

2014 DEVELOPMENT ACTIVITY REPORT



February
2015

Planning and Development Department

An overview of development activity for 2014 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 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 and the trend toward urbanism shows no sign of slowing.

The following pages contain analysis of the growth trends for the past decade (2005-2014), focusing specifically on activity in 2014. 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 & HOUSING STARTS

Spruce Grove issued 1,392 building permits in 2014, a 25% increase over permit activity in 2013, and a 51% increase over 2012. In fact, 2014 is the busiest year in the City’s history in terms of building permit issuance, the second year that permitting activities have set a new record.

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 2014 were for residential construction, including new dwellings, improvements and garages, which is consistent with 2013 but up slightly from previous years. The gradual increase is due to the popularity of the detached garage product, which requires an additional building

FIGURE 1: VOLUME OF BUILDING PERMITS BY TYPE (2013 - 2014)

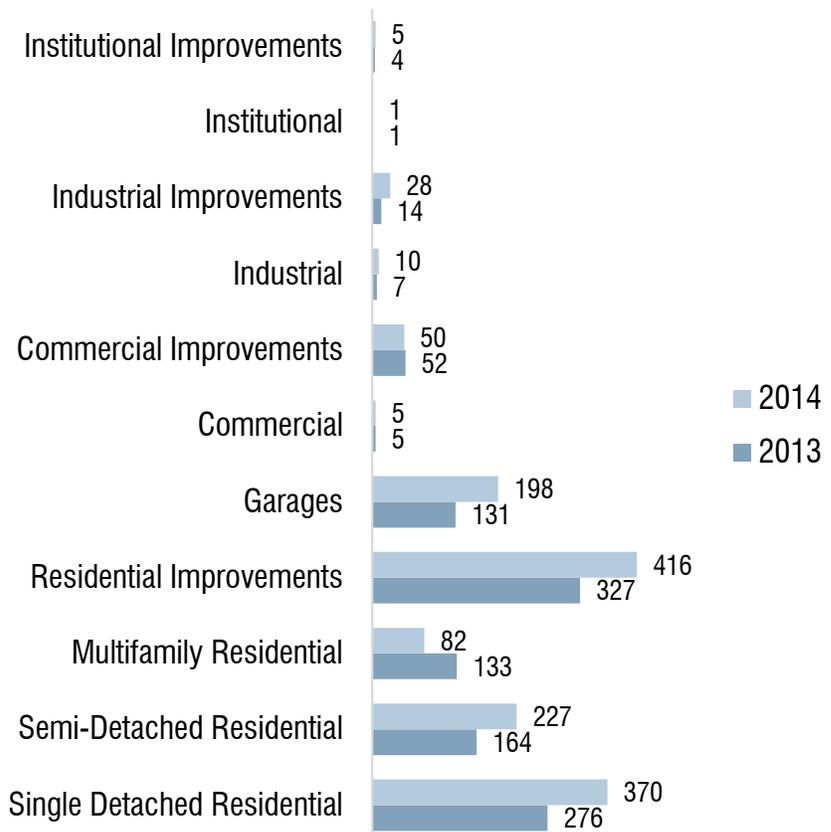
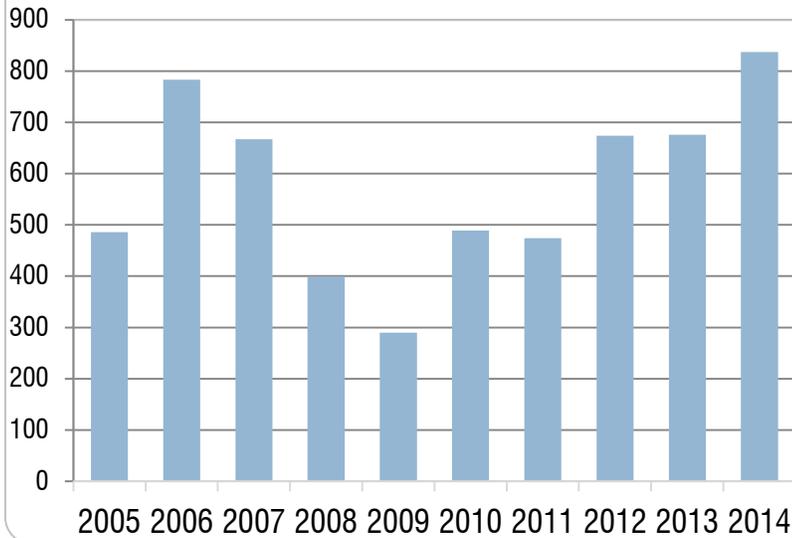


FIGURE 2: DWELLING UNITS PERMITTED (2005 - 2014)



