

Maximum Floorplates in Older Commercial Areas

Date:	September 23, 2008
To:	Planning and Growth Management Committee
From:	Chief Planner and Executive Director, City Planning Division
Wards:	All
Reference Number:	Pg080060

SUMMARY

This report responds to Council's July 2007 direction to report on a by-law to implement a maximum floorplate by-law to protect older commercial districts and small businesses in older neighbourhoods. The aim is to retain affordable rental space for small business on these traditional shopping streets.

The report concludes that there is little evidence that the older commercial strips are being affected by large stores, and that regulating the floorplate size would be an inappropriate technique for addressing the issue. No changes to the zoning by-laws are recommended at this time.

RECOMMENDATIONS

The City Planning Division Recommends that:

1. City Council not proceed with a by-law to implement a maximum floorplate by-law in older commercial districts and small businesses in older neighbourhoods.

Financial Impact

The recommendations will have **no** financial impact beyond what has already been approved in the current year's budget.

DECISION HISTORY

On July 16th, 2007 Council requested the Executive Director, City Planning to ‘report to the October meeting of Planning and Growth Committee with a proposed by-law to implement a maximum floor plate by-law to protect older commercial districts and small businesses in older neighbourhoods.’

An Information Report to the October 2007 Planning and Growth Management Committee meeting indicated that work was proceeding on the analysis of the issues raised by the Council direction. It was anticipated that staff would be able to report in early 2008. Go to <http://www.toronto.ca/legdocs/mmis/2007/pg/bgrd/backgroundfile-7164.pdf>.

ISSUE BACKGROUND

The Issue

The Council direction originated with a motion from Councillor Vaughan that was adopted by the Toronto and East York Community Council.

Through discussion with staff, Councillor Vaughan clarified his concerns, as follows. The concern is with the traditional shopping streets, where rows of storefronts come up to the sidewalk. For simplicity they will be referred to as ‘the strips’ in the rest of this report. The concern is that large chain stores are moving into the small stores on some of the strips where they frequently combine small stores into one large store. This has the perceived negative effect of changing the character of the strip, diluting its diversity and distinctiveness. The chains bring rising rents that also reduce opportunities for new start-up businesses and small independent businesses. The expectation is that City can and should, therefore, protect the commercial space on these strips for small business.

Official Plan policies

The Official Plan speaks to the issue. Its policies for retailing provide that traditional shopping streets will be improved as centres of community activity by encouraging quality development of a type, density and form that is compatible with the character of the area and with adjacent uses. Similarly, the Plan encourages retailing along the Avenues that will suit the local context of built form and support the establishment of a high quality pedestrian environment.

The Plan’s Mixed Use designation addresses the issue more directly with its policies for large scale, stand alone retail stores and/or power centres. They are not permitted in Mixed Use areas within the Central Waterfront and Downtown. They are only permitted through a zoning by-law amendment in other Mixed Use areas, as long as:

- a) sufficient transportation capacity is available ; and
- b) the function and amenity of the area for businesses and residents and the health of nearby shopping districts are not adversely affected.

This policy provides an avenue for dealing with large ‘big box’ stores that are in detached buildings. It does not, however, address the expansion of stores that take over existing adjacent units in a row of stores, which can result in a de facto large scale store.

Existing Zoning

The older strips are found in all of the pre-amalgamation municipalities. Only the former City of Toronto has zoning that generally limits retail floorspace on the strips. The other by-laws limit floorspace on individual properties for a variety of reasons.

In most of the shopping areas in the former City of Toronto, the zoning specifically prohibits adding more than 1,800 square metres (19,370 sq. ft.) of retail and service space to that which existed on the property in July 1993. In addition no store may exceed 8,000 square metres (86,080 sq. ft.). As the analysis below shows, this is much larger than most of the stores on the retail strips. These regulations were developed in the mid 1980s as part of a general strategy to support the City’s retail strips and ‘encourage their continued role as major elements in Toronto’s commercial land use pattern’.

COMMENTS

The Strips in Toronto’s Commercial Structure

The retail strips are a familiar and important part of Toronto’s retail landscape. They are key places for shopping and services in the older parts of the City – generally the areas built before about 1950.

With their pedestrian oriented rows of smaller stores, the strips have a noticeably different character than the shopping centres, auto-based ribbons of commercial retail activity along the arterial roads, and more recently power centres that serve the retail market in the post -1950 City. Except in the downtown, there are relatively few shopping centres and power centres in the older parts of the City. Similarly, there are relatively few of the chain stores that were the foundation of the shopping centres.

