

City of Spruce Grove Permit Report – Mid-Year 2012

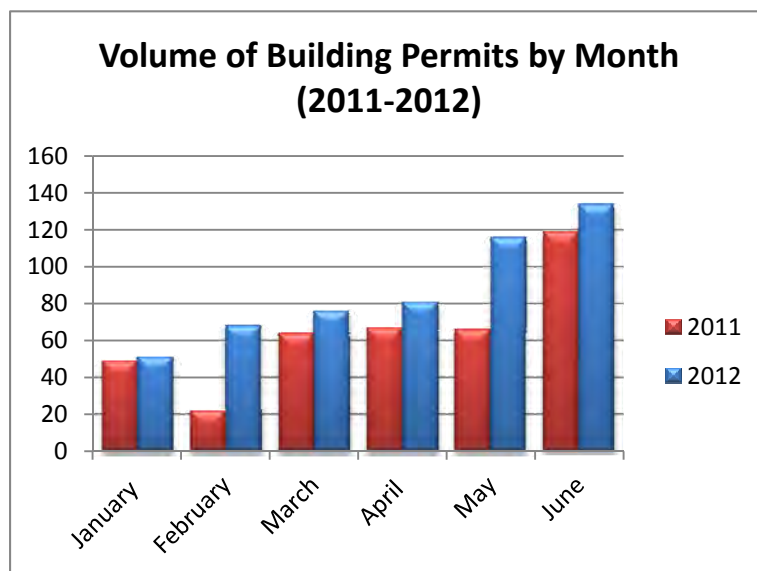
Introduction

Permit activity reports have been typically provided to Council three times a year, along with a year-end summary highlighting 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. Given that trends are difficult to establish in a three-month period, Administration will begin compiling semi-annual reports starting with this mid-year report, which will be sent to Council as information. The reports will also be posted on the City's website with a press release. Timing of the reports will typically be in July/August for the first six months of activity each year and in February/March for the full year report. This full year annual report will also be 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.

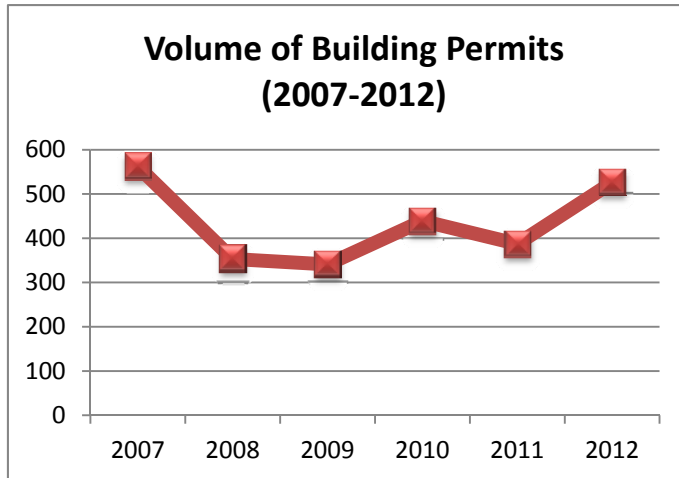
Building Permits

Building permits are issued by the City's contractor according to the regulations set out in the Alberta Building Code. Approvals are based on building plans that conform to safety codes. For new construction of houses and businesses, both a building and a development permit are required. However, for structural alterations to buildings, only a building permit may be required. Building permits are the industry standard used to track growth in development for communities as it is the last permitting process before



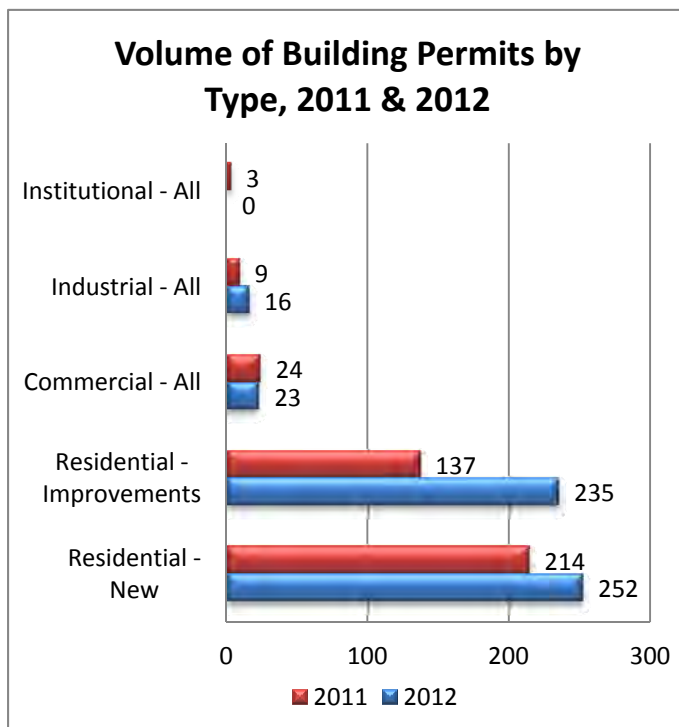
building construction, and therefore the most indicative of pending construction activity. As such, more attention is typically placed on analysis of building permits than development permits.

