



CITY OF SPRUCE GROVE
MID-YEAR DEVELOPMENT ACTIVITY REPORT
2018

PREPARED BY CITY OF SPRUCE GROVE
PLANNING AND DEVELOPMENT DEPARTMENT
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City of Spruce Grove Mid-Year Development Activity Report – 2018

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 2018 shows increases and dips in activity levels that are atypical (**Figure 1**). Capital Region municipalities

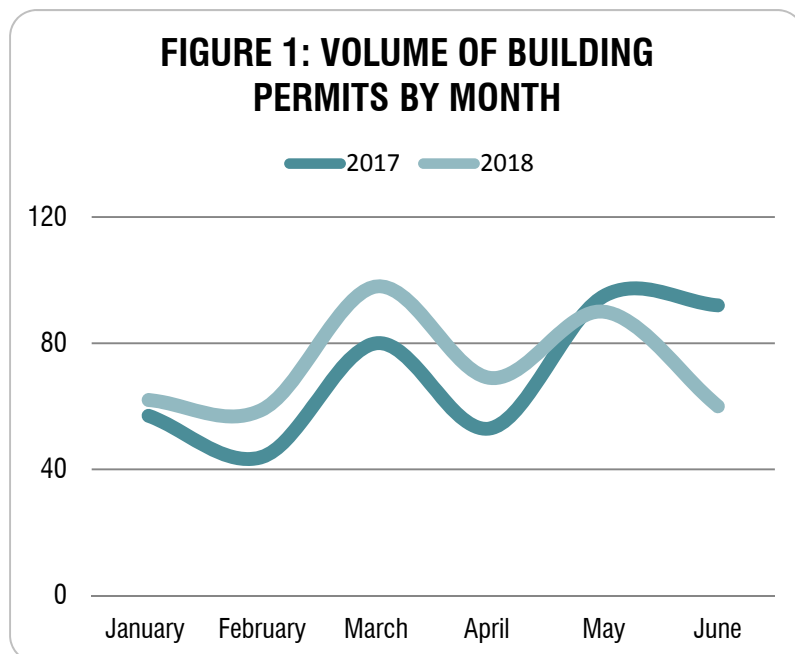
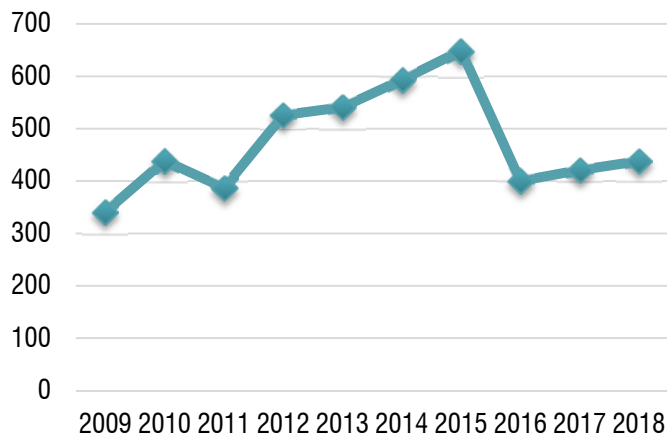


FIG 2: VOLUME OF BUILDING PERMITS BY YEAR



typically see low activity levels in winter with gradual increase towards the summer construction season. The past two years have developed a seesaw pattern heading into summer, with higher highs than typical in cooler months and unexpected dips in the summer.

As shown in **Figure 2**, building permits issued in 2018 reflect a 4% activity increase from the previous year. This is the second year of gradual permitting activity increases since the precipitous drop in 2016.

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 40.6% of building permits issued in the first half of 2018 were for new dwellings, and another 51.6% of permits were for residential improvements, for a total of nearly 92.2% of all permits. While the overall residential

