



CITY OF SPRUCE GROVE
MID-YEAR DEVELOPMENT ACTIVITY REPORT
2021

PREPARED BY CITY OF SPRUCE GROVE
PLANNING AND DEVELOPMENT DEPARTMENT
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City of Spruce Grove Mid-Year Development Activity Report – 2021

Introduction

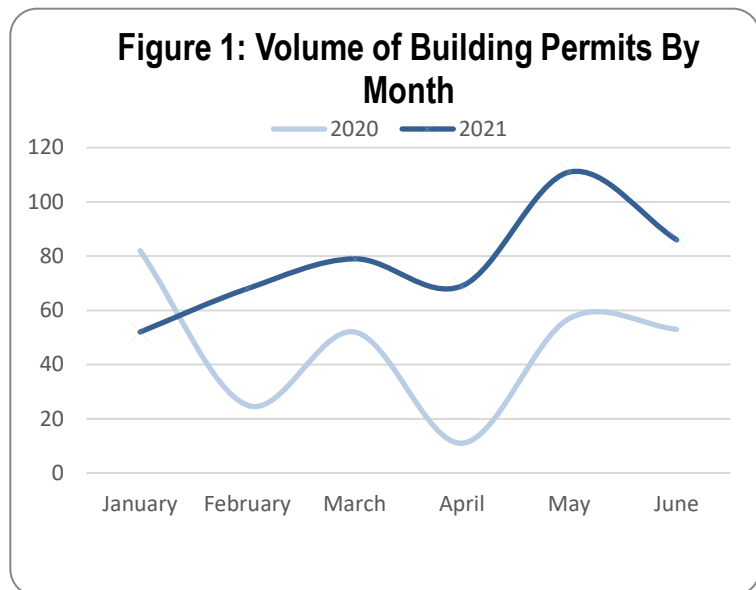
The Planning and Development Department prepares a mid-year development activity report, as well as a more in-depth annual report providing additional data and analysis. These reports are compiled in order to provide an outlook to Council that might indicate future trends in population growth, increases 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 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, 2021. For a more complete picture, readers should refer to the annual report.

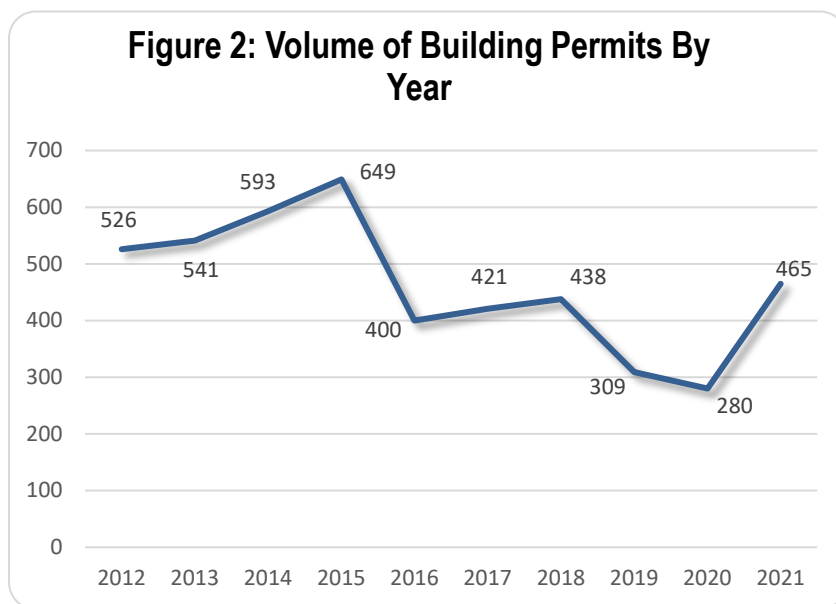
Building Permits

Building permits are issued by the City in accordance with regulations set out in the Alberta Building Code. Approvals are based on building plans and technical reports in accordance with safety codes. For building construction, both a building and a development permit are typically required; however, for structural alterations to buildings, only a building permit may be needed. Building permits are used as a growth indicator by many municipalities and the development industry, being the last permitting process before 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.



