

2013 DEVELOPMENT ACTIVITY REPORT



February 2014

Planning and Development Department

An overview of development activity for 2013 and trend analysis for historical activity in the City of Spruce Grove.

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INTRODUCTION

Building permit activity is a common measurement used to track the economic vitality and growth in communities. It is useful for communities to monitor trends in building permits 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 and the trend toward urbanism shows no sign of slowing.

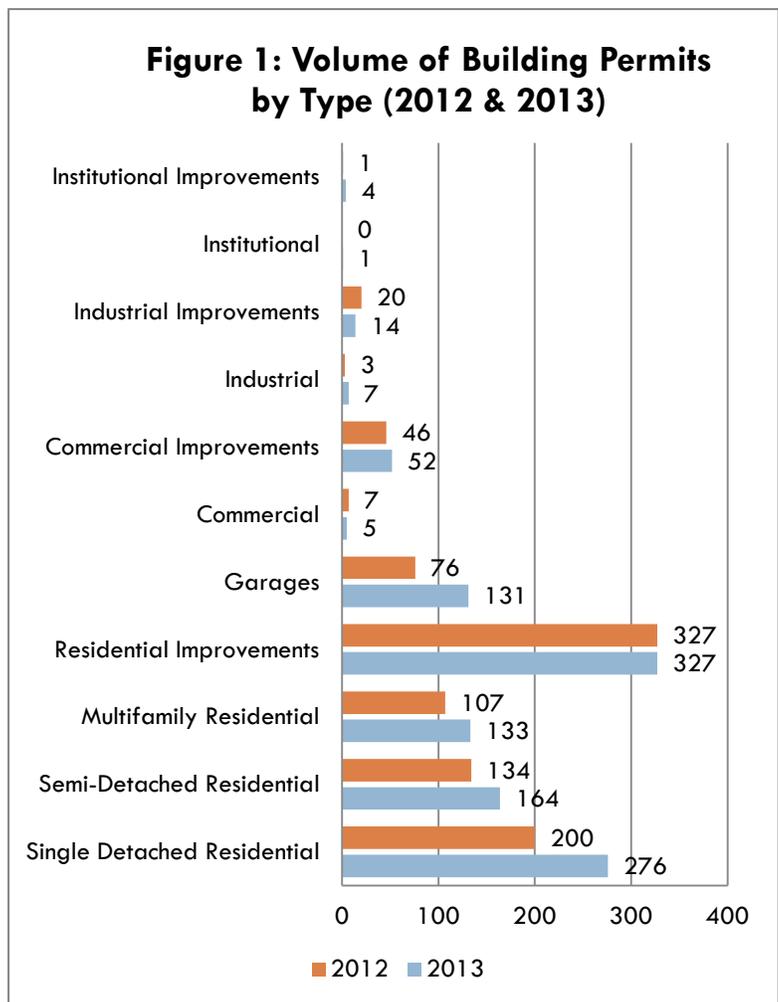
The following pages contain analysis of the growth trends for the past decade (2004-2013), focusing specifically on activity in 2013. This report provides an overview of building permit and development permit information. In addition, compliances and other permits are tracked in order to provide a more accurate picture of the total activity taking place in the Planning and Development Department of the City.

BUILDING PERMITS

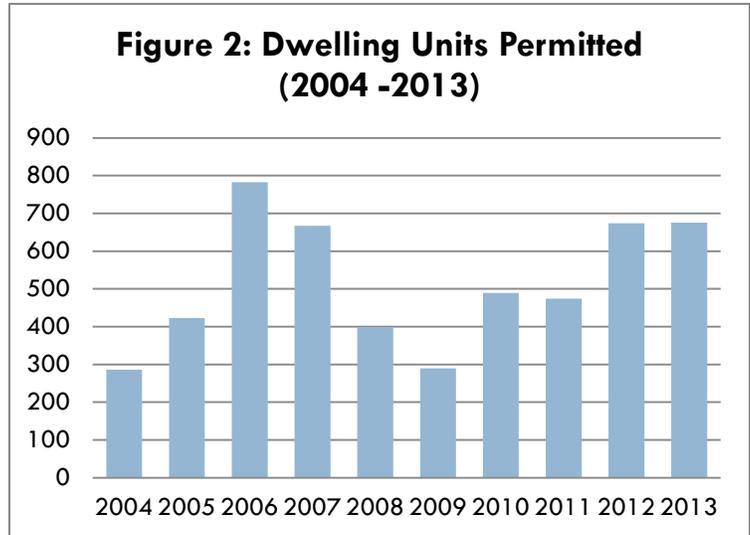
Spruce Grove issued 1,114 building permits in 2013, a 21% increase over permit activity in 2012, and a 43% increase over 2011. In fact, 2013 is the busiest year in the City’s history in terms of building permit issuance. Activity levels were higher than anticipated, exceeding even the boom years of 2006 and 2007.

