

CITY OF SPRUCE GROVE
MID-YEAR DEVELOPMENT ACTIVITY REPORT
2017

PREPARED BY CITY OF SPRUCE GROVE
PLANNING AND DEVELOPMENT DEPARTMENT
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City of Spruce Grove Mid-Year Development Activity Report – 2017

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 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 2017 shows increases and dips in activity levels that are atypical (**Figure 1**). Capital Region municipalities typically see low activity

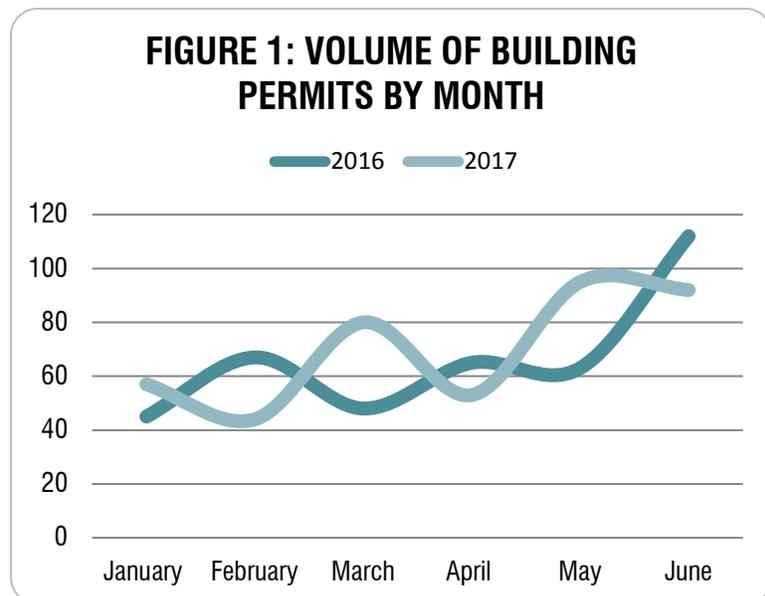
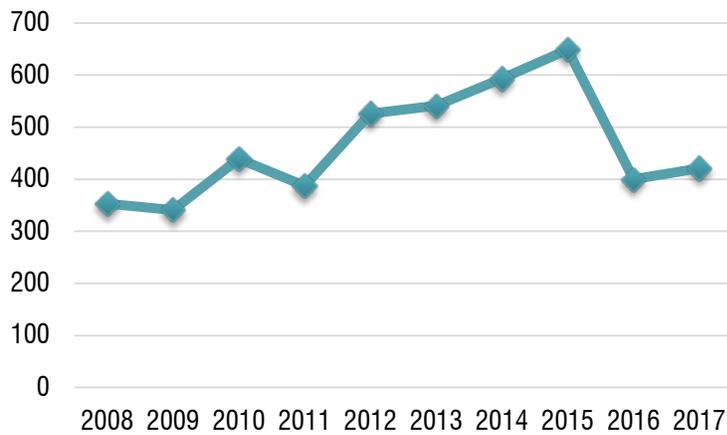


FIGURE 2: VOLUME OF BUILDING PERMITS BY YEAR



levels in winter with gradual increase towards the summer construction season.

As shown in **Figure 2**, building permits issued in 2017 reflect a 5% activity increase from the previous year. This increase follows a 38% drop in 2016 from record permitting levels.

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 44% of building permits issued in the first half of 2017 were for new dwellings, and another 48% of permits were for residential improvements, for a total of nearly 92% of all permits. While the overall residential percentage of 92% is normal in a given year, the ratio of new residential permits to improvements has been

