

CITY OF SPRUCE GROVE
MID-YEAR DEVELOPMENT ACTIVITY REPORT
2016

PREPARED BY CITY OF SPRUCE GROVE
PLANNING AND DEVELOPMENT DEPARTMENT
AUGUST 2016

City of Spruce Grove Mid-Year Development Activity Report – 2016

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 in accordance with regulations set out in the Alberta Building Code. Approvals are based on building plans and technical reports that are reviewed for conformance 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.

While the trend over the first six months of 2016 followed typical seasonal activity of lower permits in the winter with permit activity levels ramping up in summer (**Figure 1**), permitting levels are significantly lower than 2015.

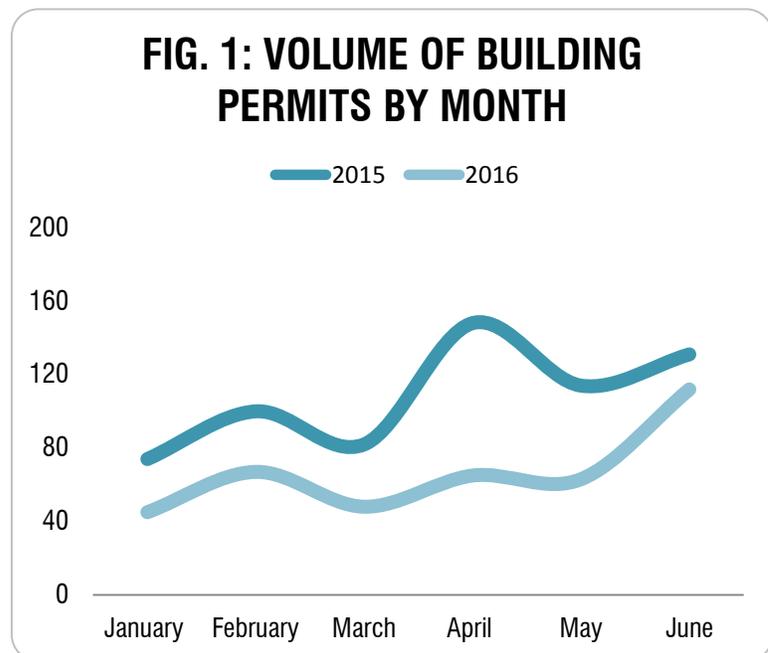
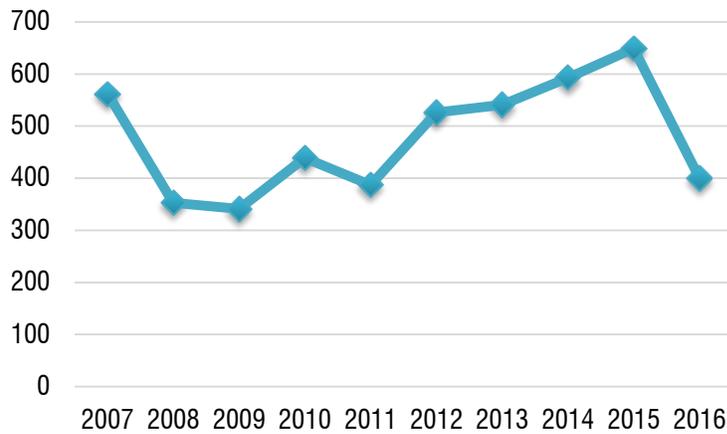