The permitting trend in the first six months of 2021 began with a lower level of activity at the beginning of the year relative to 2020, rebounding with gradual increases in the following months leading into the summer construction season as shown in **Figure 1**,

reaching a high of 111 permits in May 2021, which is the highest permitting level observed of any month in the last five years.



As shown in **Figure 2**, building permits issued in 2021 reflect an 88.3% increase in activity from the same time previous year. This increase in permitting levels is attributed to high demand for low and medium density housing in Spruce Grove resulting from lower interest rates, and buyers choosing homes that offer more space to accommodate work from home, and

other lifestyle changes resulting from the Covid-19 pandemic.

The increase in demand led to a depletion of inventory levels in 2020, and the high permitting levels observed in the first half of 2021 reflects this momentum, with developers preparing to address the market demand with increased applications for new developments.

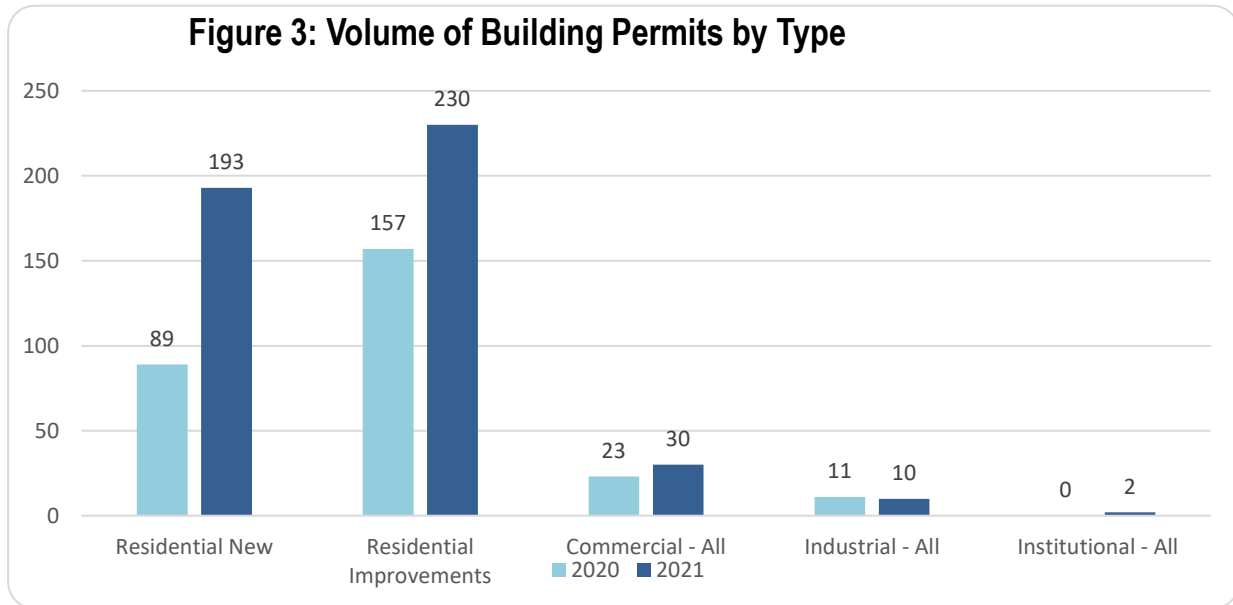
Delving deeper into the numbers, the City looks at the distribution of building permits issued as categorized by residential, commercial, industrial or institutional use. Residential construction continues to dominate permit activity in Spruce Grove, and residential permit activity is broken down into new construction and improvements. For the purpose of this report, improvements also include new detached garages.

As seen in **Figure 3** (next page), about 40.3% of building permits issued in the first half of 2021 were for new residential dwellings, and another 48.3% of permits were for residential improvements, for a total of 88.7% of all permits being for residential construction.

Overall percentage of residential permits at 88.7% in 2021, when compared to 87.8% in 2020 is within the normal range in a given year. However, the ratio of new residential permits to residential improvements is higher in 2021 compared to the year previous, and represents a shift in market conditions reflecting increased demand for new residential developments.