FIG. 3: VOLUME OF BUILDING PERMITS BY TYPE

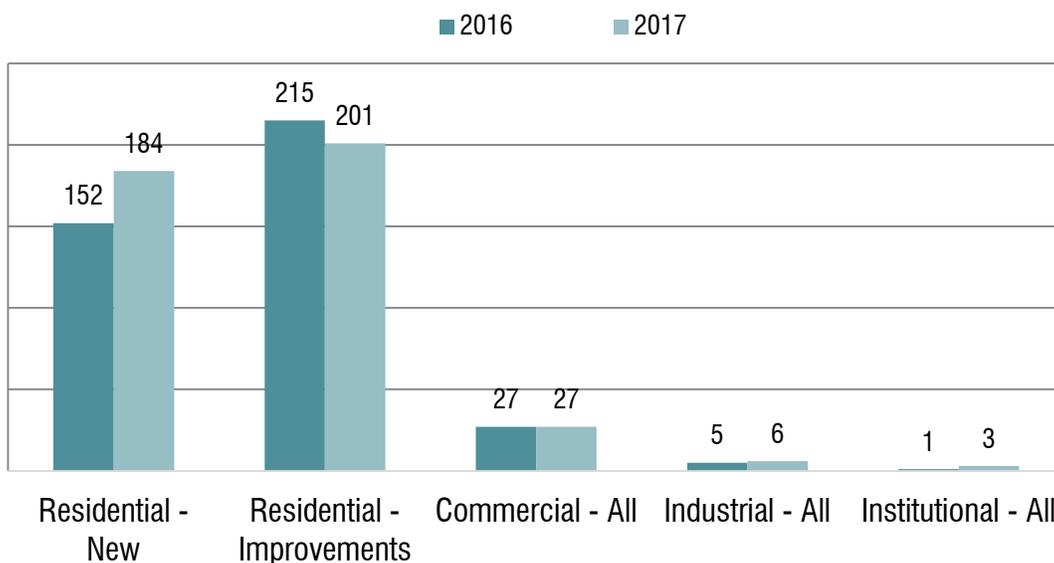
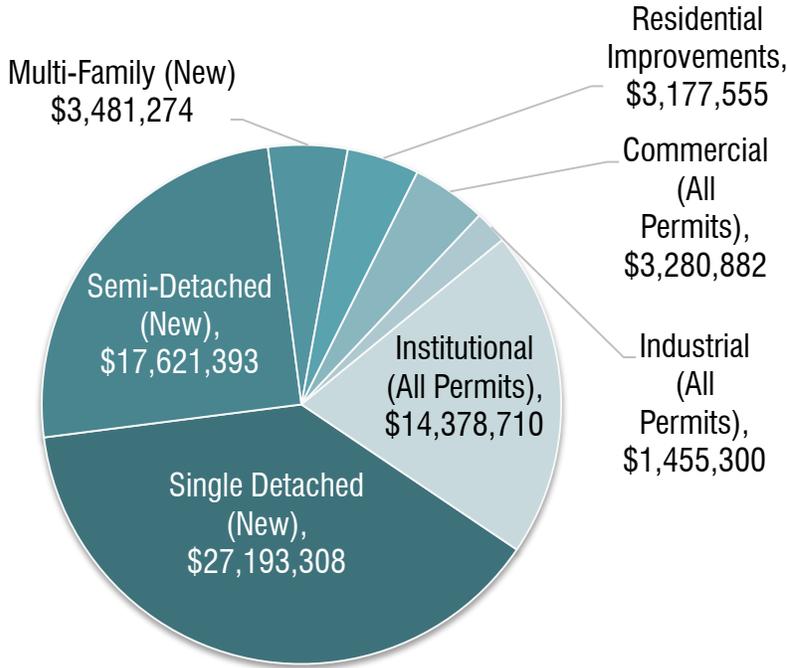


FIG. 4: BUILDING PERMIT VALUE BY TYPE



shifting year to year. Given the housing stock growth during the past decade, the increased percentage of building permits for improvements should continue into the future.

Commercial permits stayed steady at 27 permits from 2016, while industrial and institutional activity increased slightly.

Building permit valuation rebounded 32% from 2016 levels, representing an increase of approximately \$17 million (Figure 5). The

increase is largely attributed to higher valuations in residential construction as well as a large institutional development of approximately \$14 million. Figure 4 depicts the value of building permits assessed by building type. Multifamily development, commercial and industrial buildings are all down from previous years.