FIG. 2: VOLUME OF BUILDING PERMITS BY YEAR



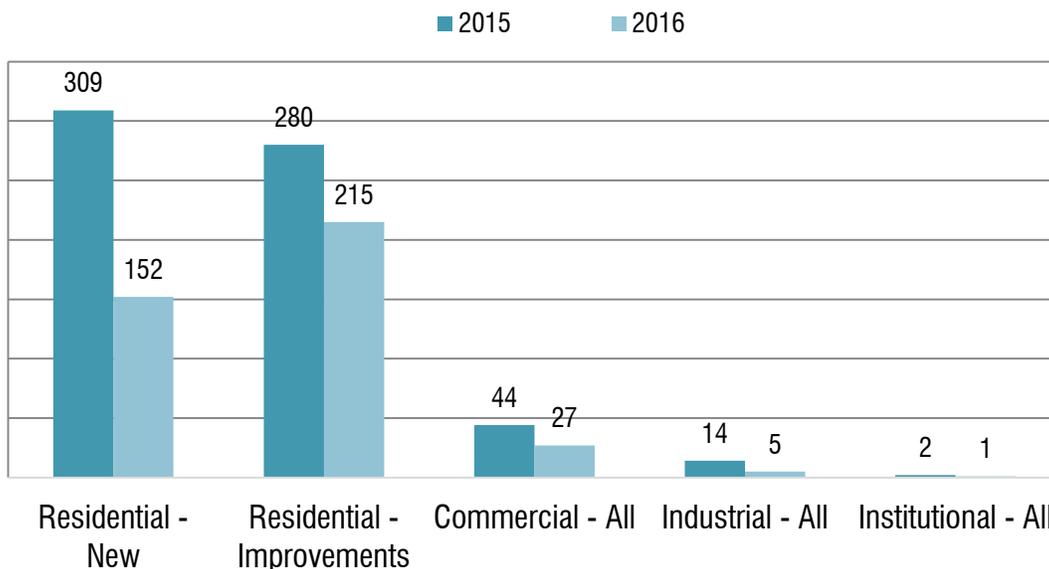
As shown in **Figure 2**, building permits issued during the first half of the year dropped by 38% from a record 649 permits in 2015 to 400 permits in 2016. Permitting levels for 2016 have returned to normal for Spruce Grove, reflecting typical levels between the years 2008 to 2011.

Delving deeper into the numbers, the City looks at the distribution of building permits issued, categorized by residential, commercial,

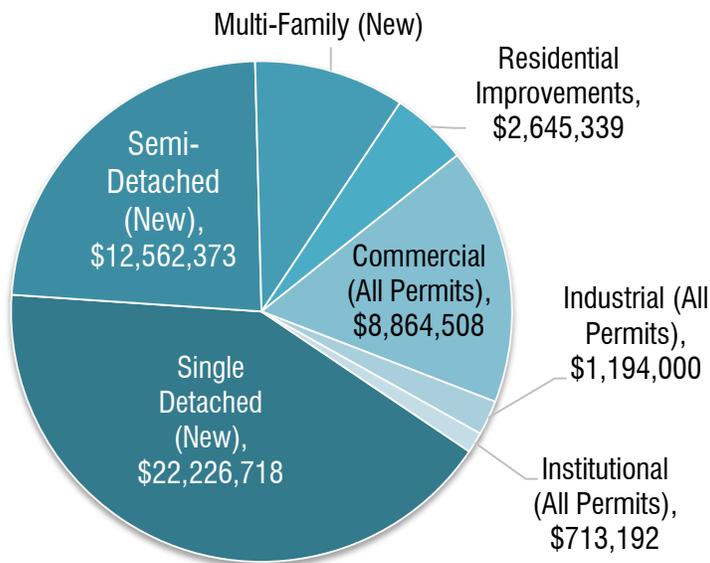
industrial or institutional use. Residential construction continues to dominate permit activity in Spruce Grove. Therefore, residential permit activity is broken down into new construction and improvements for charting purposes. For the purpose of this report, improvements also include new detached garages.