FIG. 3: VOLUME OF BUILDING PERMITS BY TYPE

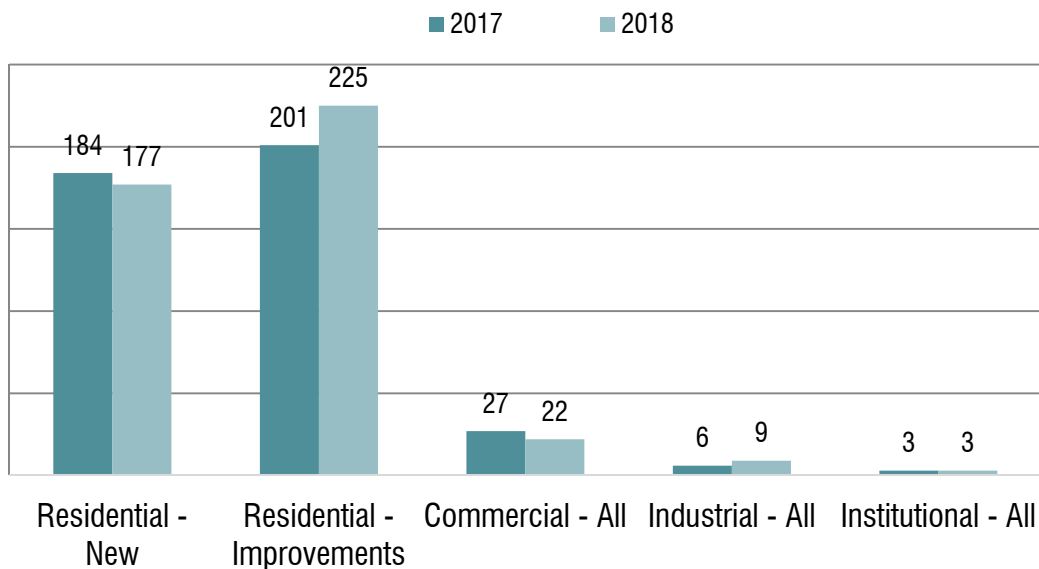
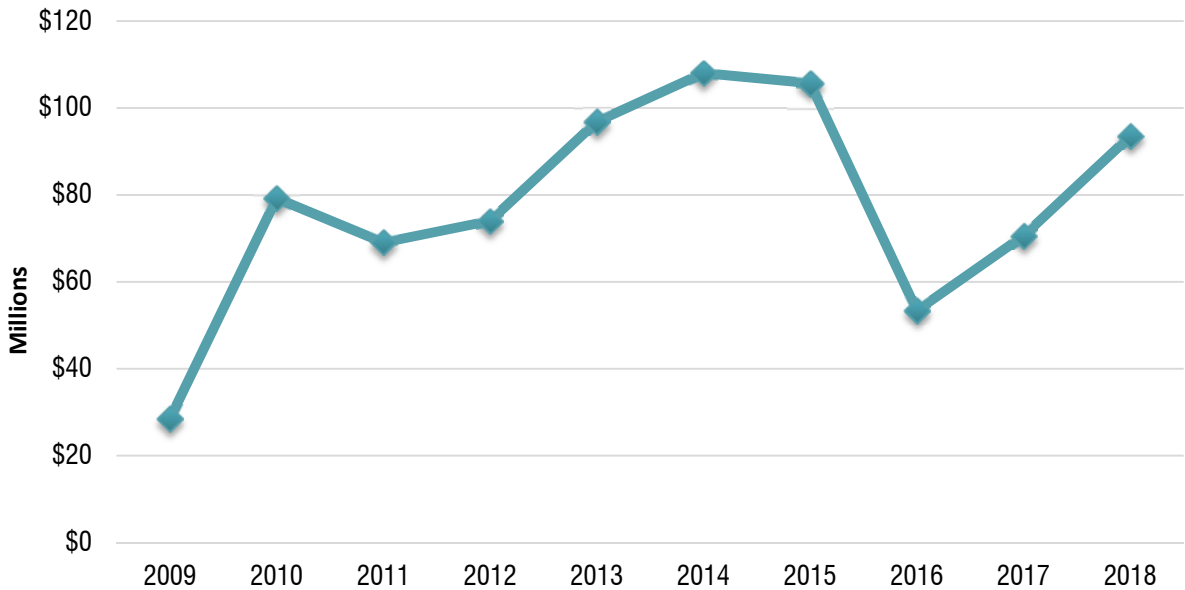


