

CITY OF SPRUCE GROVE
MID-YEAR DEVELOPMENT ACTIVITY REPORT
2019

PREPARED BY CITY OF SPRUCE GROVE
PLANNING AND DEVELOPMENT DEPARTMENT
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City of Spruce Grove Mid-Year Development Activity Report – 2019

Introduction

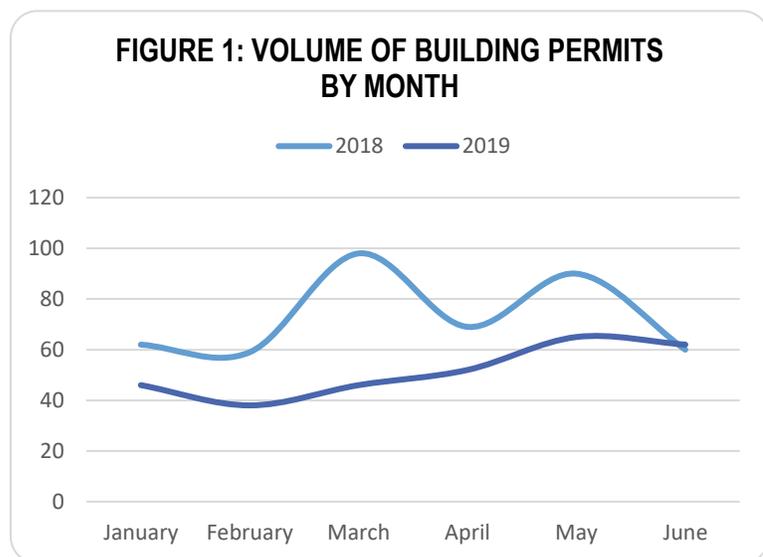
The Planning and Development Department prepares a mid-year development activity report, as well as a more in-depth annual report providing additional data and analysis. These reports are compiled in order to provide an outlook to Council that might indicate future trends in population growth, increases 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.

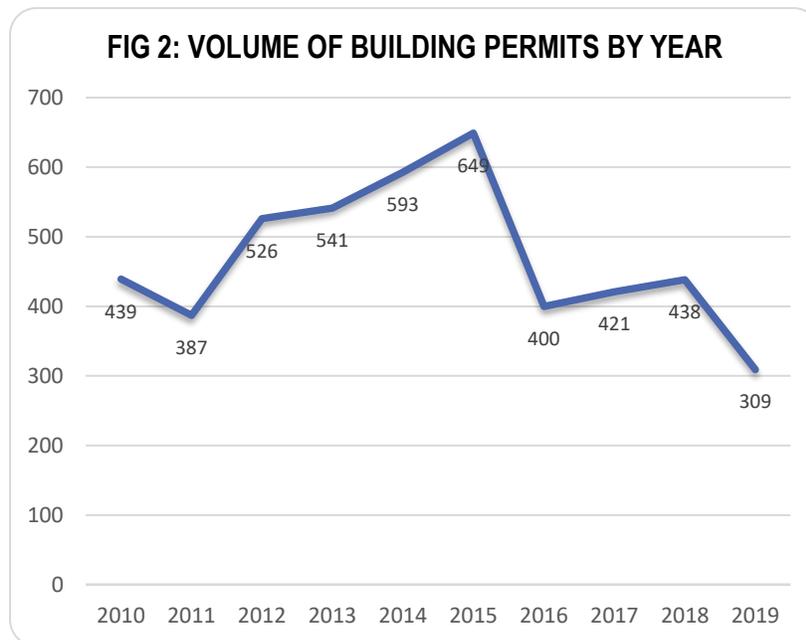
Building Permits

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 2019 began with a lower level of activity at the beginning of the year, with gradual increases in permitting activity leading into the

summer construction season as shown in **Figure 1**, and is consistent with the activity pattern generally observed in the Edmonton Metropolitan Region.



As shown in **Figure 2**, building permits issued in 2019 reflect a 29.5% decrease in activity from the same time previous year. This is attributed to high inventory levels in the market and reflects a decrease in demand resulting from new regulations such as the “Stress Test” related to mortgage financing.