The strips all serve their local neighbourhood or community. But some have a more specialized role in the region. Just as the large regional shopping centres or the furniture strips of the post-1950 city serve a large regional market, so too do some of the retail strips. Areas such as the India Bazaar on Gerrard or Greektown on the Danforth have an ethnic specialty for large parts of the City and the GTA. Queen West between University and Bathurst serves the GTA’s younger, “trendier” crowd. Other strips such as Bloor West Village or Queen East in the Beach offer unique stores and local ambience that attracts shoppers and tourists from a wide area.

A recent report published by the Centre for the Study of Commercial Activity (CSCA) at Ryerson University in partnership with the City Planning Division, outlines the changing character of Toronto’s retail strips. The report looked at the pedestrian-oriented strips (as defined by the CSCA) on the Avenues shown on Map 2 of the Official Plan. This included some strips in the post-1950 part of the City. In 2005 they accounted for 21,600

establishments and 181,800 jobs. These numbers had changed remarkably little since 1985, though their proportion of the City’s establishments and jobs had declined slightly.

The Strips in the City’s Economy, 1985 and 2005

	1985	2005	Change, 1985 - 2005
Establishments			
City	73,096	71,509	-1,587
Strips	22,352	21,611	-741
Percent on the strips	30.6	30.2	
Employment			
City	1,181,660	1,262,650	80,990
Strips	182,190	181,820	-370
Percent on the strips	15.4	14.4	

Source: T. Hernandez, J. Helik and P. Moore, The Changing Character of Retail Strips in the City of Toronto: 1996-2005 (CSCA, Research Report, #2006-07, 2006)

The CSCA/City Planning report noted that although the total amount of activity on the strips has not changed much over the past 20 years, there had been a great deal of change within the strips. Service functions such as health services, restaurants and bars, and hair and beauty services are becoming more important. On the other hand, traditional retailing is declining, especially household and appliance stores, department stores, fashion (clothing and shoes), food stores and hardware stores. The decline in retail on the strips is partly a result of the growth of ‘new format’ retailing. The new formats have tended to avoid many of the strips with their smaller lots and more pedestrian-oriented built form.

The report concludes that ‘the strips appear to provide flexible locations that accommodate many of the broader changes in the service economy and the retail sector. As places that help to meet the retail and service needs of the City, they have persisted, while their local character has constantly evolved.’