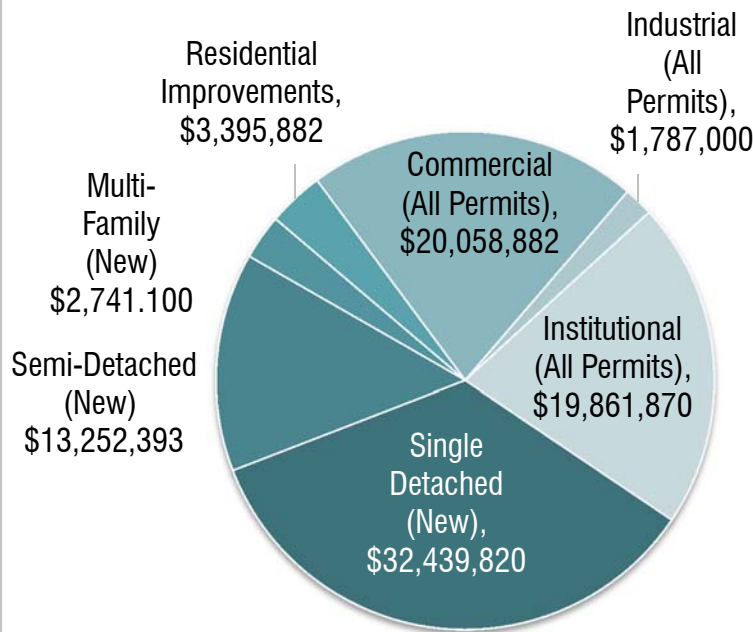
FIGURE 4: VALUE OF BUILDING PERMITS



percentage of 92% is normal in a given year, the ratio of new residential permits to improvements has been shifting year to year. In the 2017 report, Administration predicted improvements to continue to grow its share of permit activity given the housing stock growth during the past decade. This trend appears to be establishing as predicted.

Commercial permits decreased by 18.5% after holding steady at 27 permits for two

FIG. 5: BUILDING PERMIT VALUE BY TYPE JAN - JUN 2018



years. Industrial permits have doubled from three to six building permits in the first of 2018, while institutional activity stayed the same at three permits. Commercial activity, both new buildings and tenant improvements, are anticipated to see a strong finish in 2018.

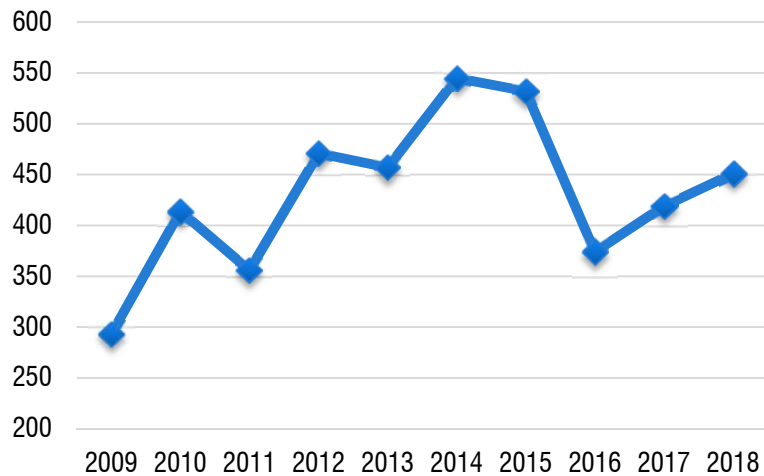
Building permit valuation rebounded 32% from 2017 levels, representing the second annual increase of the same percentage, and over 75% increase from the five-year low in 2016 (**Figure 4**). The increase is attributed to higher valuations in residential construction due to a shift to

single detached units, as well as a large institutional development of approximately \$19 million and four significant new commercial buildings.

Figure 5 (previous page) depicts the value of building permits assessed by building type.

The City is anticipating overall valuations for 2018 to be higher than the year-end of 2017.

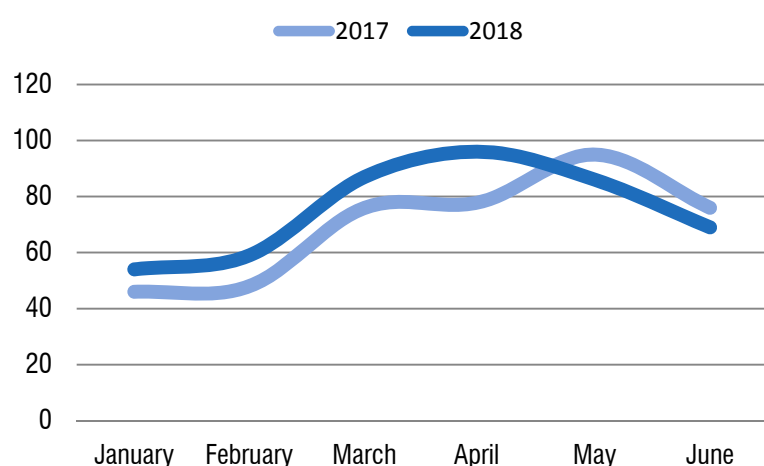
FIGURE 6: VOLUME OF DEVELOPMENT PERMITS BY YEAR



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.