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

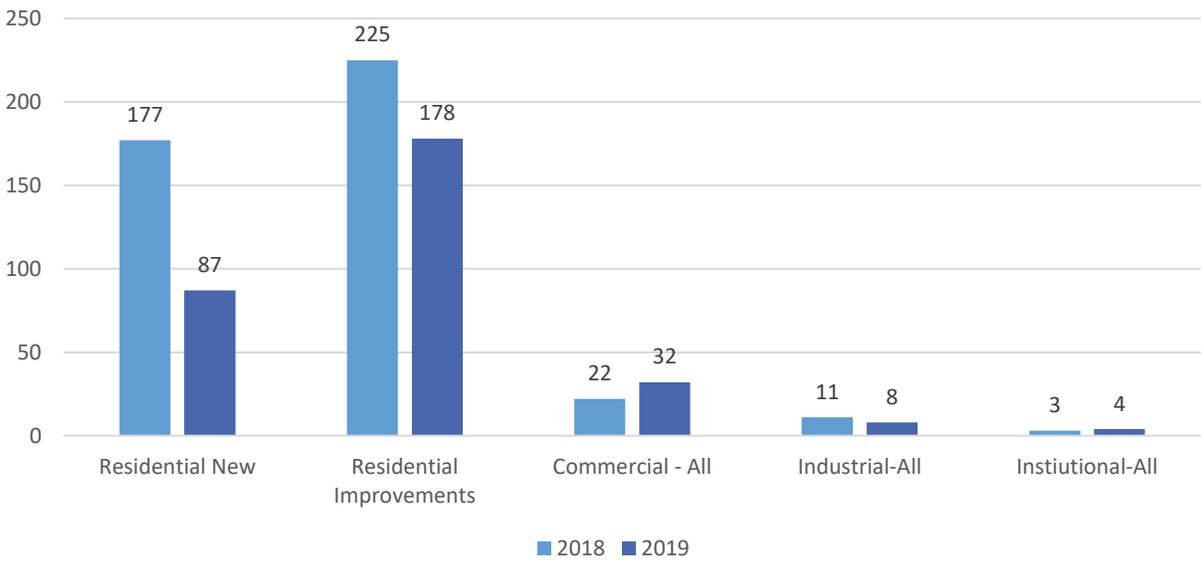
commercial, industrial or institutional use. Residential construction continues to dominate permit activity in Spruce Grove, and residential permit activity is broken down into new construction and improvements. For the purpose of this report, improvements also include new detached garages.

As seen in **Figure 3** (next page), about 28.2% of building permits issued in the first half of 2019 were for new dwellings, and another 57.6% of permits were for residential improvements, for a total of 85.7% of all permits being for residential construction.

The overall residential percentage of 85.7% in 2019, when compared to 92% in 2018 is within the normal range in a given year. However, the ratio of new residential permits to residential improvements has been relatively lower (less than 50%) compared to trends in the previous years and represents a shift in market conditions.

Commercial permits volume increased by 45.5% with 32 permits, compared to 22 in the year previous, attributed to new developments in the Westwind Centre area. Industrial permits have decreased by 27% down to 8 permits compared to 11 permits in the year previous. Institutional activity was higher, with 4 permits in 2019 compared to 3 in 2018, which include additions and improvements to the Woodhaven School. Commercial activity, both new buildings and tenant improvements, are anticipated to see a strong finish in 2019 and continues the trend from 2018.

FIG3: VOLUME OF BUILDING PERMITS BY TYPE



Overall building permit valuation has decreased by 36.5% from 2018, closer to the low levels seen in 2016 (**Figure 4**). The decrease in valuation is attributed to slump in construction activity for new single and semi-detached residential developments and a drop in new large scale commercial developments. Industrial permits valuation was significantly higher than 2018, with institutional permits staying on par with 2018 levels.