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

Overall, about 93% of the permits issued in 2013 were for residential construction, including new dwellings, improvements and garages, up from 91.5% in 2012 and 89% from 2011. Part of this increase is due to separate permitting for detached garages, which comprised 11.8% of all permits in 2013, indicating the popularity of the product. Comparatively, detached garages comprised only 8% of building permits in 2012 and 4.8% in 2011.

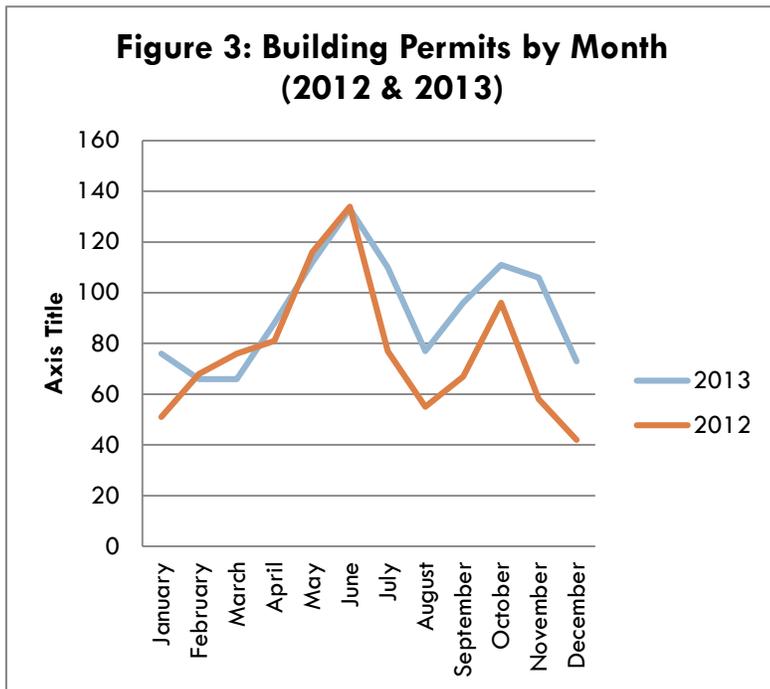


Residential activity remained predictably strong, but admittedly more robust than predicted. The types of housing provided remain balanced in Spruce Grove, seeing an increase of single detached units (276) and semi-detached units (164), with a decrease in multifamily units (236) over previous years. The popularity of row housing, included in the multifamily counts, remains robust and the decrease in overall multifamily units is due to fewer apartment style buildings permitted in 2013. Residential improvements were steady at 327 permits in both 2013 and 2012.



The total number of new dwelling units approved remained steady at 676 units in 2013, but is still higher than previous years. Due to the change in housing form, and with the increased popularity of detached garages, the number of building permits and the number of residential units are no longer parallel. Therefore, a new chart has been added to the report to show the number of units approved through building permits for the past ten years. Looking at **Figure 2**, one can now see how the number of units increased substantially over the boom years, followed by a marked decrease, and now new units are clearly on the rise again.

In the non-residential sector, new industrial buildings more than doubled, with permits for



seven new structures in 2013 versus three in 2012. Further, building permit valuation was approximately four times higher in 2013 than in 2012, indicating greater investment in the industrial sector and larger buildings under construction.

Building permits issued for new commercial structures decreased again in 2013, from seven permits for new buildings in 2012 down to five new buildings in 2013. That being said, the building permit value increased from \$11.8 million to \$13.6 million. The number of commercial improvements increased to a new high of 52 building permits for improvements.