FIGURE 7: VOLUME OF DEVELOPMENT PERMITS BY MONTH

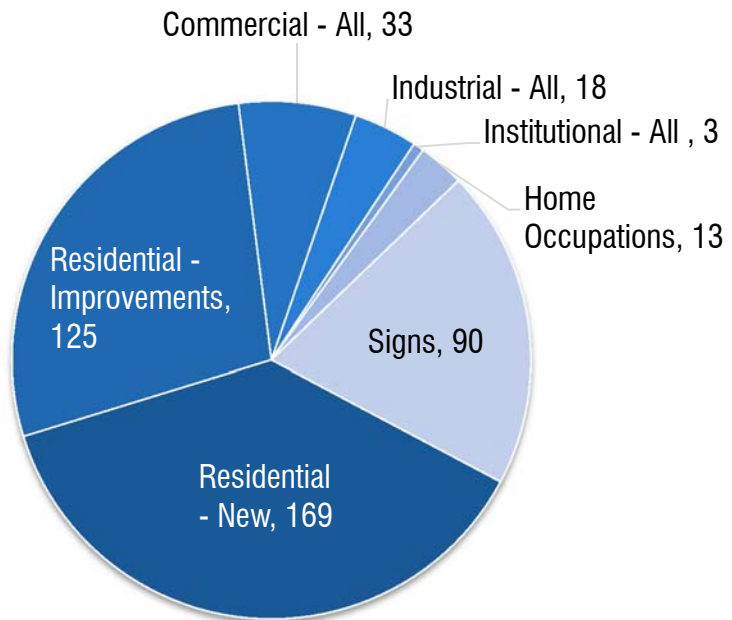


For the first six months of the year, development permits have increased in volume by approximately 7.6% compared to the same period in 2017, and activity was 20% higher than the permitting low experienced in 2016 (**Figure 6**).

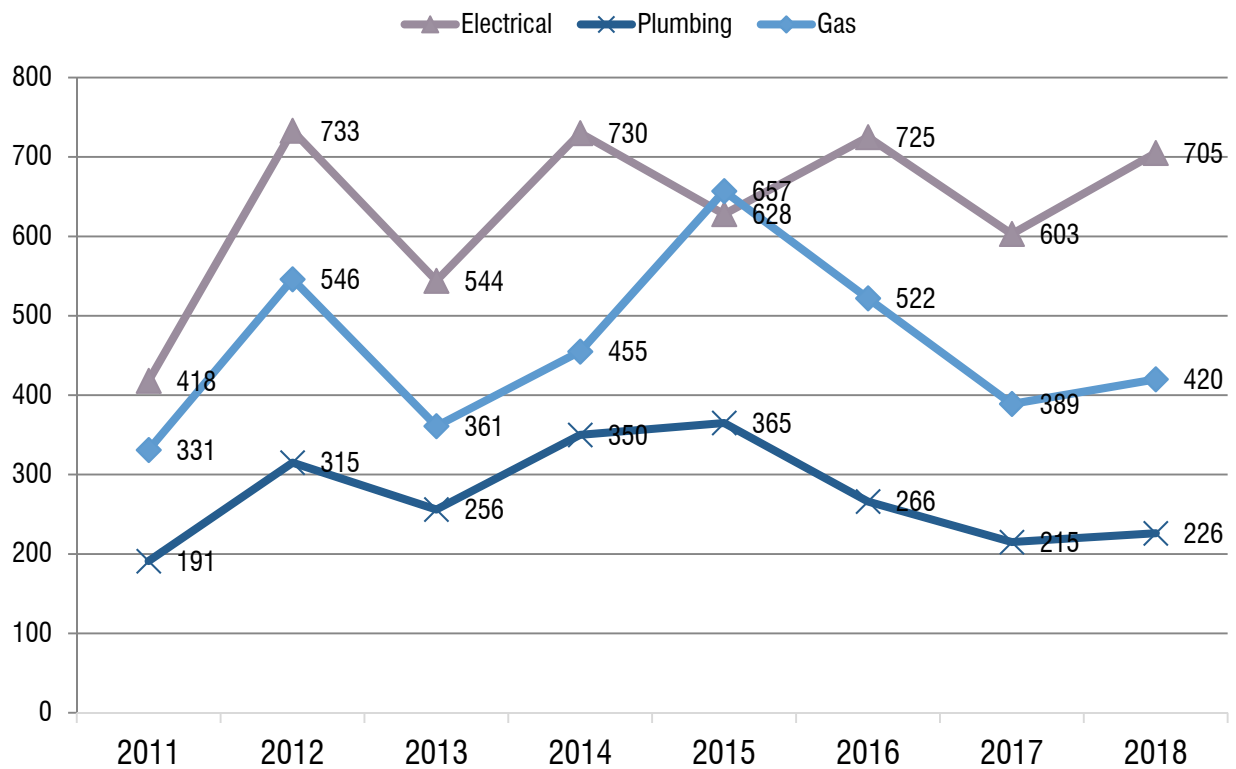
Figure 7 depicts the monthly permitting levels for the first half of 2017 and 2018. While 2017 showed a gradual increase leading up to summer, 2018 is somewhat atypical as permitting peaked in April, before declining into the summer construction season. Similar to the building permit forecast, the overall development permit forecast for the second half of the year will also be slightly higher than the full-year figures for 2017.