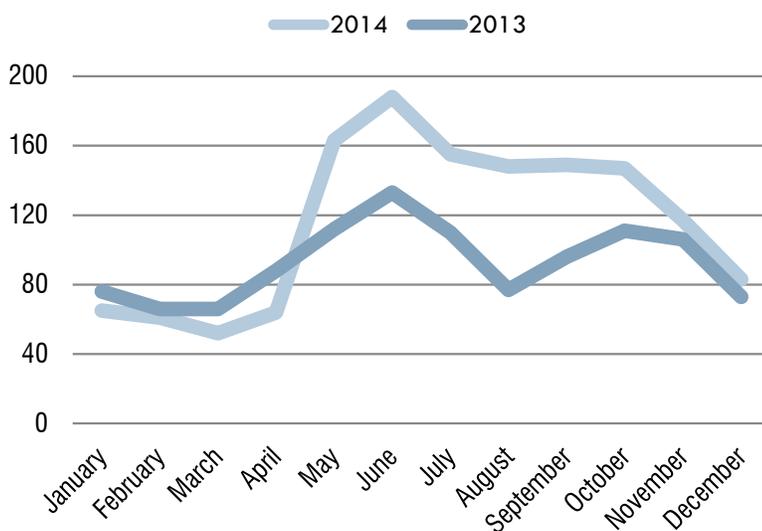
units approved increased 24% from 2013 to set a new record of 837 dwellings. Due to diversification of housing forms, and the increased popularity of detached garages, the number of building permits and the number of residential units are no longer parallel. Therefore, a new chart has been added to the 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

permit compared to housing with attached garages. Detached garages comprised about 14% of all permits in 2014 which is greater than the 11.8% share of building permits in 2013. To demonstrate the growth trend, detached garages comprised only 8% of building permits in 2012 and 4.8% in 2011.

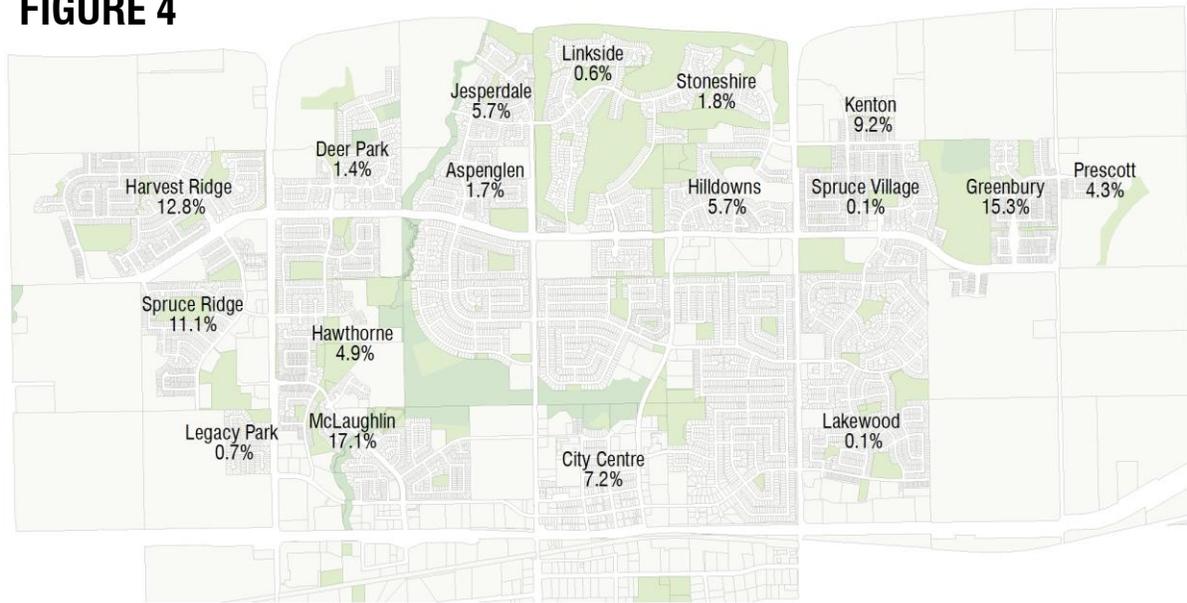
Residential activity was far more robust in 2014 than predicted. The types of housing provided remain balanced in Spruce Grove, seeing an increase in all unit types relative to previous years. Residential improvements jumped 27% in 2014, with 416 building permits issued.

The total number of new dwelling units increased substantially over the boom years, followed by a marked decrease, and a subsequent resurgence to new highs.

FIGURE 3: VOLUME OF BUILDING PERMITS ISSUED BY MONTH



In the non-residential sector, the City permitted the most industrial buildings in its history. Ten buildings were approved in 2014, compared to seven in 2013 and a historical average of three new buildings each year. Further, building permit valuation for new industrial buildings was by far the best to date for the City at \$18.4 million. This is nearly double the \$9.4 million in 2013 and over four times the industrial investment of any other year.