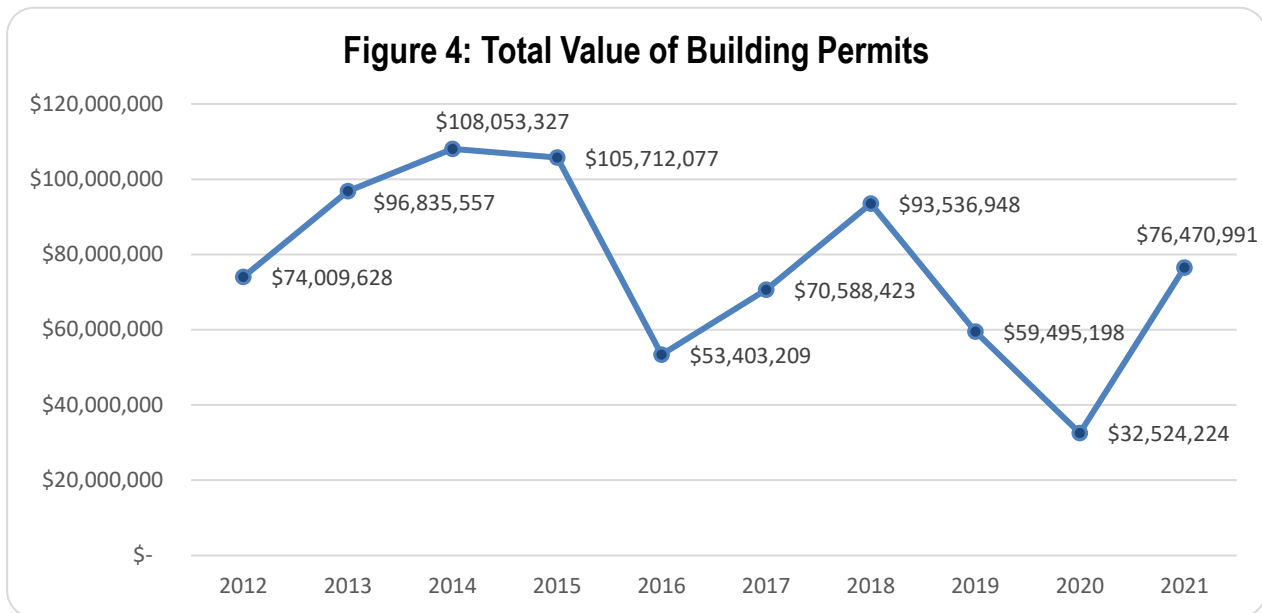
Commercial permits volume increased by 30.4% with 30 permits, compared to 22 in the year previous, some of which is attributed to new developments in the City Centre and Century Crossing development area. Commercial activity, both new buildings and

tenant improvements, are anticipated to see a strong finish in 2021, picking up the trend from 2018 and 2019.