The first quarter of activity was robust due to unseasonably warm, dry weather. The momentum has continued into the second quarter, with a spike in activity in May, starting the summer construction season a month earlier than usual.



The first half of 2012 has seen the highest building permit volume since 2007 in Spruce Grove.

Administration will be watching for possible tempering of building permit activity as new housing inventory increases over the summer. Real estate sales this summer will be an indicator for the next several quarters of activity for residential permits.

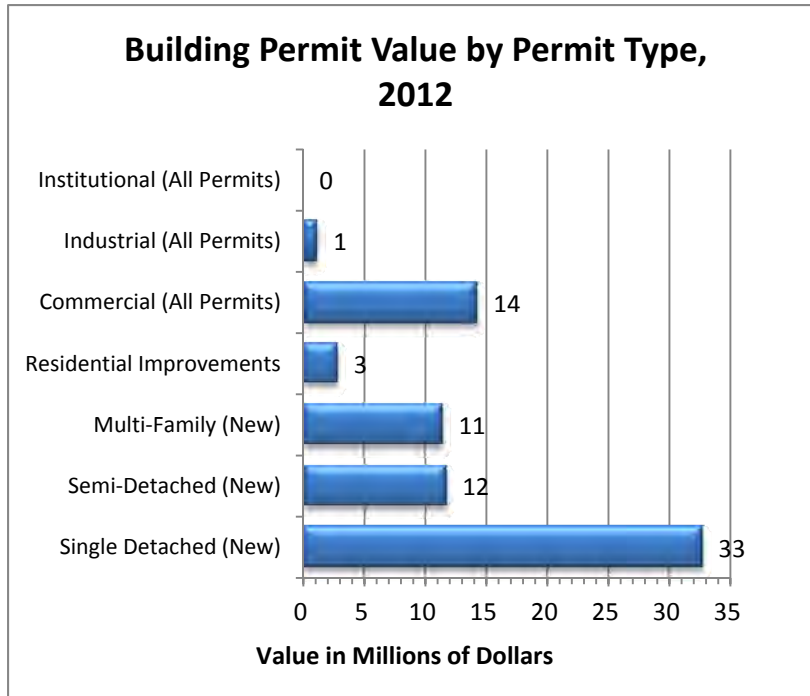


The next image, at left, looks at the distribution of building permits issued, categorized by residential, commercial, industrial or institutional use. Readers should note that Administration discovered input inconsistencies in the last few years of reporting that resulted in errors in the categorization of industrial and commercial activity, showing several permits as commercial instead of industrial development. The majority of these permits were tenant improvements with lower valuations. Information provided in this section reflects the corrected figures.

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.

About 48% of building permits issued in the first half of 2012 were for new dwellings, and 45% of permits were for residential improvements, for a total of 93% of all permits. Commercial permits accounted for approximately 4.4% of the building permit activity in Spruce Grove, down from 6% in 2011. The actual number of commercial permits is similar to the previous year, but the higher total of all building permits renders the percentage of commercial development lower. Industrial activity comprises 3% of building permits, up from just over 2% last year.