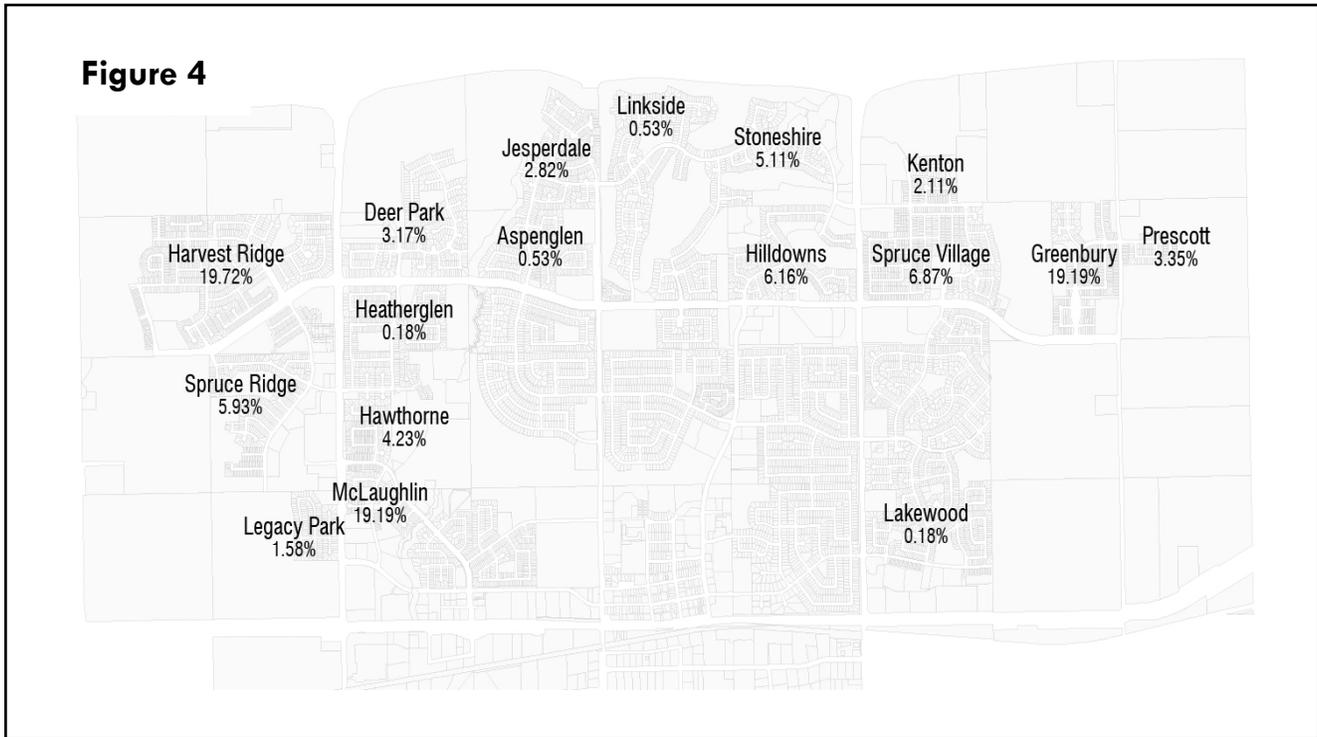
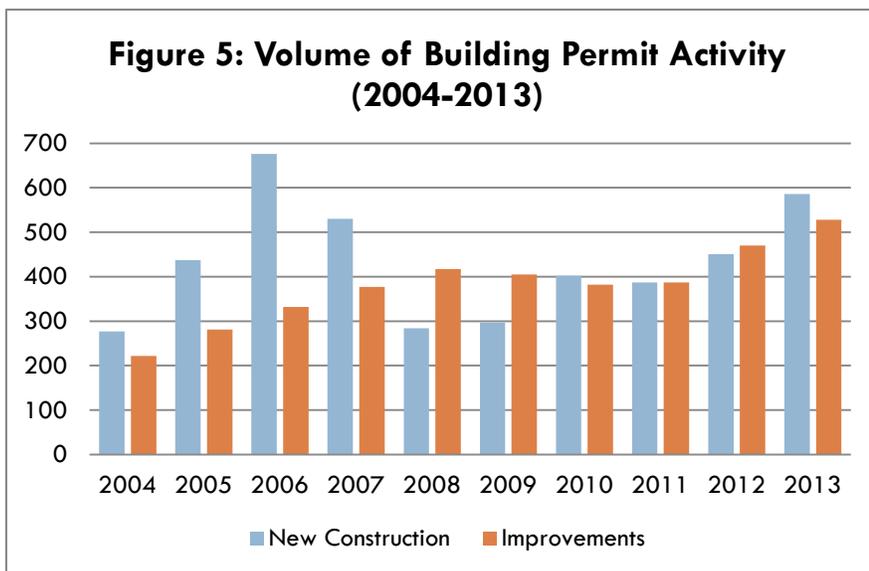


Figure 3 (previous page) depicts the number of building permits issued per month for 2012 and 2013. In this region, permit activity is usually slowest during the winter months, increasing in the spring and remaining high until the ground freezes in the autumn months. With comparatively mild winters the past two years, the city enjoyed a strong start to building activity with a typical climb peaking in June.

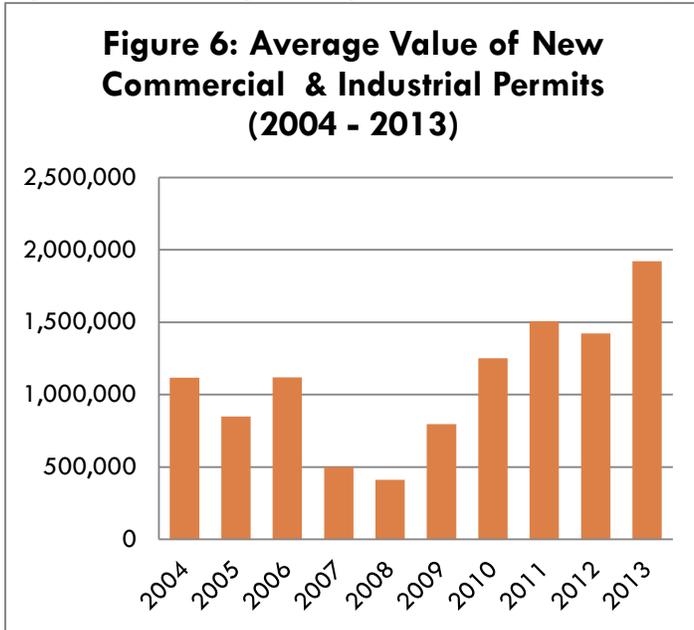
Figure 4 illustrates the housing starts in Spruce Grove by subdivision. The percentages include all unit types: single detached, semi-detached and multifamily dwellings. The highest percentage of building permits for new units occurred in Harvest Ridge, with Greenbury and McLaughlin following closely behind.