Measuring the Issue on the Older Strips

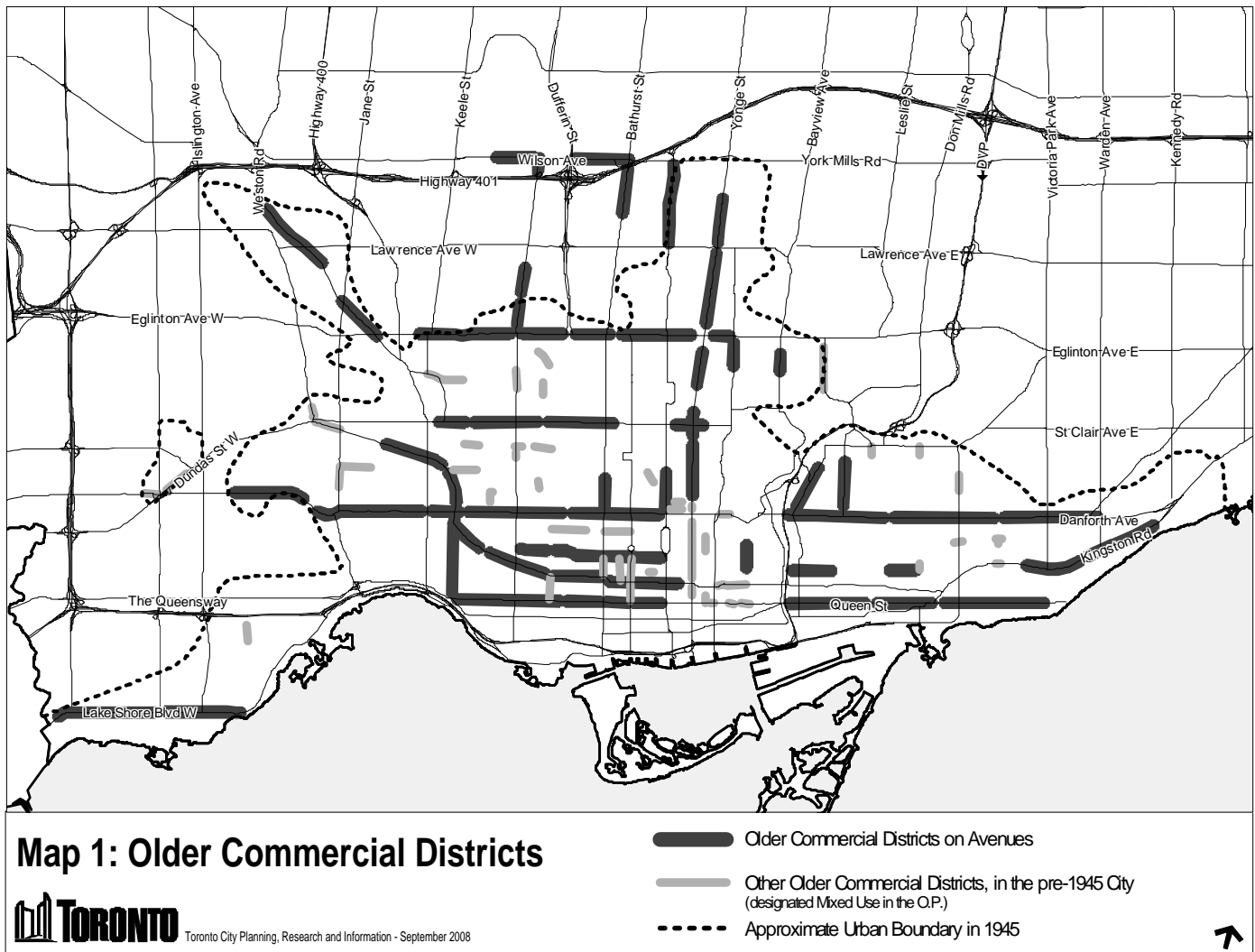
Any zoning intervention attempting to regulate occupancy through built form controls must address key parameters of the strips in question. There are four main issues: retaining small stores; providing opportunities for new businesses; stopping chains; and keeping rents reasonably low. The data discussed below analyse these issues on the strips.

Identifying the Strips

The analysis is based on CSCA data for 59 strips on the Avenues that are ‘older commercial districts’ in ‘older neighbourhoods’. These areas are shown on Map 1 and were all included in the recent CSCA / City Planning Report. They include:

- strips generally within the area of the City built-up before 1945, when public transit and walking were the main way of getting to shops;
- other strips with a relatively high proportion of stores in row buildings (and usually with apartments or offices on the second floor).

Besides these strips on the Avenues there are other smaller strips and local shopping areas that also meet the criteria. About 50 small mixed use areas which are not on the Avenues were identified within the 1945 built-up area (see Map 1).

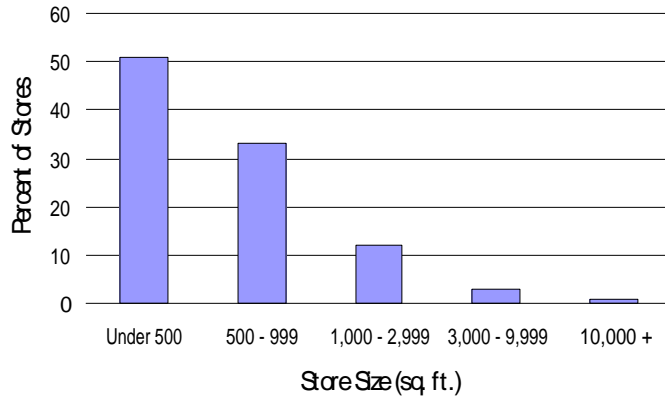


Store Size

- **Most stores on the strips are small:** of the 11,600 stores identified by the CSCA data, 51% are less than 500 sq ft, and 84% are smaller than 1,000 sq ft. A further 12% are between 1,000 and 3,000 sq ft, while only 4% are larger than 3,000 sq ft (see chart below).