As seen in **Figure 3**, about 38% of building permits issued in the first half of 2016 were for new dwellings, and another 54% of permits were for residential improvements, for a total of nearly 92% of all permits. While the overall residential percentage of 92% is typical, the ratio of new residential permits to improvements has shifted in 2016; new residential permits often comprises close to 50% of permits, whereas that percentage has been reduced to 38%. Residential improvements, conversely, has increased its

FIG. 3: VOLUME OF BUILDING PERMITS BY TYPE



**FIG. 4: BUILDING PERMIT VALUE BY TYPE
JAN - JUN 2016**

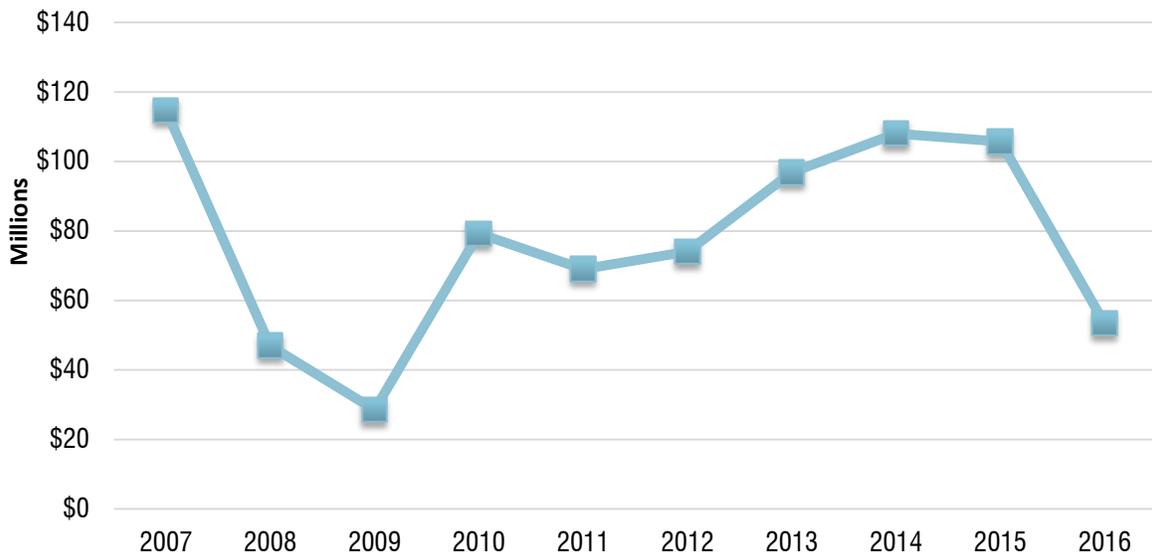


percentage of the overall building permit share to 54%. Commercial permits accounted for approximately 7% of the building permit activity in Spruce Grove, consistent with 2015, while industrial activity fell from 2% of permits in 2015 to 1.2% in 2016.

-Building permit valuations in 2016 largely mirror the permit activity breakdown detailed in the previous paragraph, which is atypical in Spruce

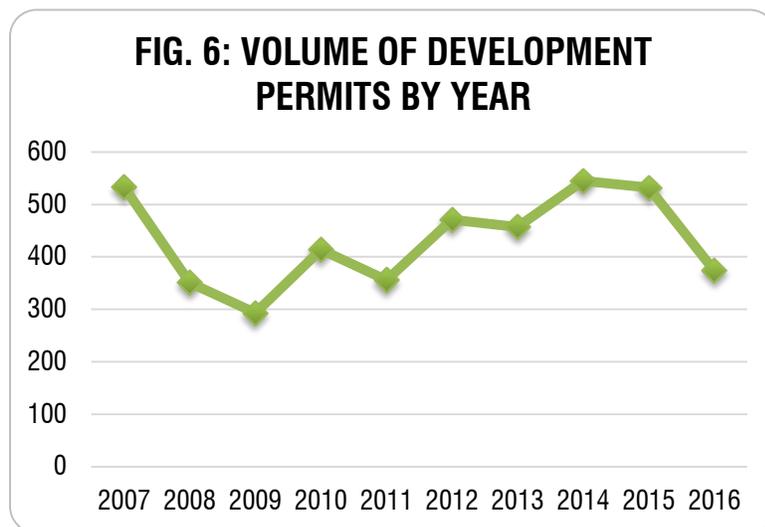
Grove. Usually non-residential activity provides a higher percentage of valuation; however, 2016 has seen fewer new buildings with large valuations and more improvements. **Figure 4** depicts the value of building permits when assessed by building type. As an example, commercial construction in 2016 represented 5% of all building permits and 6.2% of the valuation, which is not a large difference. Industrial investment levels were approximately 2.2% for the first six months of the year.