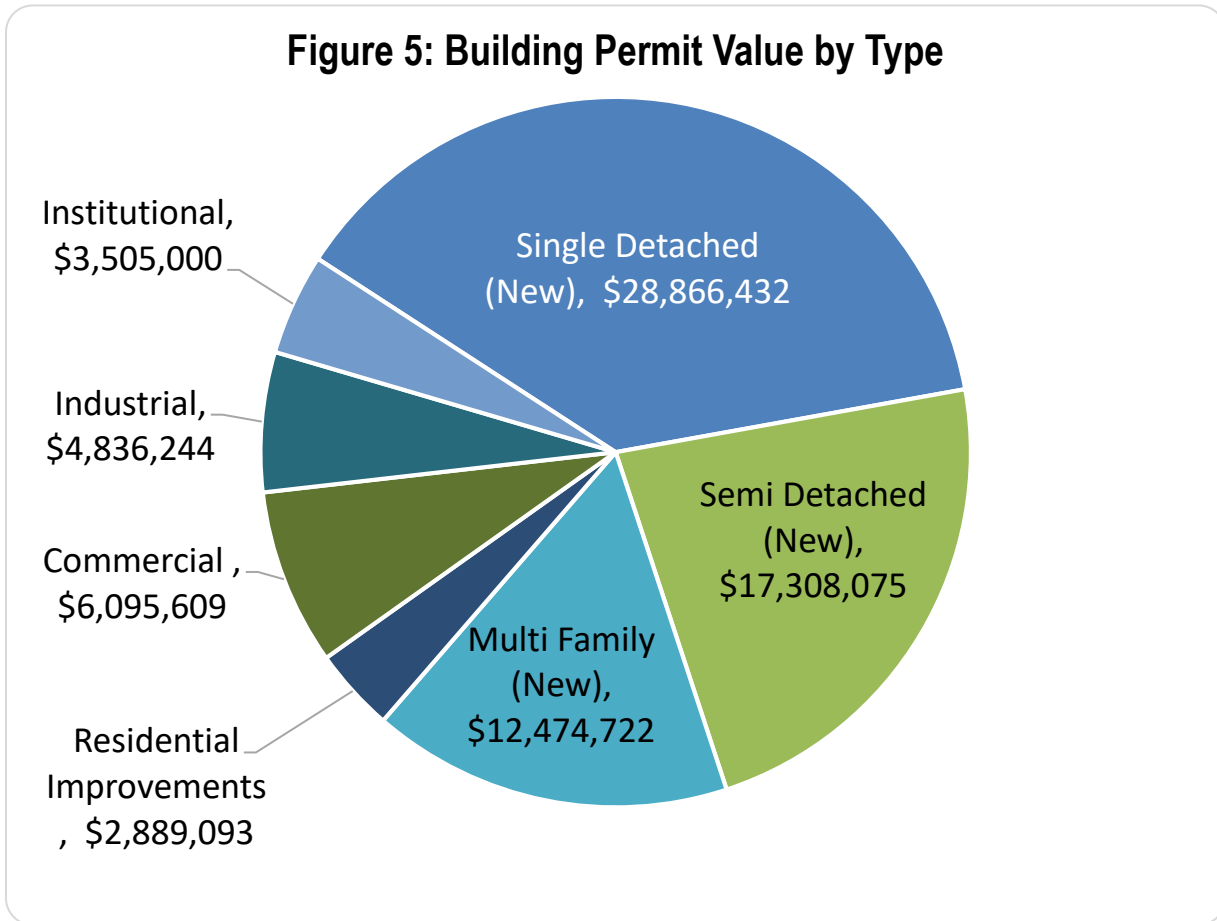
Industrial permits have decreased by 9% down to 10 permits compared to 11 permits in the year previous, with new industrial developments including an RV storage facility in the Yellowhead Industrial area, an industrial building in the Spruce Grove Industrial area, and a cold storage facility in on Golden Spike road.

Institutional activity is higher, with 2 new permits in 2021, compared to 3 in 2018, which are both institutional improvements reflecting upgrades to the Millgrove School and a major addition to the Spruce Grove Alliance Church.