FIGURE 4

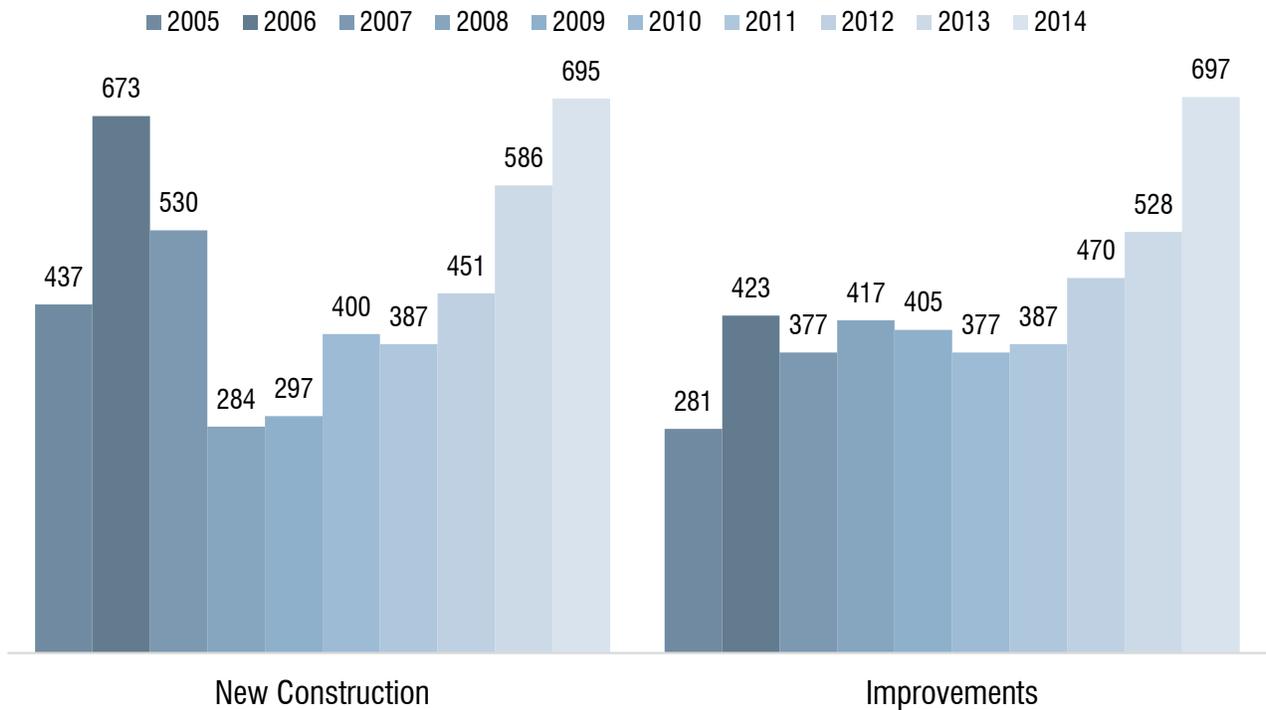
Building permits issued for new commercial structures stayed steady at five new buildings in 2014. This number is historically lower than most years for the City, reflecting the dearth of available highway-oriented commercial lands. Despite the low permitting numbers, the valuation increased to \$15 million in 2014, compared to building permit values of \$13.6 million (2013) and \$11.8 million (2012). The number of commercial improvements decreased slightly to 50 building permits from 52 the previous year (which was a record year for the City).

Figure 3 depicts the number of building permits issued per month for 2013 and 2014. 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. While it appears that building permit activity was slow to start in 2014, it was not due to a slowdown in applications. The Department experienced a large number of applications in January ahead of regulatory changes stipulated by the province relating to new home warranties. The changes in process required by the province, coupled with staffing changes, caused a serious backlog in permit processing. This backlog resulted in lower than average permitting approvals in February and March, with higher than typical approvals in the subsequent months.

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 McLaughlin, which included an apartment building with 103 units as well as robust mixed low to medium residential development. Following closely behind were Greenbury, Harvest Ridge and Spruce Ridge.

While construction began in the new eastside neighbourhood of Tonewood, which saw its first subdivision recorded in 2014, no building permits were issued yet in this neighbourhood.