FIGURE 5: VALUE OF BUILDING PERMITS

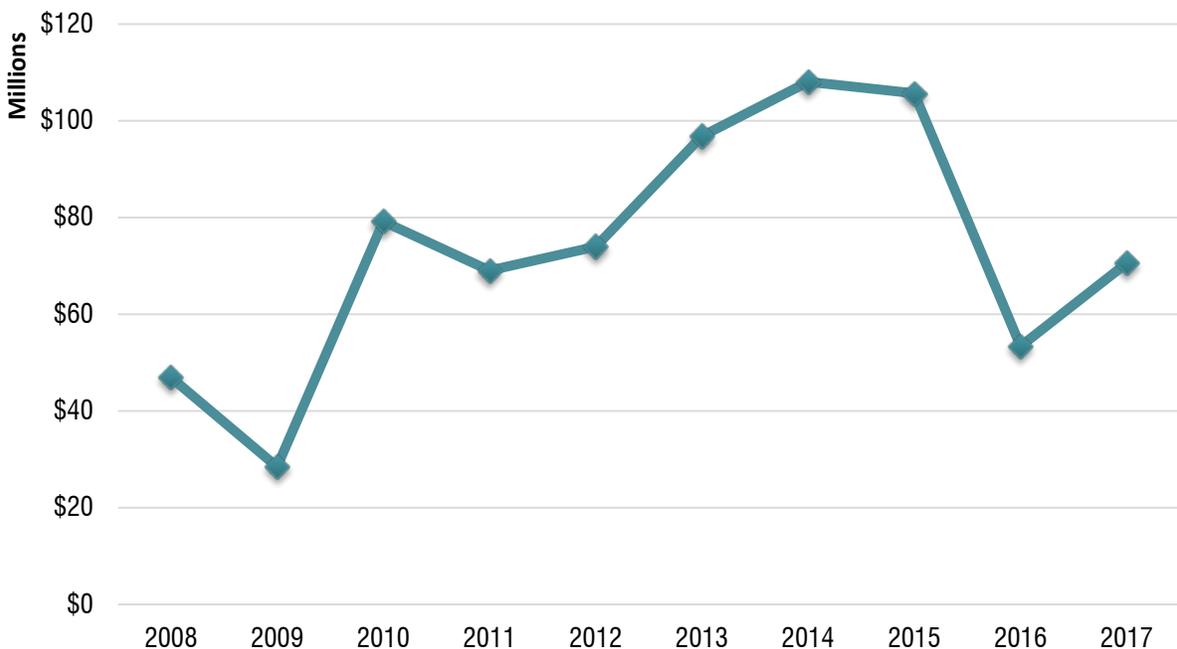
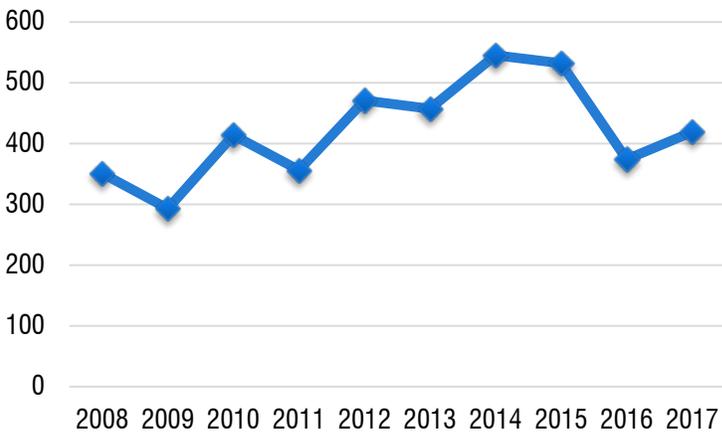


FIGURE 6: VOLUME OF DEVELOPMENT PERMITS BY YEAR



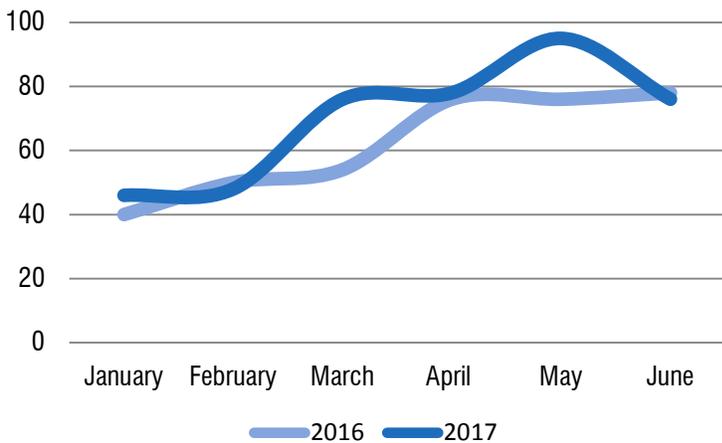
The City is anticipating overall valuations for 2017 to be only slightly higher than the year-end of 2016, as a surge of activity occurred in 2016 toward the end of the year due changes to energy requirements, and a similar surge is not anticipated to occur in 2017.

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.