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

**FIG. 8: DEVELOPMENT PERMITS BY TYPE
JAN - JUN 2018**

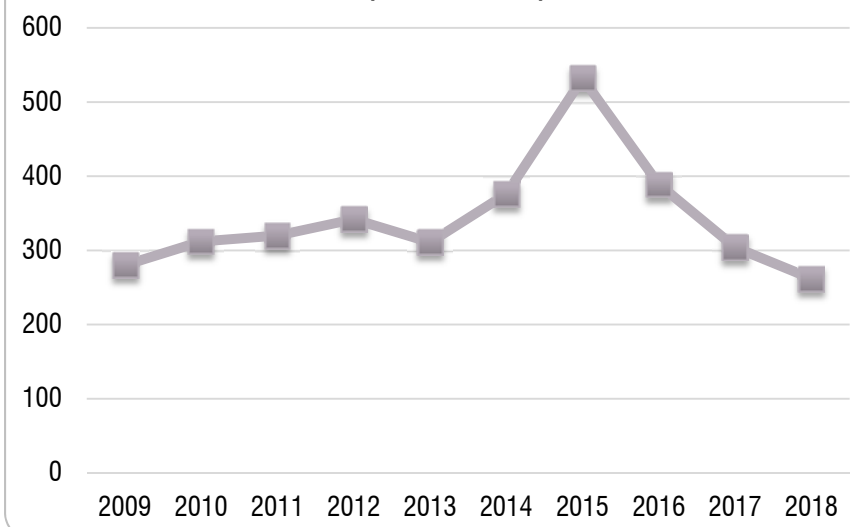


**FIGURE 9: SAFETY CODE PERMITS BY TYPE
(2011-2018)**



the development of new commercial buildings. The type and number of permits are typical of growth in Spruce Grove. Looking forward, there may be a slight increase in the number of commercial alterations due to the introduction of the cannabis sales use to the City, and the requirement for development permits specific to this new use type.

FIGURE 10: COMPLIANCE REVIEWS BY YEAR (2009-2018)



Other Activity Types

The City began tracking other activity types such as safety codes trades permits (plumbing, gas and electrical permits) in 2011. These permits are required to make upgrades to or change certain fixtures, such as furnaces, on private property (**Figure 9, previous 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 variations. Warmer weather, as an example, can lead to fewer temporary gas permits in the winter. Permitting levels have increased approximately 11% for all trades permits in the first half of 2018, following a similar trend as building and development permits.

Lastly, Administration monitors compliance request activity (**Figure 10**), 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 13.8% in 2018, to the lowest level in the past decade. The reduction reflects the effect of the slowdown in building activity from the previous few years, as well as a shift by some builders to opt for title insurance rather than requesting the City's compliance review service.

Conclusion

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