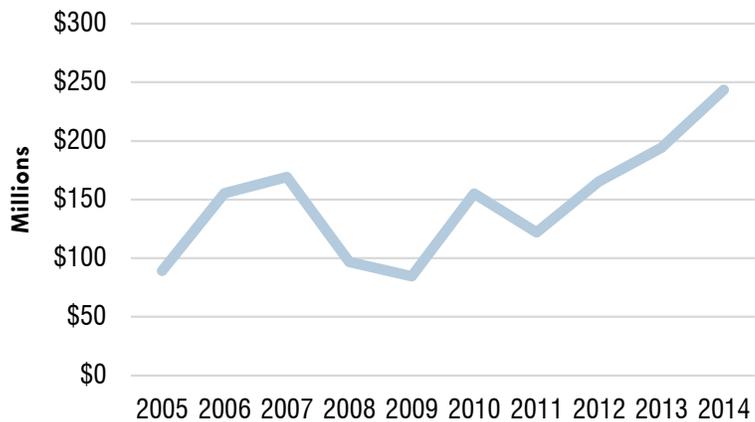
FIGURE 5: VOLUME OF BUILDING PERMIT ACTIVITY (2005 - 2014)



A summary of permit activity over the past decade is displayed in **Figure 5**, separating new construction from improvements. The numbers displayed include residential, commercial, industrial and institutional permits. We can see that both new construction and improvements are both hitting new records for the municipality. This activity was complemented by high improvement activity in the industrial sector spurred on by tenant improvements to industrial bays built in the past few years.

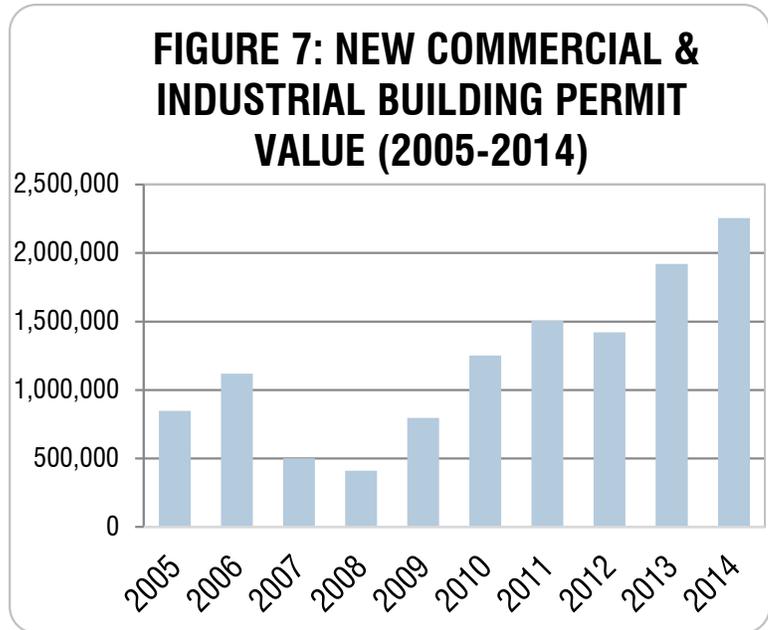
The City saw record investment this year as building permit valuations totaled approximately \$244 million (**Figure 6**). As indicated earlier in the report, the City experienced an increase in commercial and industrial building permit valuations in 2014. In reviewing the trend over the past few years, the average value of new commercial and industrial buildings has been generally increasing, as shown in **Figure 7**. This reflects the development of larger, higher quality structures.

FIGURE 6: VALUE OF BUILDING PERMITS (2005 - 2014)



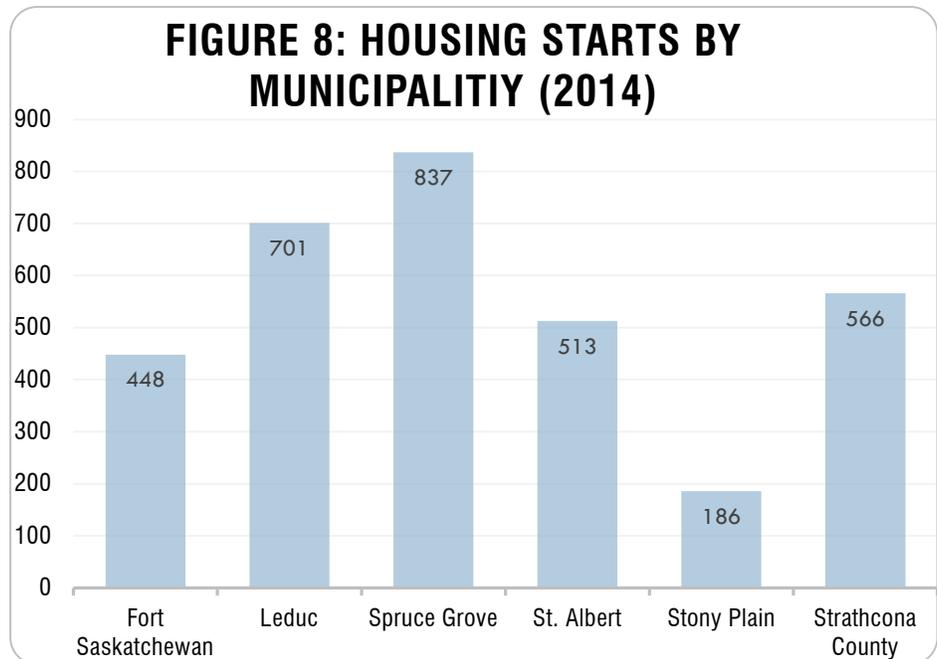
The City also typically provides a residential valuation review as part of this report, taking into account inflation. Information on inflation rates is provided by Statistics Canada, which is to be released in mid-February. Therefore, the report will include an addendum when it is circulated in February.