For the first six months of the year, development permits have increased in volume by approximately 12% compared to the same period in 2016. The

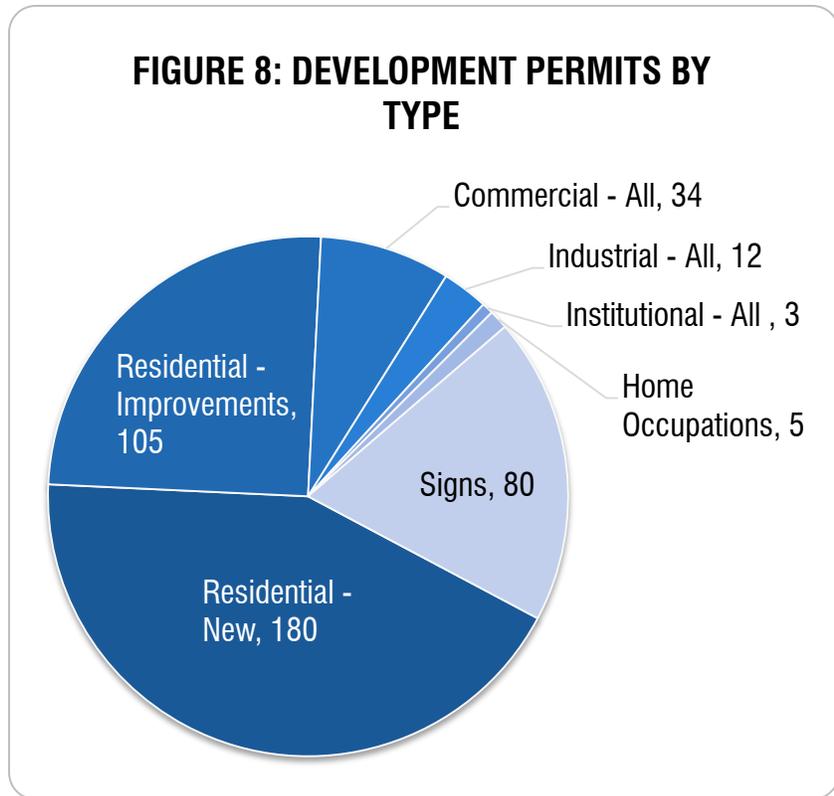
FIGURE 7: VOLUME OF DEVELOPMENT PERMITS BY MONTH



number of permits issued in the first half of 2017 has returned to the average activity level for the past decade (**Figure 6**).

Figure 7 also demonstrates a return to a more typical seasonal pattern to approvals, with a gradual increase of activity levels in the spring. Similar to the building permit forecast, the overall development permit forecast for the second half of the year will also be just slightly higher than the full-year figures for 2016. While energy code changes do not directly affect development permit processes, housing permits are submitted as a package and therefore permit activity for October and November is anticipated to be slightly lower than last year.

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 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. The type and number of permits are typical of growth in Spruce Grove.