The city saw the start of construction in two new neighbourhoods this past year, being Kenton and Prescott, both on the east end. Administration anticipates high activity levels to be sustained in Greenbury, Harvest Ridge, McLaughlin and Spruce Ridge in the coming years. In addition, the new neighbourhood of Tonewood, south of Greenbury, will start

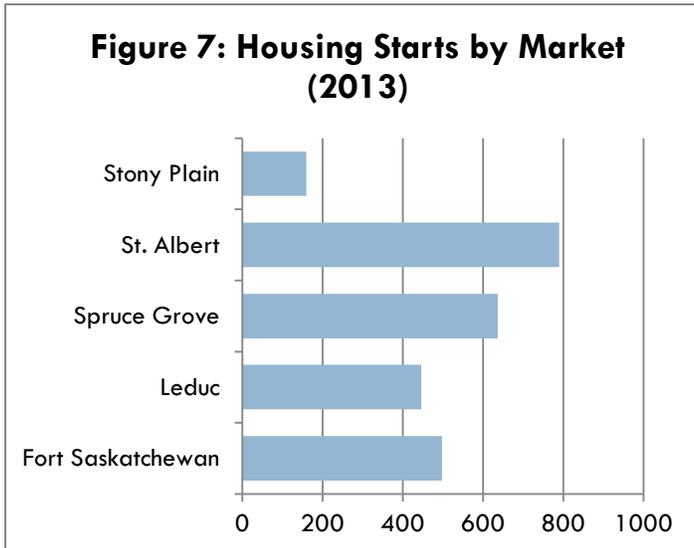
construction in 2014. A new neighbourhood of Easton, south of Grove Drive and east of Pioneer Road, may also begin development. In contrast, Heatherglen and Hilldowns are constructing the final stages of development this year.

A summary of permit activity over the past decade is displayed in **Figure 5** (previous page), separating new construction from improvements across all categories. The numbers displayed include residential, commercial, industrial and institutional permits. We can see that both new construction and improvements are both high in 2013; however, improvements were especially high, representing the highest activity level in Spruce Grove's history. As discussed above,



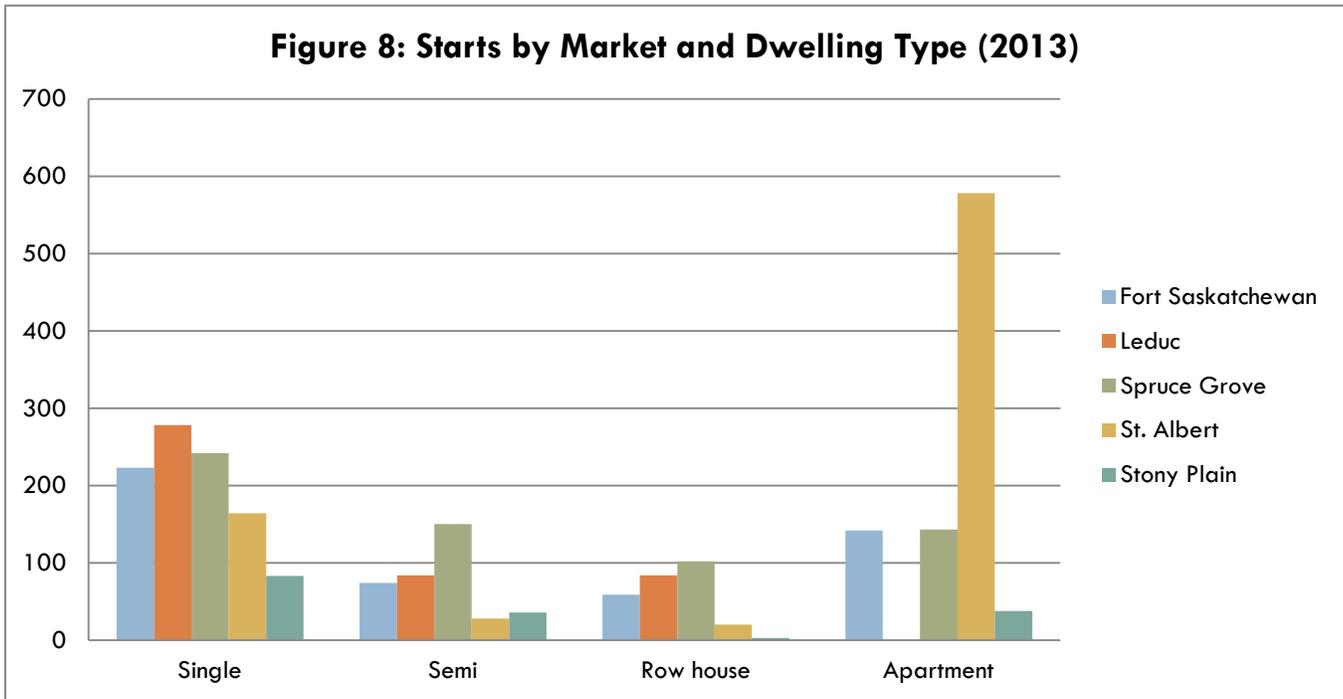
residential improvements returned to typical levels after a short downturn the previous year. This activity was complemented by high improvement activity in the industrial and commercial sectors spurred on by tenant improvements for commercial retail units (CRUs) and industrial bays built the previous year.