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 8** shows the number of new housing starts in a number of communities in the Capital Region. Spruce Grove has reclaimed its spot as the second-fastest growing municipality in the Edmonton region, behind only the City of Edmonton (9,798 starts).



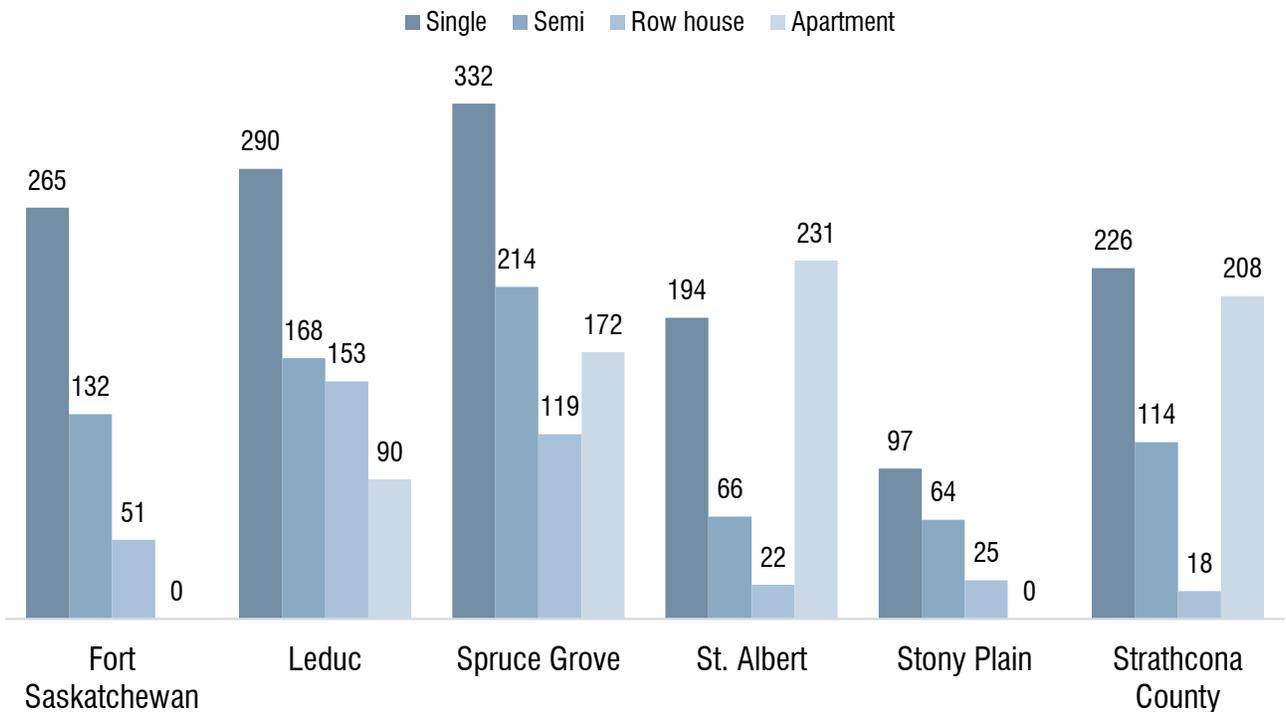
Looking more closely at the composition of the housing starts by reviewing unit types, one can see that the number of housing starts in Spruce Grove is partially influenced by its housing diversity, while other municipalities have less balance between housing products (**Figure 9**).

Spruce Grove’s policy-led dedication toward housing diversity in the community, coupled with flexible residential land use districts, has made the City competitive in the regional housing market for all unit types. It is especially interesting to see row housing now increasing in other



¹ Regional housing data is from the Housing Now publication. Note: 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.

FIGURE 9: REGIONAL HOUSING STARTS BY DWELLING TYPE (2014)



municipalities after its introduction in Spruce Grove a few years ago.

DEVELOPMENT PERMITS

Figure 10 illustrates the trends in the volume of development permit activity over the last ten years. Development permit activity in 2014 was up 21% over 2013, which is similar to the building permit activity. The minor difference in the two numbers 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.