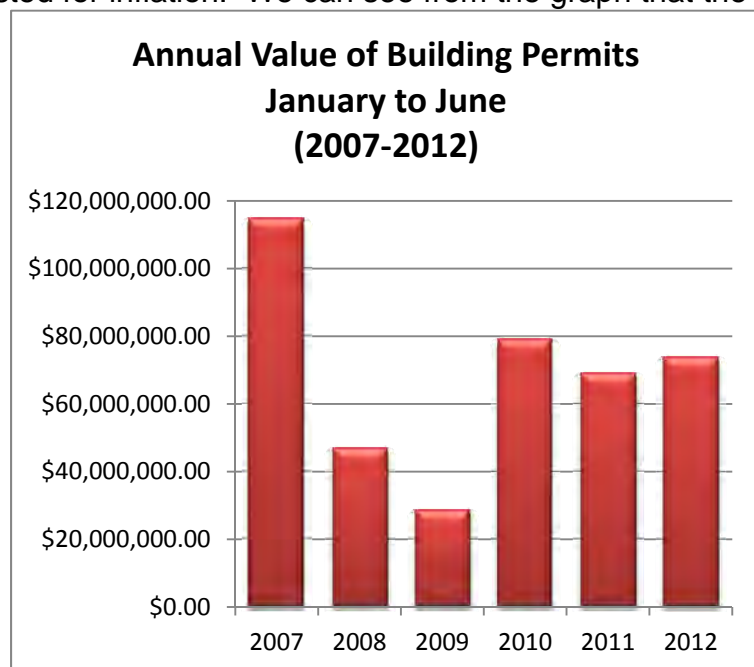


When looking at building permit values, a slightly different picture of construction trends in the city emerges. The graph at left depicts the value of building permits when assessed by building type. Although commercial construction represents only 4.4% of the total number of building permits, commercial construction for the first three months of 2012 comprises 19% of building permit valuation.

Overall most of the private investment in Spruce Grove

is going toward the construction of new residential units, including single detached, semi-detached and multi-family dwellings. Generally, over the course of a year, the residential permit values are higher than the non-residential values. At the beginning of 2012, Administration predicted high levels of non-residential development for the year, similar to recent years, with a slight shift to less commercial development than 2011, but with greater industrial activity. Growth to date appears to be following this trend.

The last graph in this section, below, displays the value of building permits by year since 2007. These values are not adjusted for inflation. We can see from the graph that the first six months of 2012 show permit valuation in line with 2010 and 2011, with a comparison with all years except 2007, with a total permit value of approximately \$74 million. Administration expects the remainder of the year to also have high permit valuations, as development levels remain high through the summer. Less certain, however, is the fall season which will be dependent on sales and construction conditions over the summer.



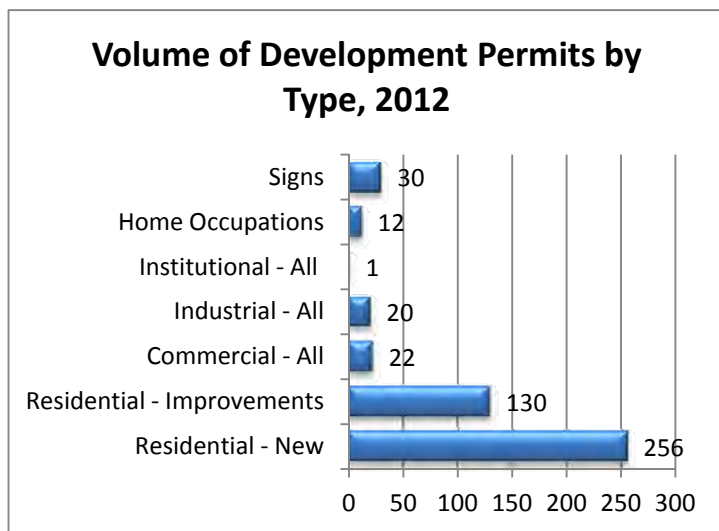
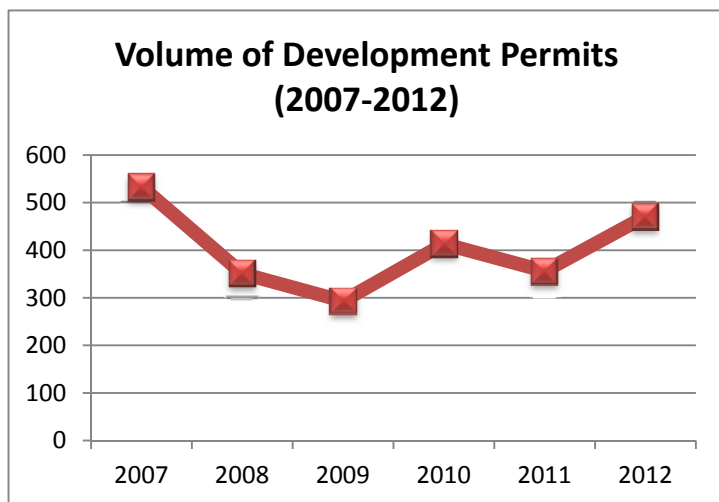
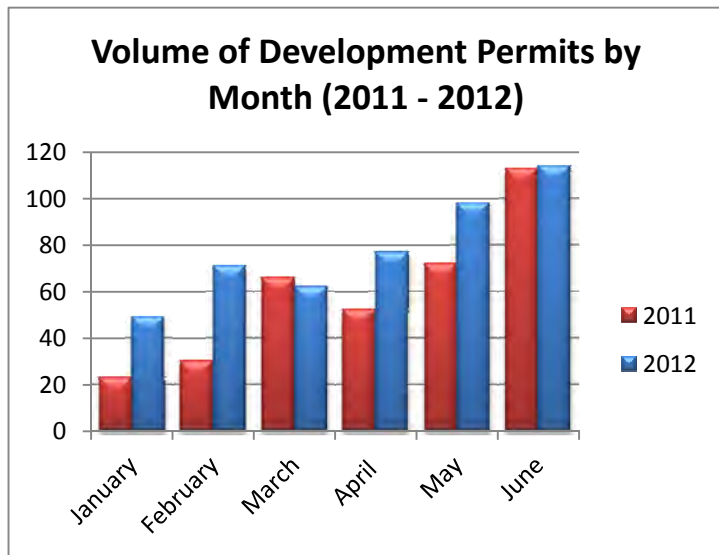
Development Permits