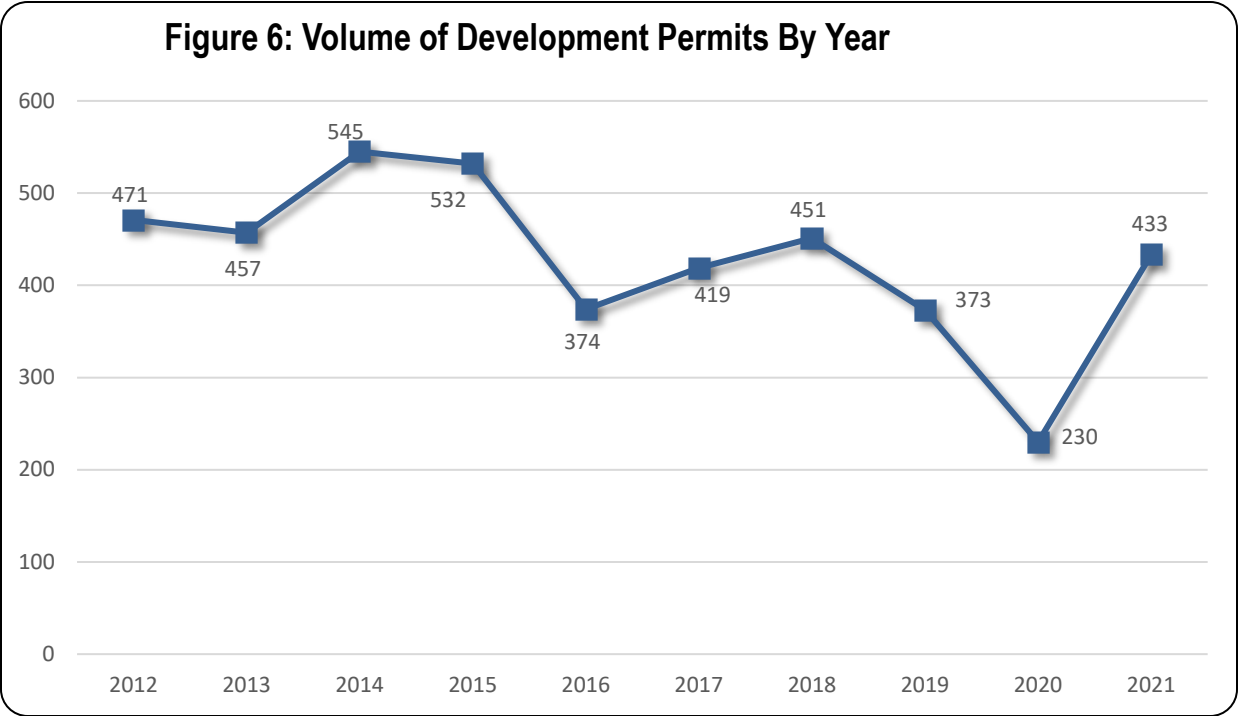
As shown on **Figure 4**, overall building permit valuation has strongly rebounded with a 135% increase from 2020, also exceeding 2019 by 29%, and is aligned with the 10 year average suggesting a strong recovery.

Figure 5 depicts the value of building permits assessed by building type. The City is anticipating overall valuations for 2021 to be higher than the year-end of 2020, predominantly led by the residential sector, followed by commercial, industrial and then institutional.



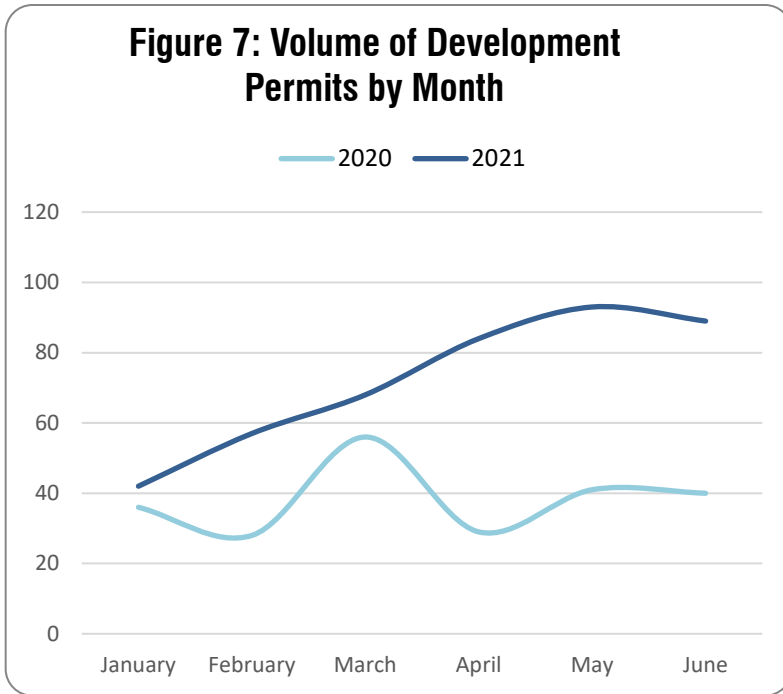
Development Permits

Development permits are issued by the City’s development officers in order to approve the location and use of a structure 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.