FIGURE 10: DEVELOPMENT PERMIT ACTIVITY (2005 - 2014)

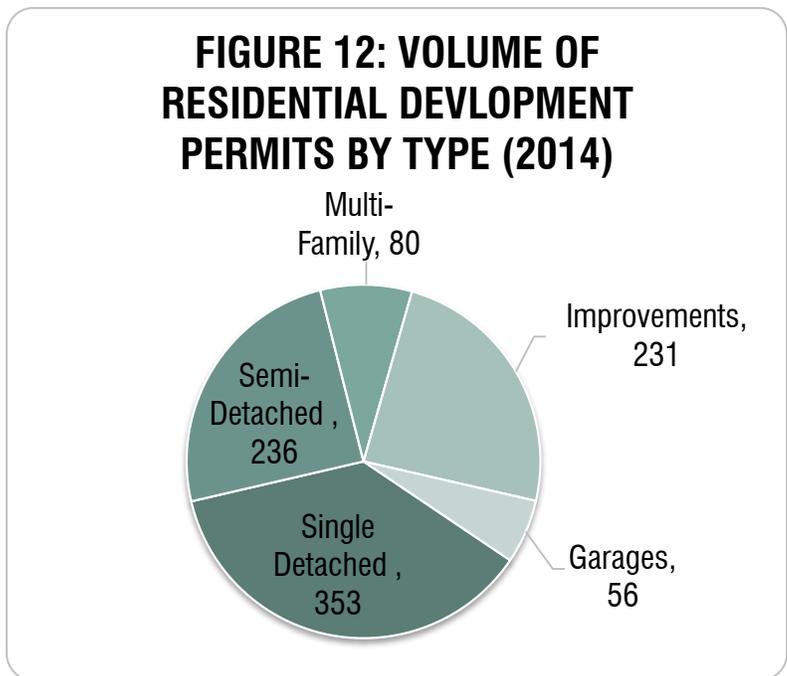
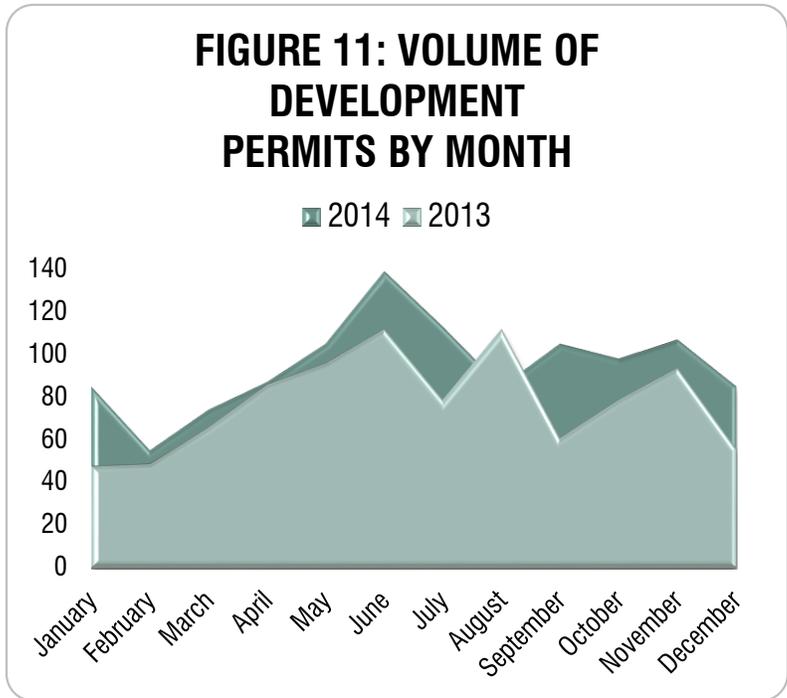


The next factor under examination is the volume of development permits on a monthly basis. **Figure 11** shows the number of permits issued by month for 2013 and 2014. The pattern shown is typical of development activity for the region, where more activity tends to take place during the warmer months. Activity in 2014 is a more typical pattern than in recent years, as there is strong activity leading into fall and winter.

Figure 12 provides 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. 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 2014 by type is examined in **Figure 13**. Again, the trends seen earlier with building permits are evident here with the number and type of development permits with commercial and industrial improvements comprising the largest percentage of approvals, which is largely due to tenant improvements and approvals required for new uses. That said, commercial improvements were down from 2013 as most commercial bays are now occupied. Industrial improvements are up for a second



year in a row, indicative of the health of Spruce Grove’s industrial sector and land availability.

Development permits for permanent signs decreased in 2014, likely due to less commercial development. Temporary sign permits increased slightly with increased enforcement by Planning and Development.