As indicated earlier in the report, the City saw an increase in commercial and industrial building permit valuations for 2013. In reviewing the trend over the past few years, the average value of new commercial buildings has been generally increasing, as shown in **Figure 6**. This reflects the development of larger, higher quality structures.



In order to provide some regional context for the city's growth, housing data released by the Canada Mortgage and Housing Corporation was consulted¹. **Figure 7** shows the number of new housing starts in a number of communities in the Capital Region. Spruce Grove was the third fastest growing municipality in the Edmonton region, behind only the City of Edmonton (10,634 starts) and St. Albert (790 starts). Surprisingly, Spruce Grove had more housing starts than Strathcona County.

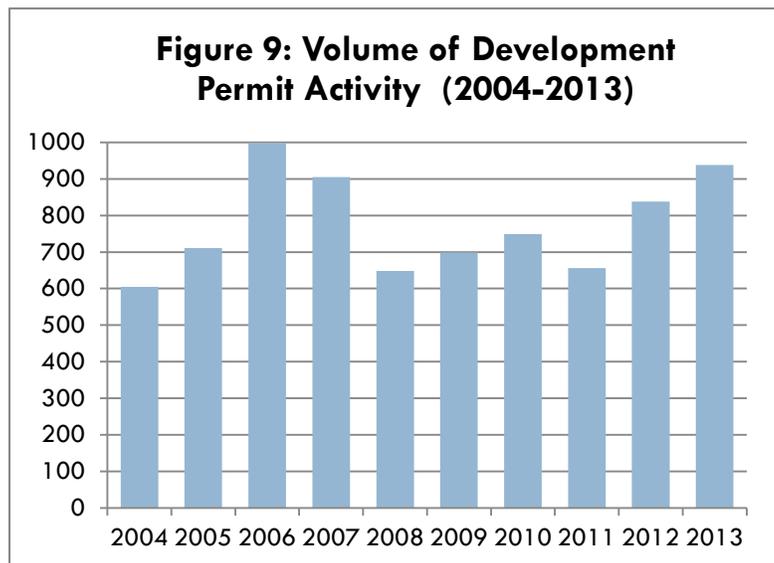
¹ Regional housing data is from the Housing Now publication. Note that their method includes site visits based on building permit data and a start is noted by a foundation being poured or equivalent. For this reason the numbers in this report do not match Spruce Grove's building permit data exactly.



From the above graph, **Figure 8**, one can see that the number of housing starts in Spruce Grove is partially influenced by the popularity of apartment and row house units. Similarly, it is clear that St. Albert’s housing start jump in 2013 is attributed to a marked increase in apartment style construction. Once again, Spruce Grove shows the greatest balance in diversity of new housing stock of the five municipalities shown, with multifamily unit types on pace with the number of semi-detached and single detached units.