FIG. 5: VALUE OF BUILDING PERMITS



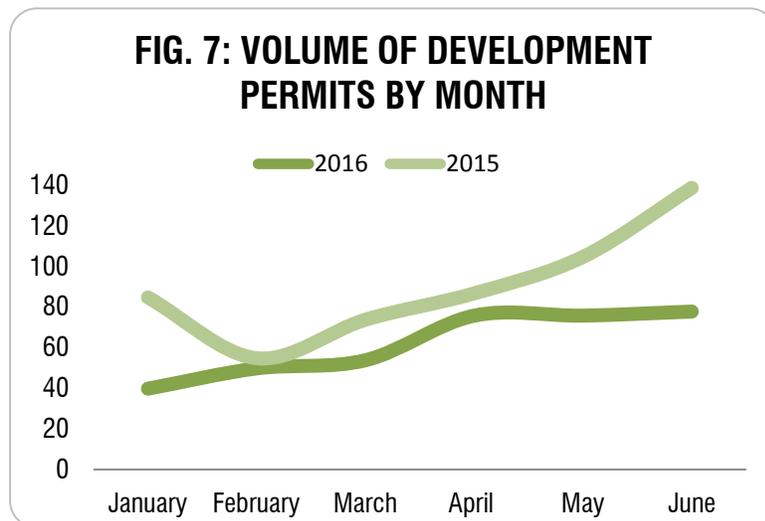
Overall most private investment in Spruce Grove goes toward the construction of new residential units, including single detached, semi-detached and multi-family dwellings. Generally, over the course of a year, the residential permit values are much higher than the non-residential values. At the beginning of 2016, Administration predicted muted levels of investment across all development types given the economic climate in the region.

The last graph in this section, **Figure 5** (previous page), 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 2016 show permit valuation at the lowest level in recent years, with a total permit value of \$53.4 million, about 50% less than 2016. Looking at Figure 5, one can draw parallels in the correction of 2009 and 2010 following record construction valuations in 2006 and 2007. As we can see, the correction in 2016 follows the same cyclical pattern, but so far the correction is not as severe. Administration expects muted investment levels through the end of the year.



Development Permits

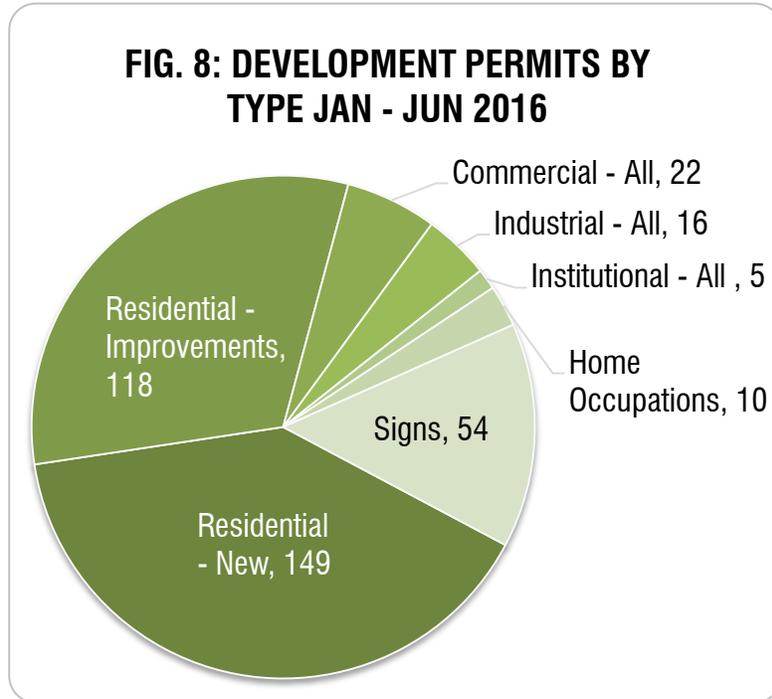
Development permits are issued by the City's development officers in order to approve the location and use of a building on a property in accordance with the Land Use Bylaw. Development permits are valid for one year after the date of approval, and are therefore often a good indicator of what levels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



For the first six months of the year, development permits have decreased in volume by approximately 30% compared to the same period in 2015, returning to activity levels typical before the most recent boom (**Figures 6 & 7**).