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. Compliance requests can be used to gauge residential transaction activity in the community. In 2014, there were 1,024 compliance decisions issued, up 36% from 2013, setting a record for the City. We can see in **Figure 14** that compliances were at a high during the boom year of 2007, with a subsequent correction, and have since been rebounding. While housing sales were especially high in 2014, changes to the compliance review process prompted reapplications in October, causing an abnormal spike in residential activity.

This anomaly is best seen in **Figure 15**, where one can see the compliance activity for 2014 on a monthly basis. Activity was especially low in August and September as lawyers awaited the new process, and then peaking in October for those compliance requests that had been put on hold.

The Planning and Development Department has been tracking Safety

FIGURE 13: VOLUME OF NON-RESIDENTIAL PERMITS BY TYPE (2014)

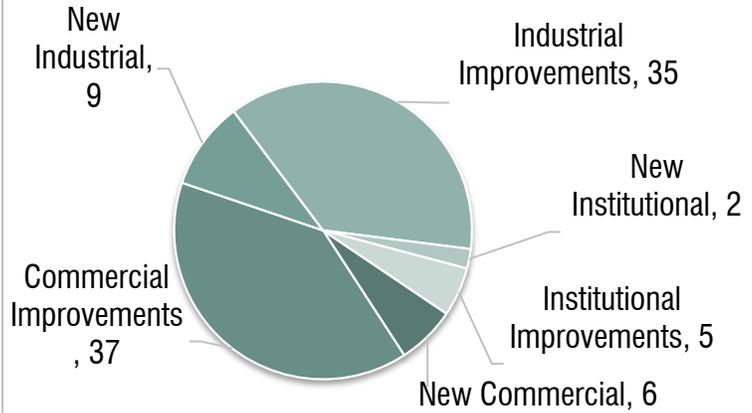


FIGURE 14: COMPLIANCES ISSUED BY YEAR (2005 - 2014)

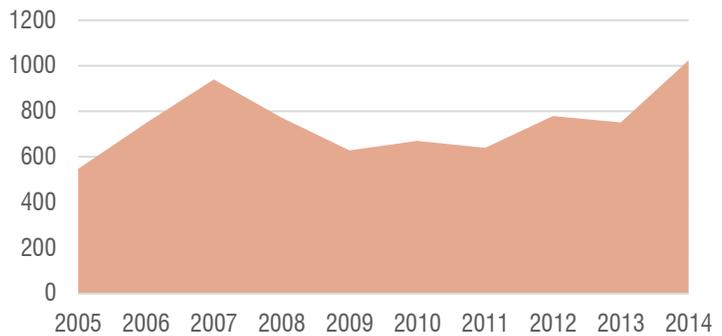
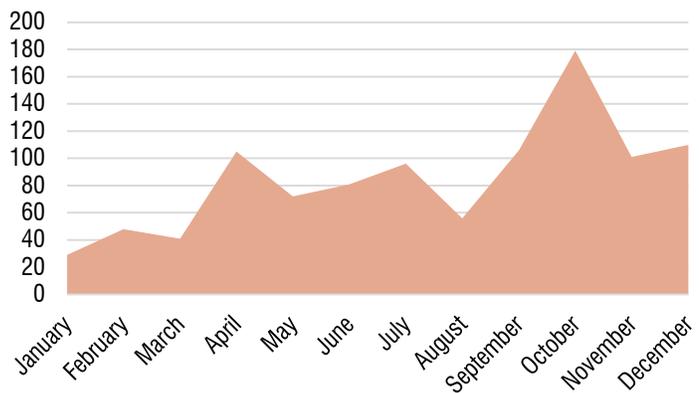
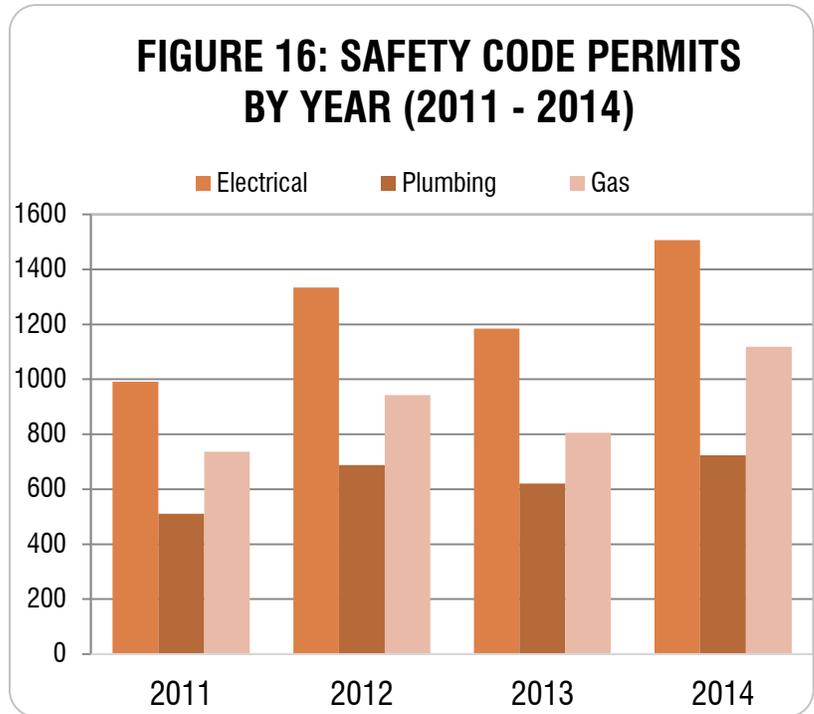