FIGURE 4: VALUE OF BUILDING PERMITS

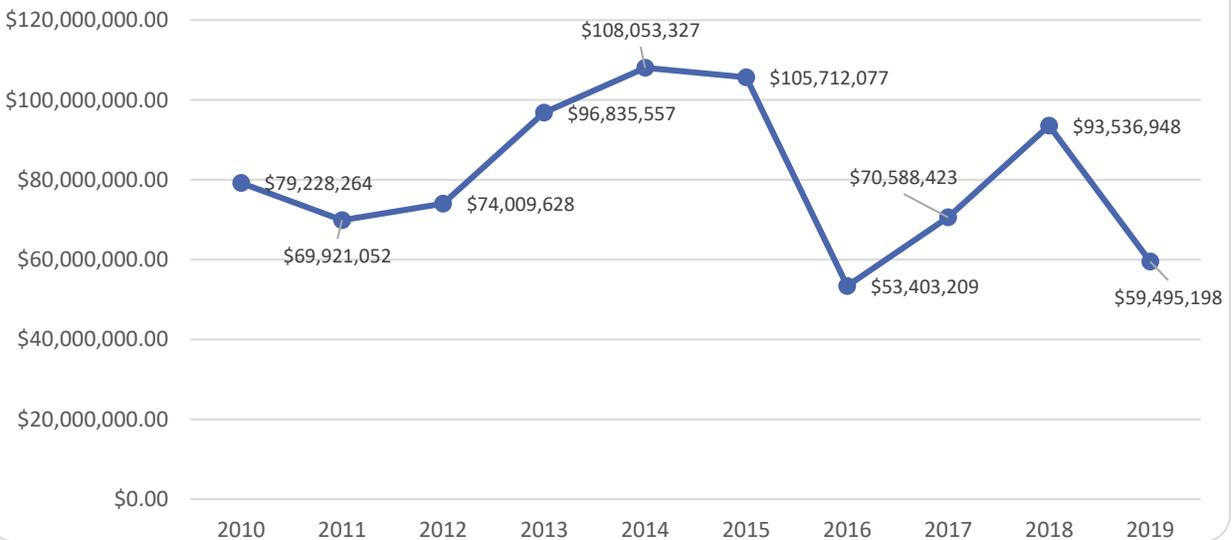
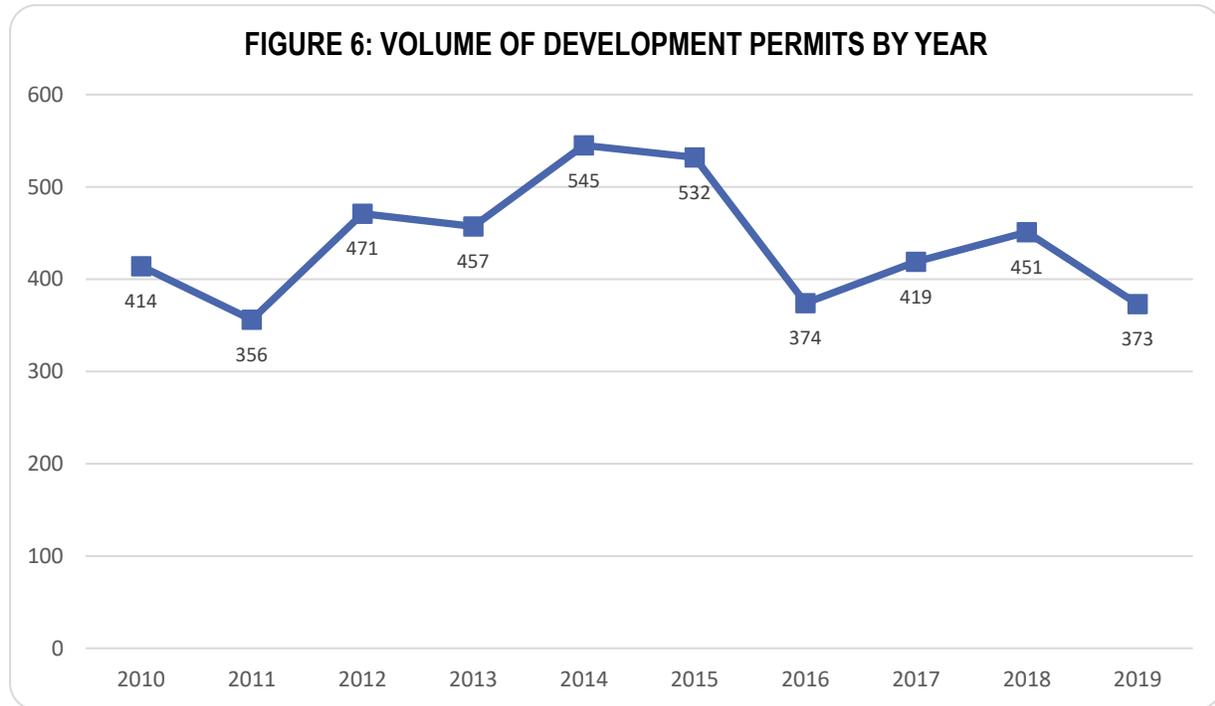
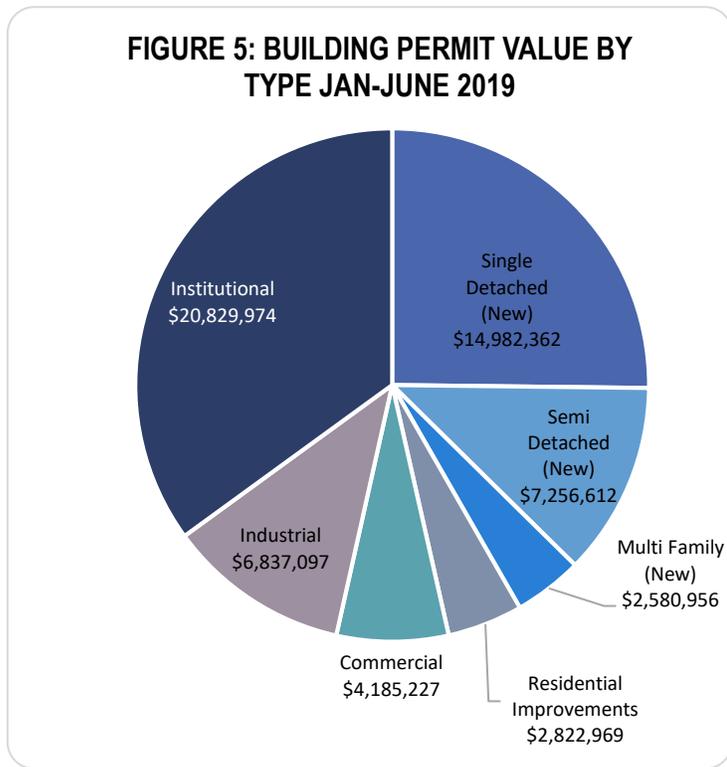


