchewan saw a 46.3% decrease; the Town of Stony Plain saw a 75.1% decrease; and, Strathcona County saw a 38.6% decrease. The City of St. Albert, a regional anomaly in

2016, saw its housing starts increase 197% on the back of major apartment projects. The number of apartment units started in St. Albert in 2016 was double the total number of all unit types for the previous year.

Looking closer at the composition of the housing starts by reviewing unit types, one can see that the decreased number of starts in a number of municipalities, including Leduc, Stony Plain and Spruce Grove, is due to the lack of apartment development in 2016 (**Figure 18**, previous page).

The City completed a successful municipal census in 2016, reporting a population of 33,640 in 12,650 occupied residences. This number is extremely close to the Federal census population result of 34,060 for 2016, in 12,552 occupied residences. The population growth in 2016 was just over 5%, which reflects the average growth rate for the past 20 years (**Figure 19**).

CONCLUSION AND 2017 OUTLOOK

Activity levels in 2016 decreased in nearly every permitting type, with only a few exceptions, but was tempered comparatively to other municipalities in the region. 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. Canada Mortgage and Housing Corporation reported a reduction in unabsorbed units for the region in late 2016, which is a good sign, and forecasted a slight uptick in housing starts expected for 2017. Commercial development is expected to increase in 2017 with building continuing in Westwind. Construction valuations should also be buoyed by institutional projects, such as a new K-9 school in the Copperhaven neighbourhood and the RCMP detachment.