Development permits are issued by the City’s development officers in order to approve the location and use of a building 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 compared to the same period in 2011, with the exception of March. Once again, this was due to builders taking advantage of favourable weather conditions, as well as the first stages of a rebounding regional economy.

If we look at the trends since 2007, we can see that the city is starting to recover after the economic downturn. In fact, 2012 brought the busiest February on record in terms of development permit activity, with the second busiest May and June on record.

The last image in this section, at right, looks at the number of development permit approvals broken down by the type of permit. As expected in Spruce Grove, residential permits represent the majority of applications. Residential development is broken down by new and improvements, but for all other categories new and improvements are combined, due



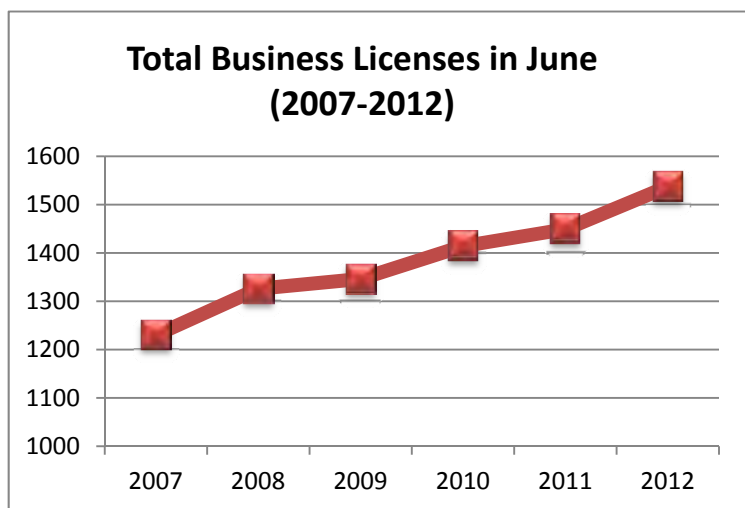
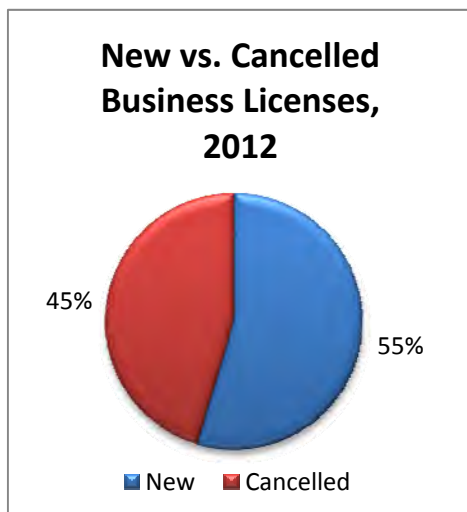
to smaller overall numbers. Residential improvements include new garages. The number of commercial permits includes changes in occupancy (i.e. a new shop moving into an existing building) as well as the development of new commercial buildings.

Business Licenses

The City of Spruce Grove issues business licenses to people or companies wishing to operate a commercial enterprise. Licenses are issued for typical ‘storefront’ businesses, as well as temporary operations, one-time projects and home occupations. The business license numbers in this graph also include non-resident businesses, which are businesses physically located outside Spruce Grove, that conduct business within the city. The number of businesses fluctuates throughout the year as new licenses are approved, and some are cancelled. The first graph in this section illustrates the total number of licenses that are valid in each month. Typically, January will have the highest number of licenses, with cancellations occurring in February and March after business owners receive invoices for renewal, and the City is advised that businesses have closed, relocated or non-resident businesses wish to cancel their license until they resume business in the city.