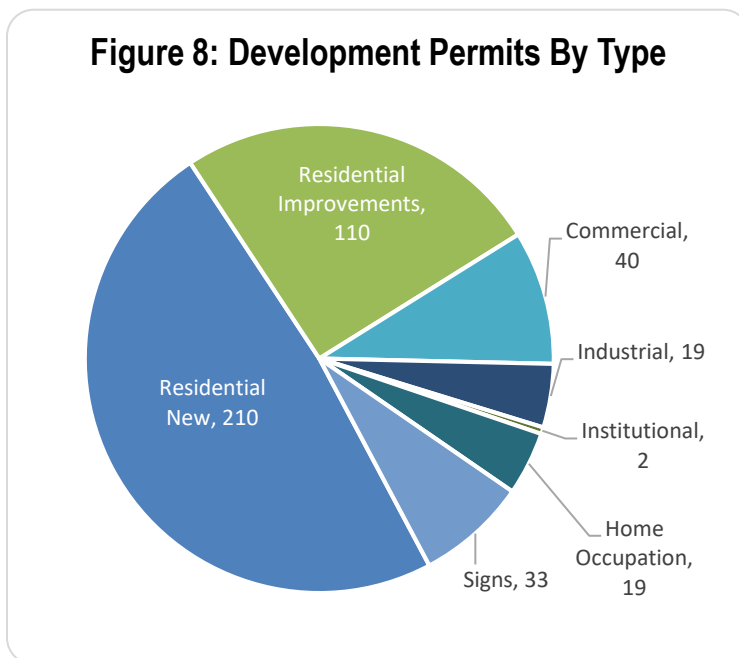
In the first six months of the 2021, the City approved 433 development permits, reflecting an 88.3% increase in volume compared to the same period in 2020 (**Figure 6**). Permit levels in 2021 are almost on par with permitting levels experienced in 2017 and 2018, as well as the 10 year average of 428 per year.

Figure 7 on the following page, depicts the monthly permitting levels for the first half of 2020 and 2021. The permitting trend in the first six months of 2021 shows a gradual and consistent increases and permit activity month over month, reaching the highest level in the month of May and then gradually plateauing in June 2021.



Similar to the building permit forecast, the overall development permit forecast for 2021 is expected to finish higher than the full-year figures for 2020 and is more consistent with the 2017 and 2018 development permitting levels.

Figure 8 depicts the number of development permits by development type. 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 applications for new garages built as accessory use.



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.

Analysis indicates that in 2021, the number of development permits issued for single and semi-detached dwellings were higher by 257.7% compared to 2020. Residential improvements including garages, also saw a 17% increase compared to 2020.

2021 saw the approval of 24 multifamily residential projects, which include an apartment for market housing, and a senior's facility by St. Michaels,

both of which will add a high number of residential dwelling units thus offering more choice in the City's housing market.

Commercial development permits saw a 66% increase compared to 2020, mostly attributed to commercial improvements. Similarly industrial development permits also increased by 111% relative to 2020. The increase in permitting levels associated with improvements in the commercial and industrial developments suggests property owners gearing up for the emerging market demand for these space in 2021 following a difficult year in 2020 due to the Covid-19 pandemic.