Figure 5 depicts the value of building permits assessed by building type. The City is anticipating overall valuations for 2019 to be lower than the year-end of 2018.

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.



In the first six months of the 2019, development permits have decreased in volume by approximately 17.2% compared to the same period in 2018, and are almost on par with permitting lows experienced in 2016 (**Figure 6**).

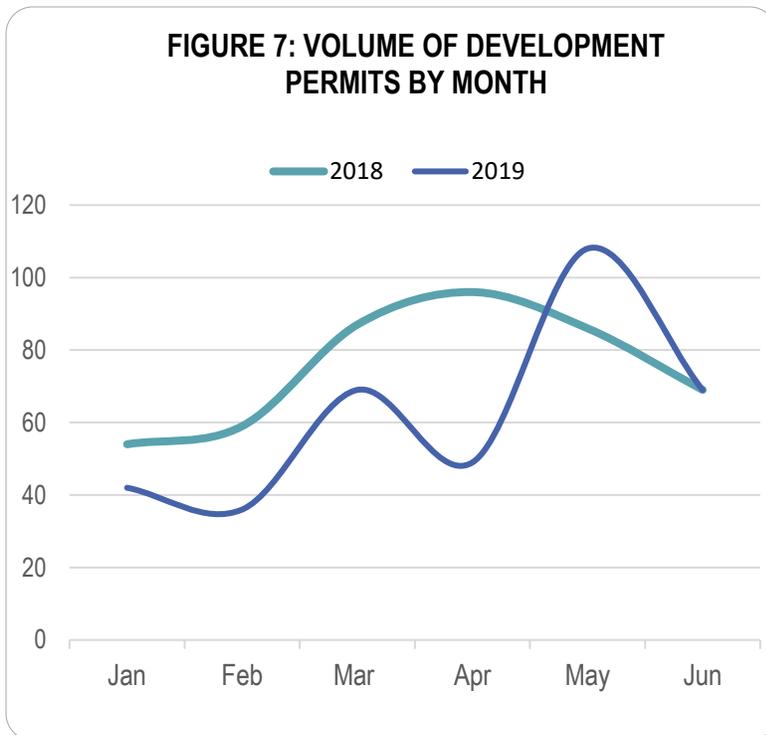
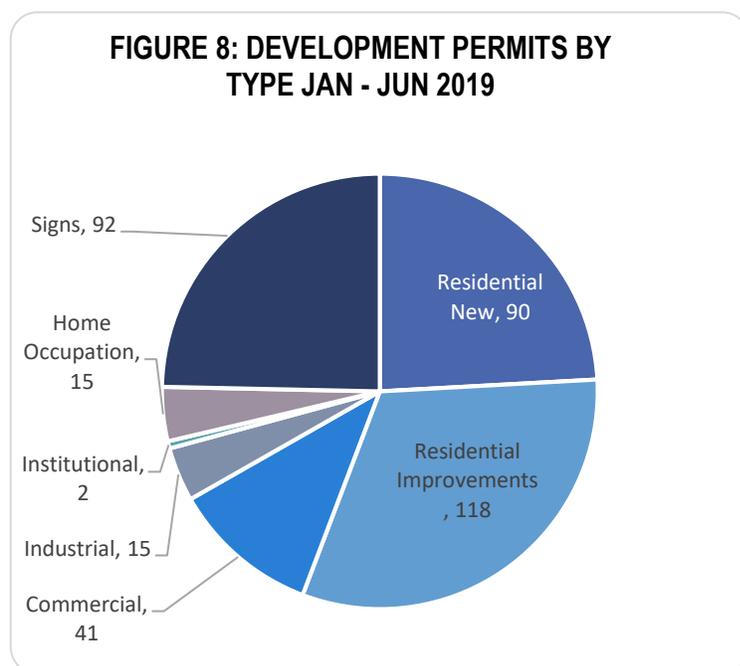