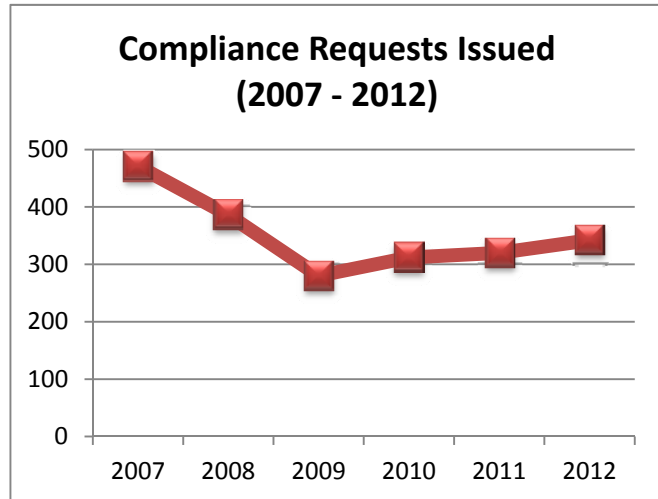


This typical fluctuation has not occurred, however, in 2012, which is largely attributed to the number of new businesses keeping up with cancelled business licenses. This balance is depicted in the graphic at the top of this page. Part of the increase this year is also partly attributed to a higher than normal number of project licenses for the winter months due to increased construction activity. Despite some cancellations typical of the



first few months of the year, the city has sustained over 1500 licensed businesses.

The final image in this section (previous page) shows the number of licensed businesses in the city since 2007. The numbers chosen to represent this issue are the totals for the month of June. We observe that the number of businesses in Spruce Grove continues to increase, which is expected to continue into the foreseeable future.

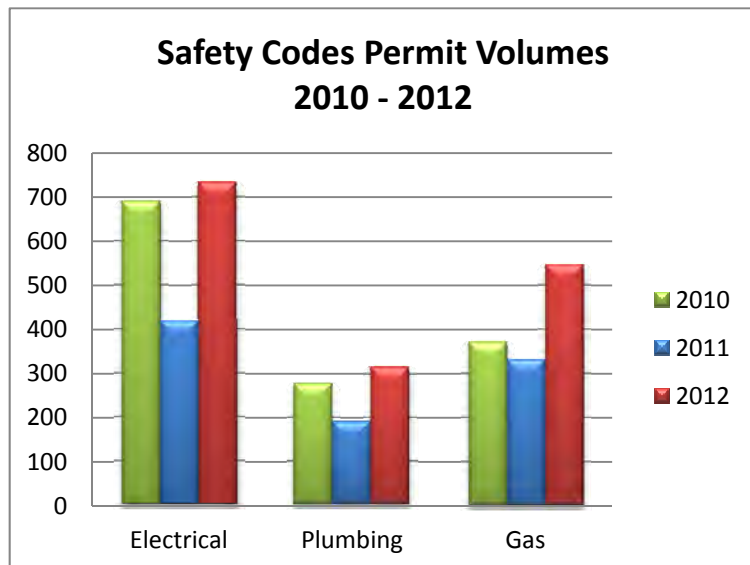


Other

Spruce Grove continues to track the number of compliance requests received by the City. Letters of compliance are a service offered by the City to assist homeowners with real estate transactions. Generally, the number of compliances issued reflects the level of activity in the real estate market. We can see from the above graph that compliances were at a high during the “boom” year of 2007, and have since gone through a correction. The lower volume of compliance requests in 2012 can also be attributed to fewer ‘re-stamp’ applications. Re-stamps are requested when the City determines that a development is not in compliance with either Safety Codes or the Land Use Bylaw, necessitating that the applicant reapply for a compliance request. In April 2011, the updated development fee schedule included a fee for re-stamp requests to reduce the number of incomplete applications, where previously the reapplication process was free. Re-stamp requests have therefore been lower in 2012.

Prior to 2010, the City did not collect information on the number of safety codes permits issued, other than building permits. However, in order to track the department’s activity and productivity,

Administration has kept data on electrical, plumbing and gas permits since the start of 2010. Typically, a new building requires two electrical permits, one gas and one plumbing permit, though that may vary depending on the specifics of the building and proposed uses. We can see that the number of safety codes



permits issued has substantially increased over the same period in the past two years, which is in line with building permit and development permit activity. Of particular note is the increase in gas permits, which is partially attributed to an increase in activity in the modular building industry in Spruce Grove, as the City issues plumbing and gas permits for modular units manufactured for use outside the city limits.