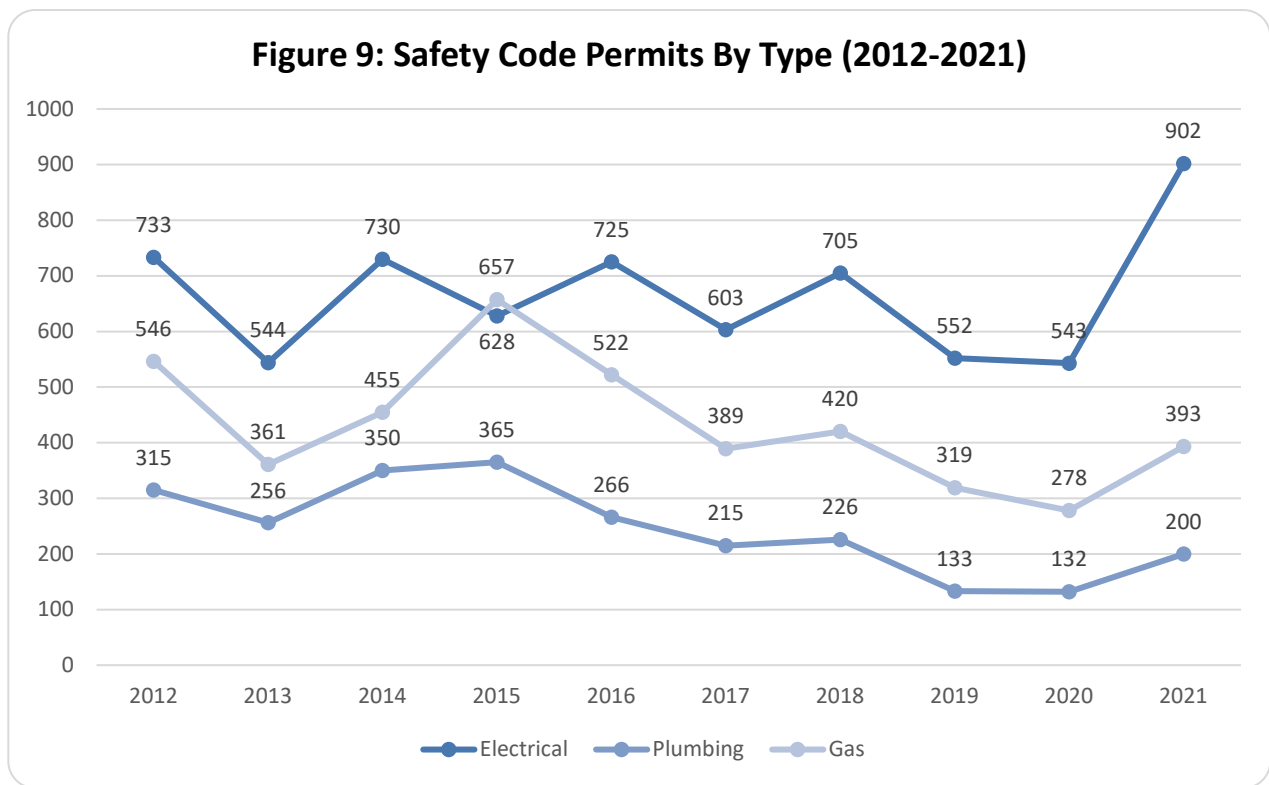
The City approved two institutional improvement permits in 2021, compared to one in 2020, which will see improvements to the Millgrove School, and a major addition to the Spruce Grove Alliance Church.

With the high levels of permitting observed in the first six month, the overall volume of permit is expected to plateau or slowdown in the following six months, but finishing strongly in relation to the past two years, and at par with levels observed in 2017 and 2018.

Safety Code Permits

The City began tracking other activity types such as safety codes trades permits (plumbing, gas and electrical permits) as shown in **Figure 9**, since 2011. These permits are required to make upgrades to or change certain fixtures, such as furnaces, on private property.