Figure 7 depicts the monthly permitting levels for the first half of 2018 and 2019. The permitting trend in the first six months of 2019 shows cyclical increases and dips in activity levels that are atypical, with the highest permitting activity taking place in the month of May before falling back down in the month of June 2019.

Similar to the building permit forecast, the overall development permit forecast for 2019 is expected to be lower than the full-year figures for 2018 and is more consistent with the 2016 levels.

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 applications for new garages built as accessory use.



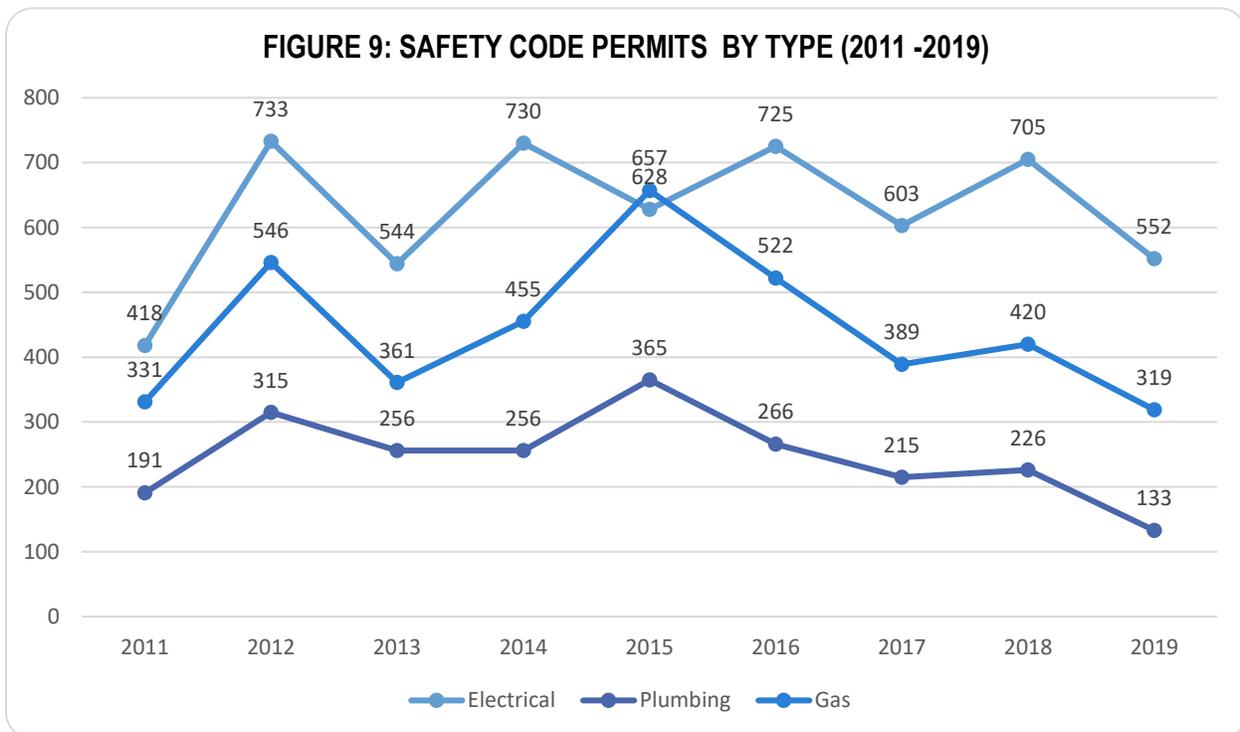
The number of commercial permits includes changes in occupancy (i.e. a new shop moving into an existing building) as well as the development of new commercial buildings.