DEVELOPMENT PERMITS

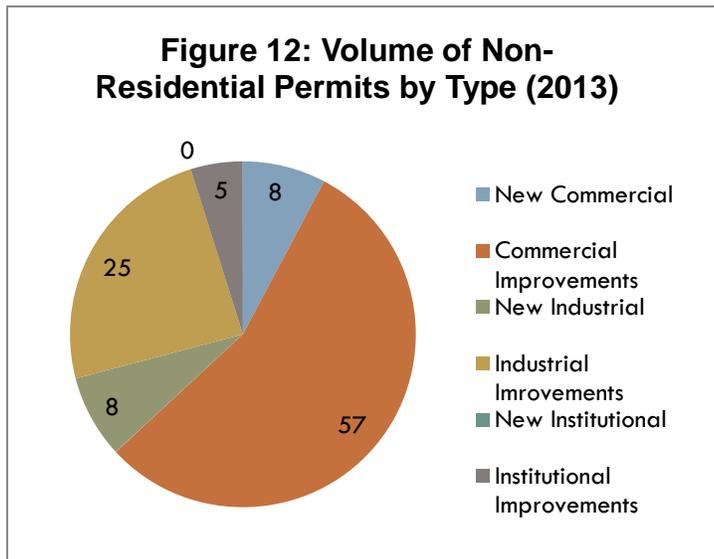
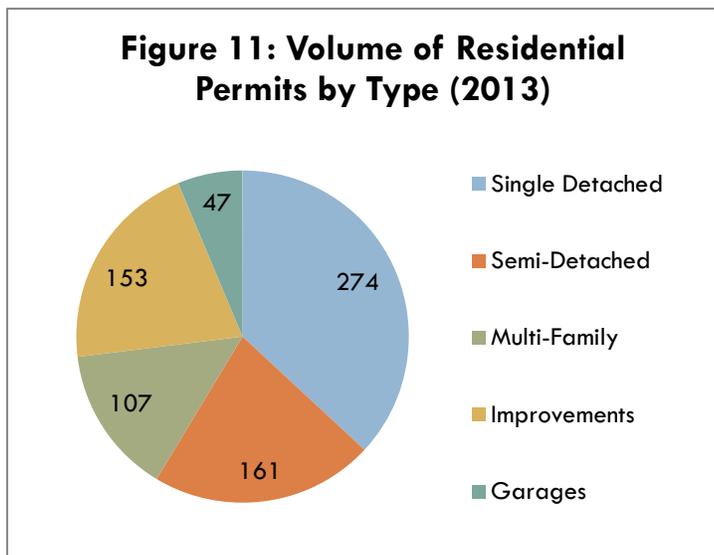
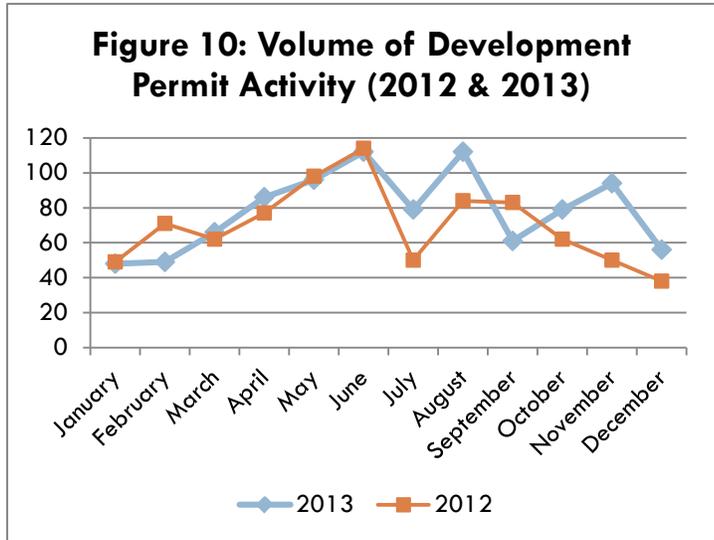
Figure 9 shows the trends in the volume of development permit activity over the last ten years. Development permit activity in 2013 was up 3.5% over 2012, which is much lower than the increase of 21% seen for building permit activity. As identified in last year’s report, there can be a lag between development permits and building permits, which identified a strong year in 2013 for building activity. In addition, some of the surge in building permits is due to detached garages, which would require a



separate building permit; however, multiple structures can be approved under a single development permit.

The next factor under examination is the volume of development permits on a monthly basis. **Figure 10** shows the number of permits issued by month for 2012 and 2013. The pattern shown is typical of development activity for the region, where more activity tends to take place during the warmer months. The pattern for 2012 is somewhat atypical, with higher winter month activity, due to unseasonably warm, dry weather. What has been different the past two years, however, is development permits dropping off substantially in July, versus August or September. This could be due to many home builders getting permitting earlier to avoid delays during the peak construction season.

