City of Spruce Grove Mid-Year Development Activity Report – 2014

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 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’s contractor 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.

The first two quarters of activity followed typical trends in Alberta, seeing lower permitting levels in winter, with greater activity growth as summer begins. Looking at the Figure 1, there appears to be a slight lull in permitting in March and April; however, this is an artificial reduction in activity as the City experienced longer timelines that pushed a higher number of building permit approvals into May (thus resulting in a higher permitting level in May than typical). That said, total

![FIGURE 1: VOLUME OF BUILDING PERMITS BY MONTH](image)
permitting levels for the first half of 2014 are the highest in the City’s history, even surpassing the boom years of 2006 & 2007 (Figure 2).

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

As seen in Figure 3, about 47.5% of building permits issued in the first half of 2014 were for new dwellings, and another 44.3% of permits were for residential improvements, for a total of nearly 92% of all permits. Commercial permits accounted for approximately 5% of the building permit activity in Spruce Grove, consistent with 2013. Industrial activity comprised a little over 3% of building permits, doubling the activity in 2013, but in line with previous years.

When looking at building permit values, a slightly different picture of construction trends in the city emerges. The graph on the following page depicts the value of building

![Figure 2: Volume of Building Permits by Year](image)

![Figure 3: Volume of Building Permits by Type](image)
permits when assessed by building type. Although commercial construction represents only 5% of the total number of building permits, commercial construction for the first six months of 2013 comprises 6.2% of building permit valuation (Figure 4). Commercial construction valuations are down significantly from the past few years, as fewer new buildings are proposed, while tenant improvements are on the rise. Conversely, industrial permits, representing just 3% of permit volume, comprise nearly 18% of valuation for permits in 2014, a significant increase over previous years.

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. At the beginning of 2014, Administration predicted high levels of non-residential development for the year, similar to recent years, with a shift to less commercial development than 2012 and
2013, but with greater industrial activity. It appears that after two years expecting increased industrial activity, the prediction has been realized in 2014.

The last graph in this section, Figure 5, displays the value of building permits by year since 2009. These values are not adjusted for inflation. We can see from the graph that the first six months of 2014 show permit valuation at the highest level in recent years, with a total permit value of approximately $108 million. This is the second-highest valuation for the time period in the City’s history, just under $114 million in 2007. Administration expects the remainder of the year to be consistent with the first half of the year, as some major projects are anticipated to move forward to permitting. Activity levels will remain dependent on favourable weather conditions as fall approaches.

**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.

For the first six months of the year, development permits have increased in volume by approximately 19% compared to the same period in 2013. In fact, development permit activity during the first six months of the year is the highest in the City’s history (Figures 6 & 7).

Figure 8 looks at the number of development permit approvals broken down 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.

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 in this graph also 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.

The above said, 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 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.

Last year the number of businesses operating in Spruce Grove according to manual tracking was around 1700. This year, based upon the renewals and new license applications, we have 1370 licensed businesses to date. There are still a number of businesses that have not applied for a new license as well as some businesses
operating on an old project license, and a push will occur in the coming months to get all businesses licensed prior to the next renewal. The annual report in March should provide a much clearer picture regarding our business license compliance success.

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. We can see from the figure above, compliance requests are at the highest level in six years, with the second highest volume in the City’s history (Figure 9).

Prior to 2010, the City did not collect information on the number of safety codes permits issued, other than building permits. However, in order to track the department’s activity and productivity, Administration has kept data on electrical, plumbing and gas permits since that time. Typically, a new building requires two electrical permits, one gas and one plumbing permit, though 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. Even so, permitting levels are now back to 2012 levels based on increased building activity (Figure 10).

**Conclusion**

The City continues to see record residential growth, with an uptick in activity in the industrial sector. New activity highs in Development Permit issuance predict strong activity levels for the next year in all land use types. That said according to CMHC data, absorption rates are lengthening on new residential units, which may result in a natural lowering of residential activity in 2015.