Figure 8 (next page) 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 Licences

The City of Spruce Grove issues business licences to people or companies wishing to operate a commercial enterprise. Licences are issued for typical ‘storefront’ businesses, as well as temporary operations and home occupations. The business licence 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 licences are approved and some are cancelled.

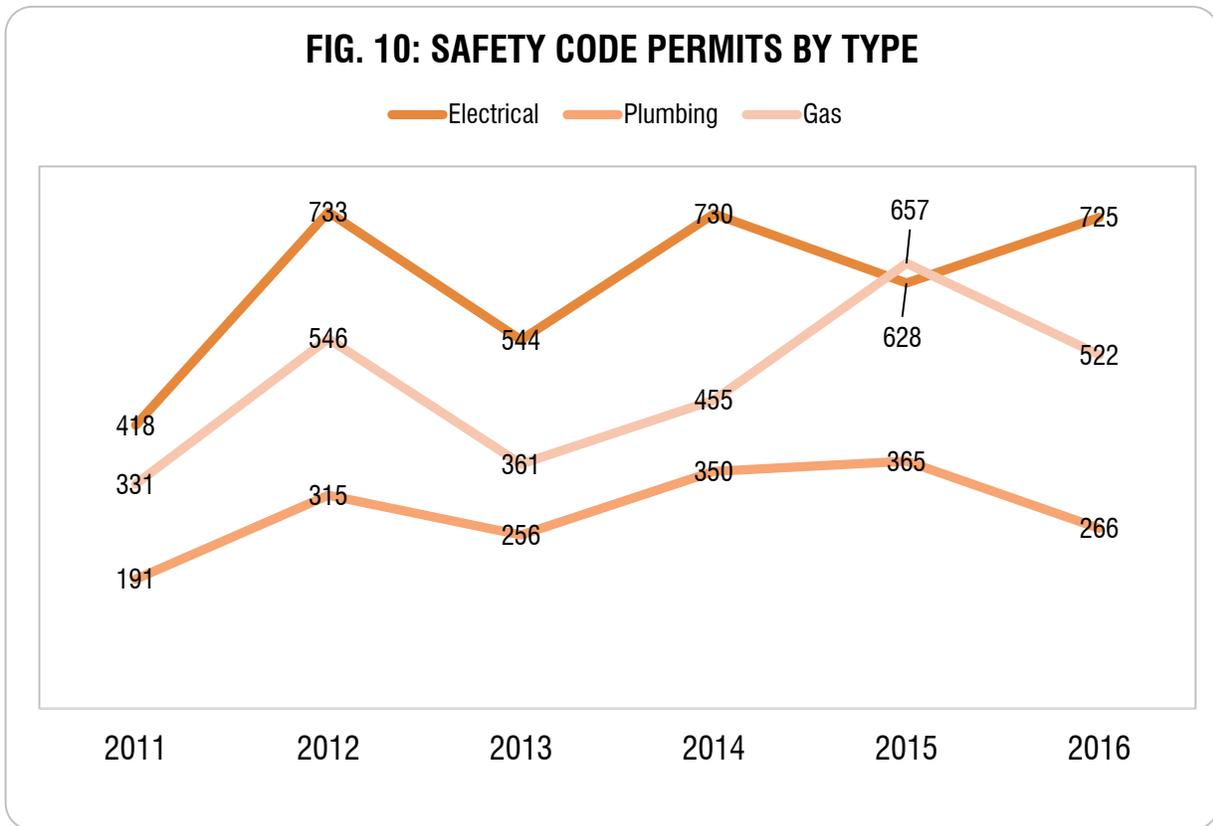
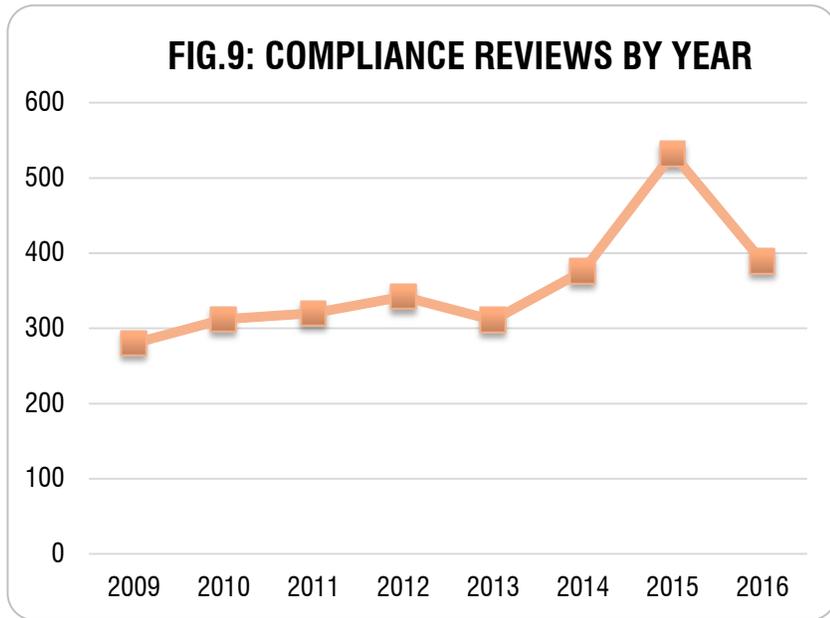
In January 2014 a new Business Licence Bylaw went into effect, and the City moved its tracking of business licences to the CityView software program. Staff took the opportunity to build a new, clean business licence database. All businesses were sent notifications and given the opportunity to renew licences 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.