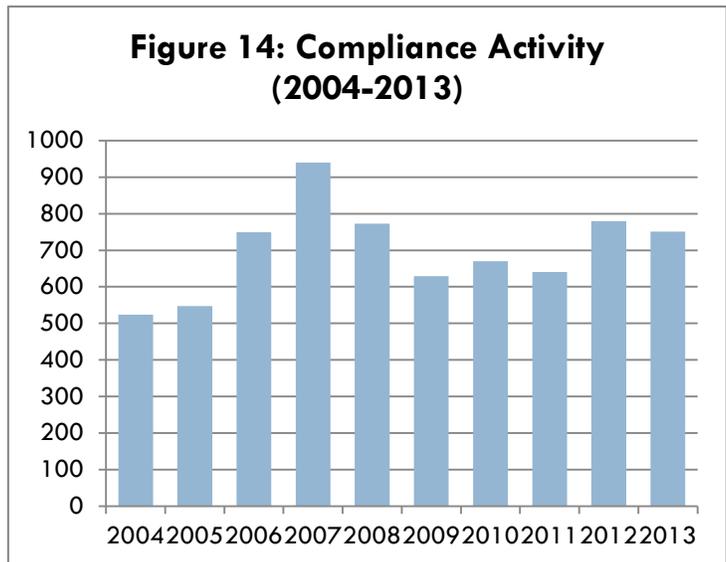
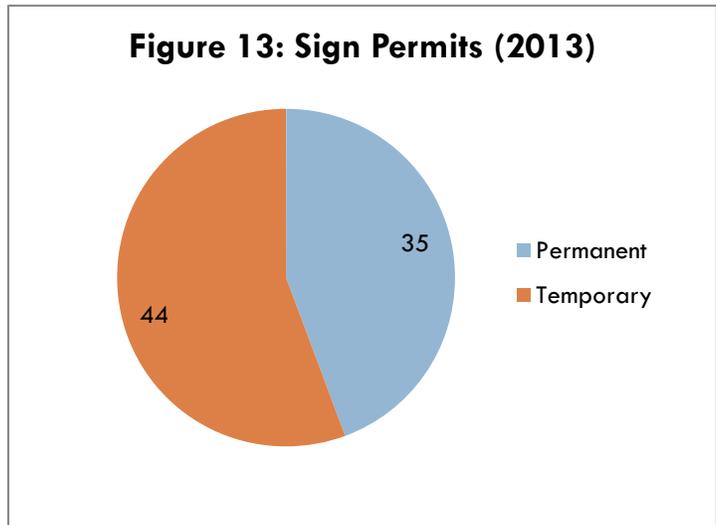
Figure 11 shows the breakdown of residential development permits issued by type. The graph is dominated by new single detached dwellings and improvements made to existing residences, which is typical of Spruce Grove. That being said, percentages for these two development permit types are generally lower than in previous years, resulting in more balance between the types of development permits issued. Generally, the permit numbers echo what we have already seen with the building permits. It should be explained that once again, multifamily dwellings tend to show a discrepancy because for certain building types, such as row house projects or apartment complexes with multiple buildings, a separate building permit is required for each structure, but only one development permit is required for the entire project regardless of the number of units contained within.



The breakdown of non-residential permits issued in 2013 by type is examined in **Figure 12** (previous page). Again, the trends seen earlier with building permits are evident here with the number and type of development permits with commercial improvements comprising the largest percentage of permits, which is largely due to tenant improvements and approvals required for new uses in CRUs built the previous year.

New commercial permits were steady from the previous year; however new industrial permits increased, bringing the total new non-residential development permit approvals to 16 (versus 14 in 2012).

Development permits for permanent signs was up slightly from 33 in 2012 to 35 in 2013. Temporary sign permits decreased substantially from 62 in 2012 to 44 in 2013, reflecting a reduction in enforcement coordinated by Planning and Development during 2013, as enforcement activities were transitioned to Enforcement Services. Planning and Development is working with the Enforcement Services on proactive enforcement practices, which will remain a focus in 2014, and will likely spur an increase in temporary sign permits this coming year.



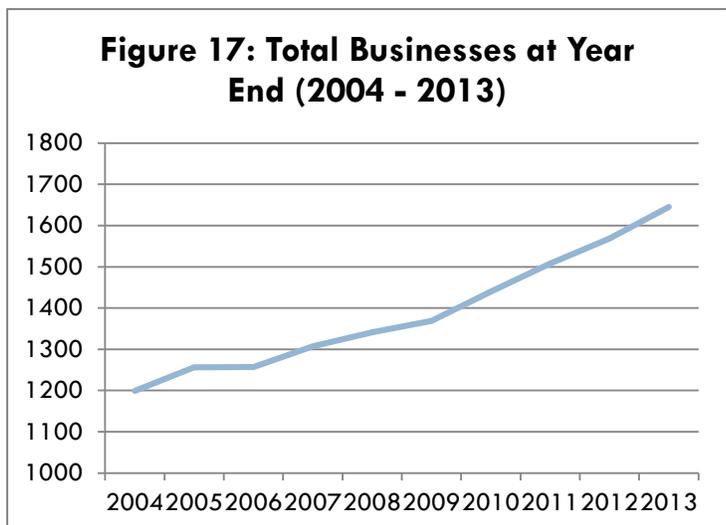
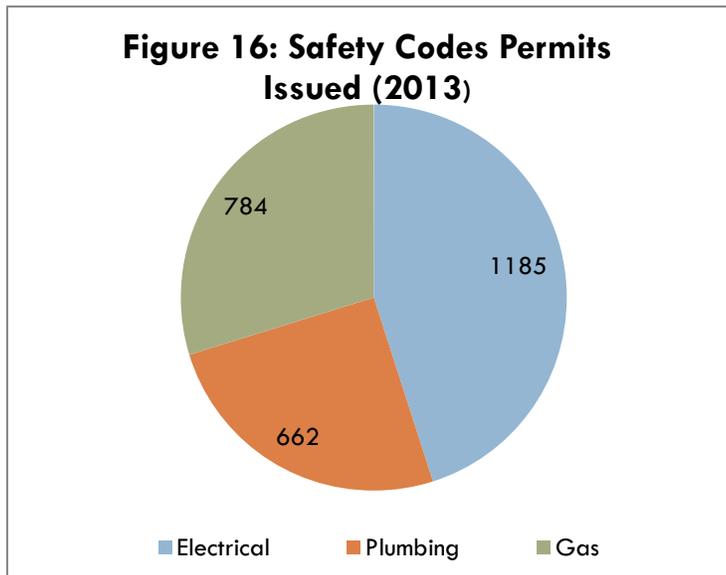
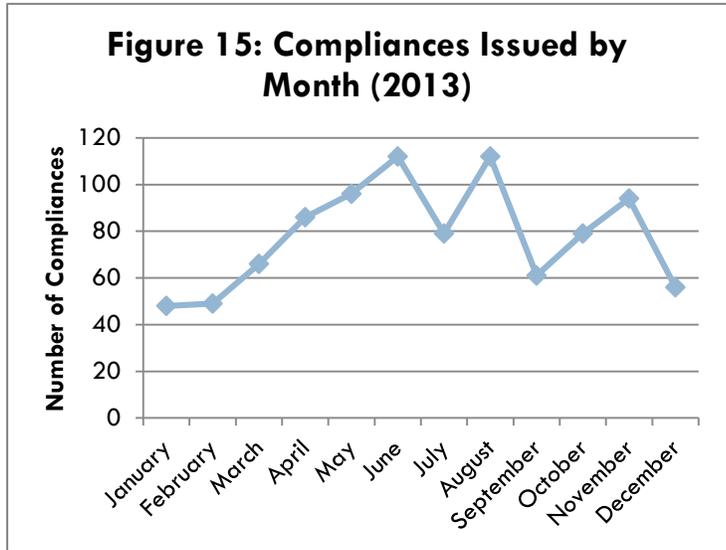
OTHER ACTIVITY