Analysis indicates that in 2019 there were significantly higher number of permits obtained for commercial developments compared to 2018, and relatively lower number of permits obtained for new residential developments. A downward trend is expected for the remainder of the year.

Safety Code Permits

The City began tracking other activity types such as safety codes trades permits (plumbing, gas and electrical permits) as shown in **Figure 9**, since 2011. These permits are required to make upgrades to or change certain fixtures, such as furnaces, on private property.

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 decreased approximately 26% for all trades permits in the first half of 2019, which is similar in trend to building and development permits.

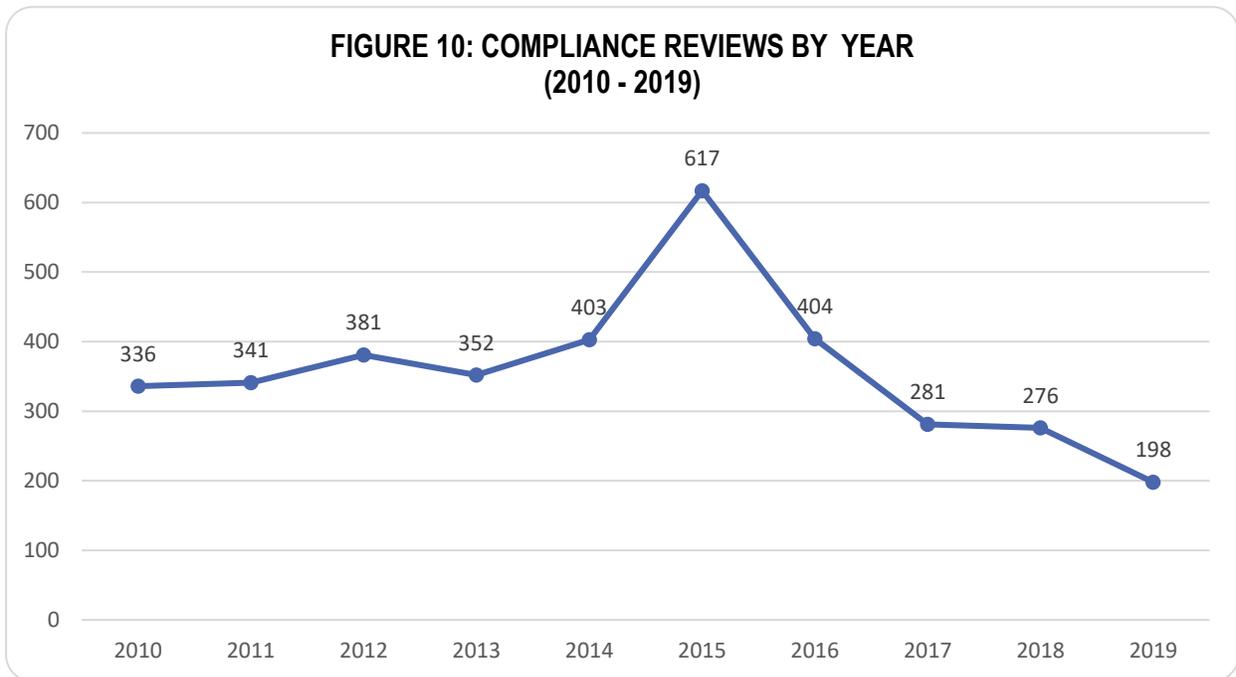


Compliance Reviews

Lastly, Administration monitors compliance request activity (**Figure 10**), which is a service offered by the City to review the use and improvements on 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 almost 40% in 2019, 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 relatively lower permitting levels in the first half of 2019 compared to the same period in 2018. These results reflect the current slowdown in the market for new development and decreasing sales typical of a weaker job market and recent changes to financing rules (i.e. Stress test).

The drop in development and permitting levels was observed province wide. In June 2019, Alberta municipalities issued \$908.5 million in building permits, a decrease of 31.3% from June 2018. Nationally, building permits decreased by 5.7% over the same time period. In Alberta, industrial permits increased by 28.7%, while all other permit types declined, with commercial permits seeing the largest decline at -55.7%.
(Source: <https://economicdashboard.alberta.ca/BuildingPermits#interprovincial>)

With some new seniors developments potentially moving forward, Administration expects the rest of the residential activity levels to remain static for the remainder of 2019 as inventory levels decrease towards a balanced market in 2020. Non-residential activity levels are also expected to remain static with continued development in the Westwind area.