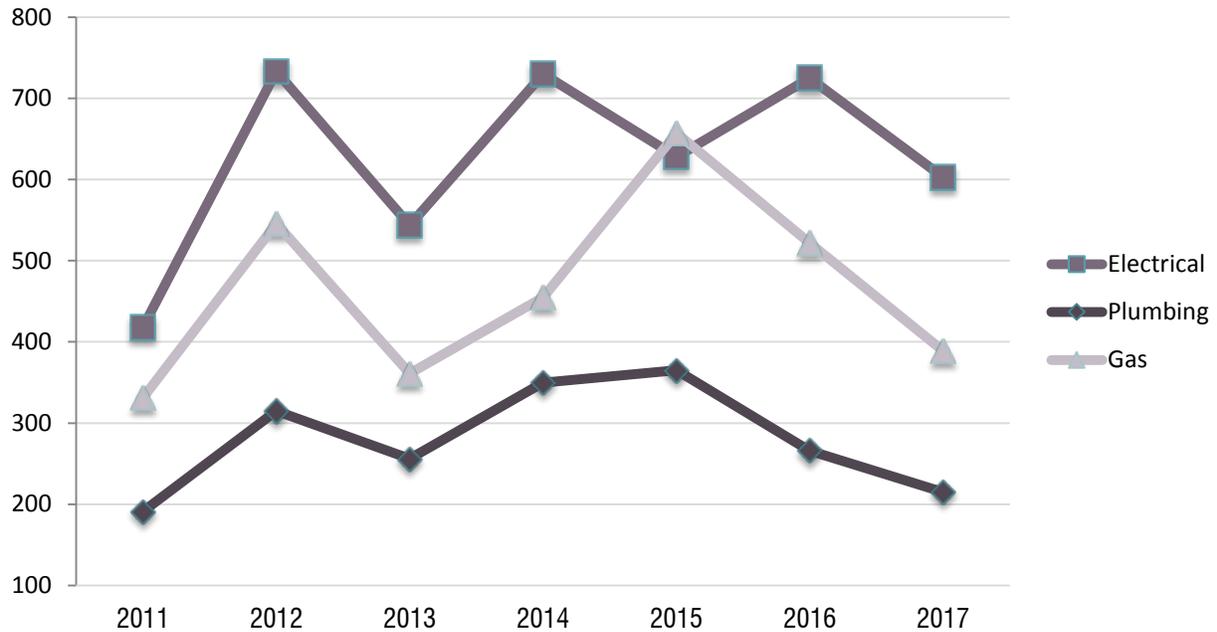
Other Activity Types

The City began tracking other activity types such as safety codes trades permits (plumbing, gas and electrical permits) since 2011. These permits are required to make upgrades to or change certain fixtures, such as furnaces, on private property (**Figure 9, next page**). 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 differences. Warmer weather, as an example, can lead to fewer temporary gas permits in the winter.

Permitting levels are down for all trades permits in the first half of 2017. There is no single reason for the decrease, but is likely a combination of the following:

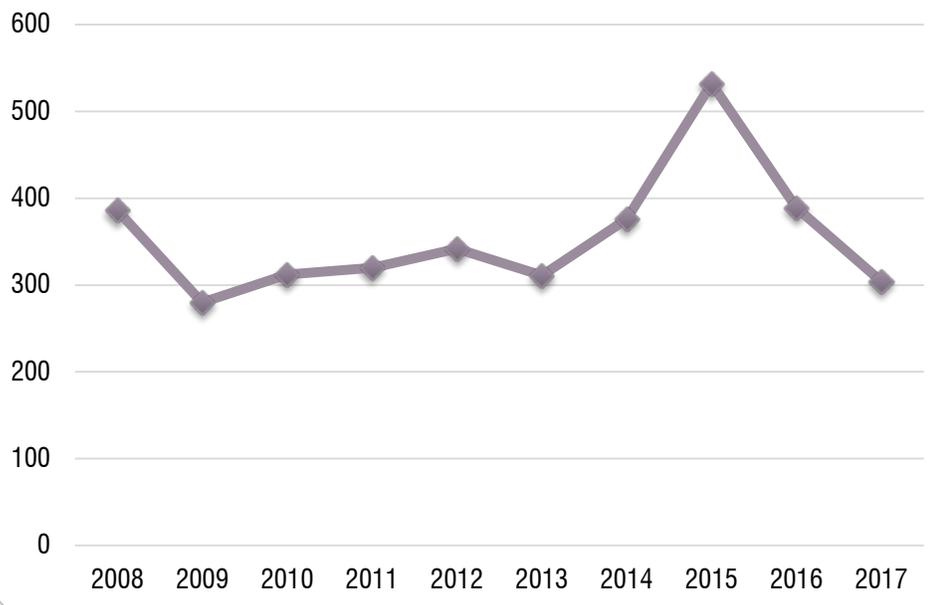
- changes to the City’s Quality Management Plan that lengthened the validity period for permits, meaning fewer permits have expired and needed to be renewed;
- a warmer winter resulting in fewer gas permits;
- fewer detached garages resulting in lower electrical permitting activity; and,
- economic factors reducing significant improvements to existing fixtures, such as fewer hot tubs, water heater or furnace replacements.

FIGURE 9: SAFETY CODES PERMITS



Lastly, Administration monitors compliance request activity, which is a service offered by the City to review 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 down 22% in 2017, following a decrease of 28% the previous year. The reduction reflects the slowdown in building activity from the previous two years, as well as a shift by some builders to opt for title insurance rather than requesting the City's compliance review service.

FIGURE 10: COMPLIANCE REVIEWS BY YEAR



Conclusion

The City saw slightly higher permitting levels in the first half of 2017 compared to the same period in 2016. Administration expects residential activity levels in 2018 to be similar to 2017, reflecting the influence of an improving economy juxtaposed with higher interest rates impacting borrowing. Non-residential activity levels should be level to slightly higher in the coming year as Westwind development continues, spurred by the planned grocery store anchor.