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 and Safety Codes. Compliance requests can be used to gauge residential transaction activity in the community. In 2013 there were 751 compliance decisions issued, down 3.8% from 2012. We can see in **Figure 14** that compliances were at a high during the boom year of 2007, have since gone through a correction, and are on a rebound.

In **Figure 15**, we examine the compliance activity for 2013 on a monthly basis. We can see that overall, the trend in real estate transactions follows the building trend where activity is lowest in the cold months and steady for the warmer months.

The Planning and Development Department tracked Safety Codes Permits (other than building permits) for only a few years and trends have not yet been established. That being said, we can see in **Figure 16** that the number of electrical permits is higher than plumbing and gas. This makes sense since generally for new construction two electrical permits are required, where only one is required in the other two disciplines. In addition, up until mid-2013 ATCO construction has been using the City's contracted inspection services for plumbing and gas permits for trailers built in Spruce Grove but ultimately delivered to other geographical areas. This has resulted in a narrowing in the gap between plumbing and gas permits compared to electrical permits during the past three years as trailer construction activity has increased. Overall, the City of Spruce Grove issued 2,611 Safety Codes permits in 2013, a 13.5% decrease over 2012 activity. The decrease is largely attributed to the reduction of permits related to ATCO using a private contractor for inspections starting in March 2013, coupled with fewer large commercial structures (which require multiple permits).

Figure 17 depicts the total number of businesses in Spruce Grove at year end over the past 10 years. The City crossed the milestone of 1600 businesses at year end in 2013, and was over 1,700 businesses during the summer (as project licenses and temporary business licenses



are taken into account). Business growth in 2013 stayed steady at just under 5%, consistent with 2011 and 2012.

At the end of the year in 2013, the City adopted a new business license bylaw and is currently in the process of building a new database of resident and non-resident businesses. Over the past two months, Administration have found a number of businesses that have moved out of Spruce Grove and failed to inform the City of their new location. Similarly, Administration has identified other businesses that have been operating without permits. While the City anticipates the number of businesses to grow, there may be some corrections to data that impact overall business numbers. The picture will become clearer with the mid-year 2014 activity report.

CONCLUSION AND 2014 OUTLOOK

Overall, building permit activity had significant increases over the previous year, with modest increases in development permit activity. Based upon subdivision approvals in 2013, which can help predict residential product types, it is anticipated that growth patterns seen in 2012 and 2013 will continue into 2014.

As noted in previous reports, a primary reason for continued high permit levels is that Spruce Grove remains an attractive community for new residents. This is evidenced by our continued population growth, which is now estimated to be around 30,000 residents. A municipal census will occur in 2014, which will help inform population trends for next year's report.

The development outlook for the region is generally positive, with Canadian Housing and Mortgage Corporation (CMHC) anticipating growth levels in the region to be similar to 2013. That being said, multifamily housing may see a correction in the region due to overwhelming growth this past year. Lower density (single detached/semi-detached) housing will likely increase slightly. Overall the economic forecast for the region is positive, with CMHC anticipating an increase of just over 2% in employment in 2014.

In terms of spatial location of new development, new neighbourhoods of Kenton, Prescott, and Tonewood will see activity, as well as commercial activity starting up in Westwind Village. Industrial activity should continue the 2013 trend and strengthen in 2014. Building permit valuations will be bolstered by the new recreation centre and commercial development in the TriVillage area, as well as additional development in the industrial area.