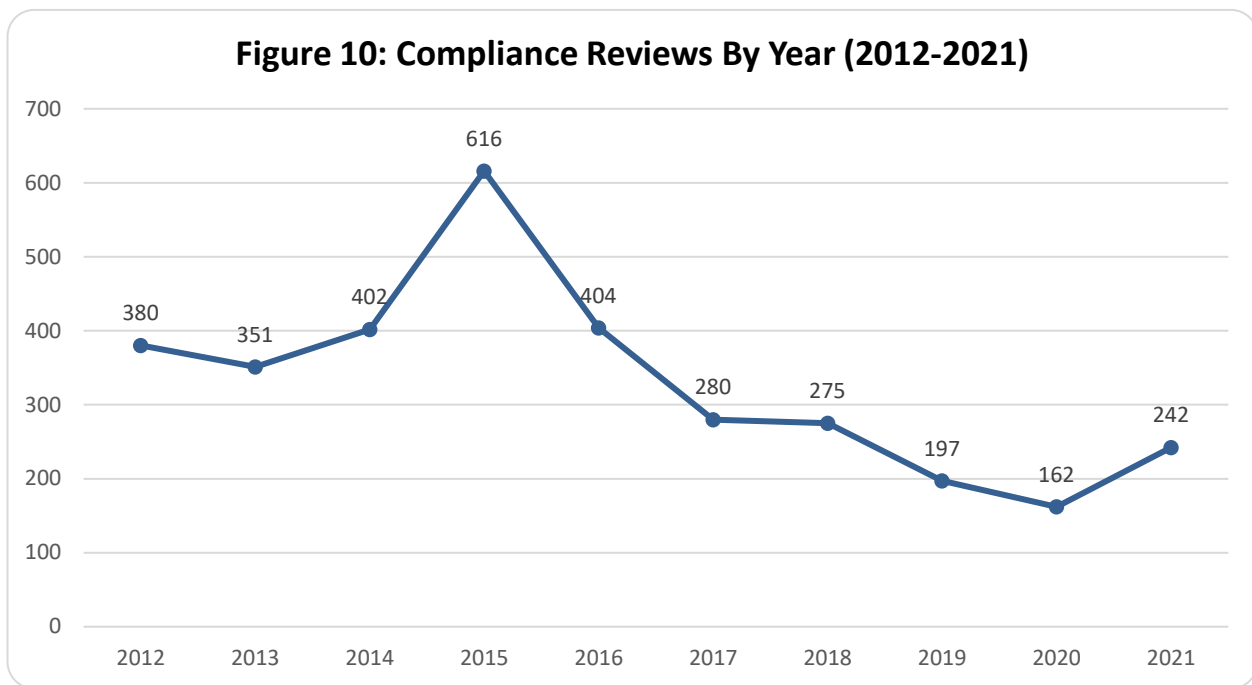
Safety codes permits are not as predictable as building permits and can fluctuate from year to year depending on not only project types but also climate variations. Warmer weather, as an example, can lead to fewer temporary gas permits in the winter. Permitting levels have increased approximately 57% for all trades permits in the first half of 2020, which is similar in trend to building and development permits.



Compliance Reviews

Lastly, Administration monitors compliance request activity (**Figure 10**), which is a service offered by the City to review the use and improvements on a property for compliance with the Land Use Bylaw. The service typically reviews the use of the structure and whether development permits have been issued for all uses and structures. The City also reviews the improvements on the property, such as the locations of buildings, driveways, etc., to ensure minimum setbacks or other requirements are met.

Compliance requests were up by almost 49.4% in 2021 compared to 2020, but remain lower than the levels seen between 2012 and 2018. The apparent contradiction between higher levels of building permit and development permit approvals, but lower compliance requests, suggests that many builders are increasingly opting for Title Insurance rather than requesting the City's compliance review service.



Conclusion

The City experienced a strong start to the development activity 2021, with higher building and development permitting levels in the first half of 2021 compared to the same period in 2020 when the City had experienced a slowdown in development activity due to the restrictions and impacts from the Covid-19 pandemic.

Reduced interest rates, and homebuyers looking for homes that offer more space to accommodate work from home and other lifestyle needs resulted in a high demand for new housing developments, which saw a quick depletion of inventory levels in late 2020, and the demand momentum carrying into 2021. Development industry has responded with increased development applications across all residential development types, including new multifamily apartments as well much needed senior's housing facilities, which is expected to improve housing choice in the City of Spruce Grove.

The increase in development and permitting levels experienced in Spruce Grove is consistent with the trends observed province wide. Between January and July 2021, Alberta municipalities issued \$1.02 billion in building permits, an increase of 37.2% over the same period in 2020, with residential building permits seeing the largest increase of 52.5% between January and July 2021.

(Source: <https://economicdashboard.alberta.ca/BuildingPermits#interprovincial>).

With increased residential and commercial development activity and multifamily residential leading the way including residential apartments and new senior's facilities, Administration expects the momentum to carry on for the remainder of the year, with a stronger finish to 2021 with development activity levels similar to those seen in 2017 and 2018.