That said, business licence numbers have increased since 2013. The number of businesses licensed in 2013 was 1,370, which increased to 1,600 in 2015 and a slight decrease to 1,560 in 2016. The move to online renewal options and free renewal for resident business has been a highly successful program, resulting in nearly all businesses voluntarily renewing their licences by the February 15 deadline. The new process has resulted in greater efficiencies in business licence renewals and a

significant reduction in the amount of enforcement required for businesses to gain compliance with the Business Licence Bylaw.

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 **Figure 9**, compliance requests have returned to more



typical activity level after a spike in 2015. While 2016 levels are 27% lower than 2015, activity levels are still the second highest in Spruce Grove's history and 3.4% higher than 2014.

The last area the City monitors for the mid-year report is that of safety codes trades permits, which are issued for work on electrical, plumbing and gas systems on private property (**Figure 10**). The City started tracking electrical, plumbing, and gas permit activity in 2011. While building permit activity has steadily risen until this year, permitting activity for other safety codes permits fluctuates based upon the type of development that occurs or environmental conditions at the time of development. As an example, electrical permits may be higher in years where residential units with detached garages are popular, as garages require an extra wiring permit and sometimes an additional underground permit if the garage is built after the house and requires separate trenching. Similarly, years with very active winter construction may see a spike in gas permits for temporary heat.

Permitting levels of gas and plumbing are down in 2016 to date, while electrical permits have increased. Looking into the electrical permit numbers more closely, staff has not been able to pinpoint a single reason for the electrical permit increase. It is likely a combination of strong residential improvement activity (hot tubs, basement finishing, etc.), coupled with popularity of detached garage products in 2016.

Conclusion

The first six months of 2016 have resulted in substantially lower permitting levels following record activity and annual permitting increases. Soft market conditions will likely persist; therefore, residential permitting activity is anticipated to be steady but slower than recent years. While modest levels of non-residential development activity may occur over the coming months, Administration anticipates no significant changes until mid-2017 when development on private lands in the Westwind area is anticipated to start construction.