FIGURE 15: COMPLIANCES ISSUED BY MONTH

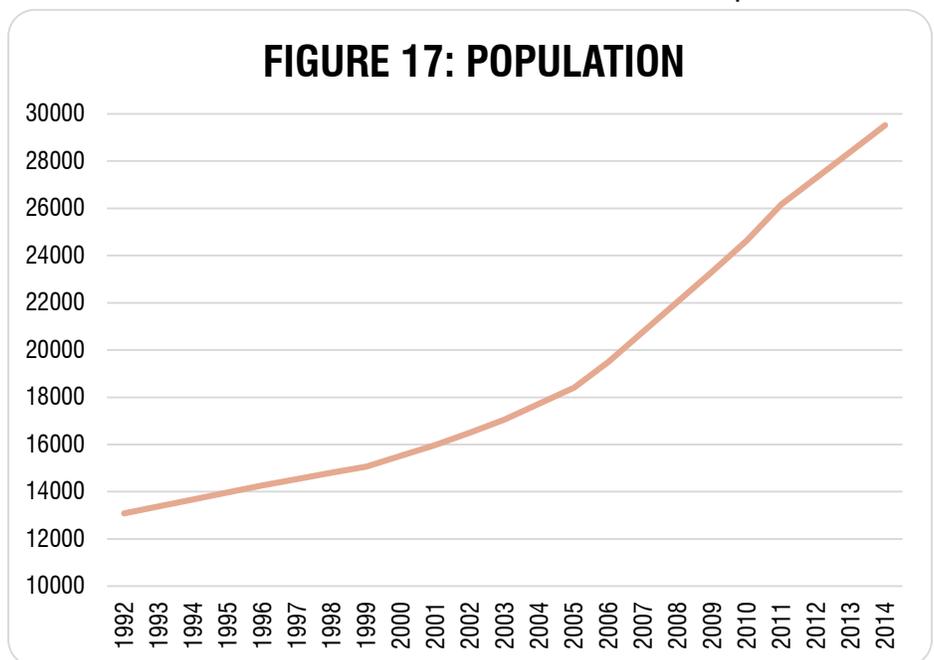


Codes Permits (other than building permits) since 2011, which is depicted in the chart in **Figure 16**. We can see in this figure the number of electrical permits is higher than plumbing and gas. This makes sense since generally for new construction two electrical permits are required, where only one is required in the other two disciplines. That said, the number of gas permits increased substantially in 2014 due to education with homebuilders regarding the requirement for temporary gas permits for heating during winter months. Overall, the City of Spruce Grove issued 3,349 trade permits in 2014, a 28% increase over 2013 activity.



In previous years, Administration has included a chart in this section highlighting growth of business licensed with the City. At the end of the year in 2013, the City adopted a new business license bylaw at which time new software was launched and the Department created a new, clean database. In doing so, the Planning and Development Department 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. The result is the identification of 1,064 businesses in operation, approximately 500 less than what was assumed under the manual database. The City will begin tracking on annual basis to provide trend analysis over time.

The City completed a successful municipal census in 2014. Results indicate there are 11,205 households with a total population of 29,526. In the past three years since the Federal census, the City has grown approximately 4.25% per year.



CONCLUSION AND 2015 OUTLOOK

Overall, building permit activity had significant increases over the two previous years, with modest increases in development permit activity. These activity levels are unprecedented and the city is due for moderation. The number of vacant lots and unabsorbed units has increased in the past year, also indicating a pullback in activity in the second half of 2015.

The development outlook for the region is anticipated to be muted compared to recent years as oil prices slide. That said, robust momentum in job creation in the region provides hope that short-term corrections in oil prices can be weathered. The outlook will be much clearer in the second half of 2015.

In terms of spatial location of new development, the new neighbourhood of Tonewood will see activity, as well as commercial activity starting up in Westwind Village. With a dearth of commercial land, non-residential construction is anticipated to decline slightly. Industrial activity may also be slower; however, at this time there has been no cancellation of projects or land deals, so a turnaround in oil prices may mean a more robust industrial environment.