In comparison, CSCA’s data indicate that 63% of stores in shopping centres in Toronto are under 1,000 sq ft, and only 15% in power centres. **The strips provide a great variety of small spaces for new businesses.**

Store Size on the Strips



- **There is small growth in larger stores:** the CSCA / City Planning report indicates a 15% increase in larger stores (over 3,000 sq.ft.) on the strips over the past decade, although this represents only an additional 67 large stores.
- **Each strip is also characterized mainly by smaller stores.** On only 4 of the 59 strips are more than 10% of the stores larger than 3,000 sq ft, while on 8 strips more than 25% of the stores are larger than 1,000 sq ft. On all strips, the preponderance of spaces are under 1,000 sq ft. Compare this with the existing permission for additional space of up to 19,400 sq ft in the former City of Toronto. There hasn’t been much take up of this permission over the past fifteen years.
- **There’s not a strong relationship between store type and store size.** The larger stores are spread across many store types, with bars and restaurants and food stores accounting for the largest number. Clothing stores and shoe stores account for relatively small numbers of the larger stores: about 4% of all stores over 3,000 sq ft are clothing or shoe stores. At the same time, larger stores generally account for a small proportion of stores across all store types. They make up 17% of automobile establishments and 11% of drug stores, but only 2% of clothing and shoe stores. (see Table)

Summary Data of Stores by Sector

Sector	Stores		% By Size (sq ft)			% by Sector			% by Chain		% of Chain
	#	%	<1,000	1,000-3,000	3,000+	<1,000	1,000-3,000	3,000+	% Ind.	% Chain	
Automotive	234	2.0	1.2	5.5	9.1	50.0	32.9	17.1	79.9	20.1	2.0
Book & Stationery											
Stores	103	0.9	0.9	1.0	0.9	82.5	13.6	3.9	87.4	12.6	0.9
Business Services	494	4.3	4.6	2.9	2.3	89.9	8.1	2.0	94.7	5.3	4.3
Clothing & Fabric Stores	816	7.0	7.2	7.2	4.1	85.4	12.4	2.2	93.5	6.5	7.0
Drug Stores	220	1.9	1.5	3.0	5.3	69.0	20.0	11.0	53.6	46.4	1.9
Financial & Insurance											
Industries	412	3.6	2.9	7.9	5.3	67.5	26.9	5.6	38.8	61.2	3.6
Florists Lawn & Garden											
Centres	111	1.0	1.0	0.6	0.0	91.9	8.1	0.0	97.3	2.7	1.0
Food	1,070	9.2	9.3	7.8	11.4	85.0	10.3	4.7	89.2	10.8	9.2
Food & Beverage											
Services	2,130	18.4	18.3	20.9	12.3	83.8	13.7	2.5	82.5	17.5	18.4
General Merch.	186	1.6	1.5	1.8	3.9	77.4	13.4	9.1	86.0	14.0	1.6
Hair & Beauty Services	818	7.1	8.0	2.6	0.9	95.0	4.5	0.5	96.5	3.5	7.1
Hardware Stores	104	0.9	0.7	1.3	1.8	73.5	18.4	8.2	69.2	30.8	0.9
Health Services	543	4.7	4.9	3.4	4.8	87.5	8.7	3.9	100.0	0.0	4.7
Household & Appliance											
Stores	564	4.9	4.5	6.0	8.9	78.2	14.9	6.9	92.0	8.0	4.9
Liquor	48	0.4	0.3	0.9	0.7	65.2	28.3	6.5	29.2	70.8	0.4
Manufacturing &											
Distribution Services	140	1.2	1.3	0.9	1.1	87.9	8.6	3.6	70.0	30.0	1.2
Other Retail	793	6.8	7.1	5.4	5.3	87.6	9.5	2.9	91.3	8.7	6.8
Personal & Household											
Services	1,000	8.6	8.9	6.9	7.5	87.0	9.7	3.3	90.4	9.6	8.6
Recreational Services	328	2.8	2.3	4.6	9.1	68.0	19.8	12.2	86.3	13.7	2.8
Shoe Stores	105	0.9	0.9	0.9	0.2	87.6	11.4	1.0	79.0	21.0	0.9
Sporting Goods & Toys	153	1.3	1.3	1.6	1.4	81.7	14.4	3.9	90.2	9.8	1.3
Vacant	939	8.1	8.6	6.0	3.2	89.6	8.9	1.5	100.0	0.0	8.1
Watches, Jewellery,											
Camera and Music											
Stores	288	2.5	2.8	0.9	0.5	95.1	4.2	0.7	92.0	8.0	2.5
Grand Total	11,599	100.0	100.0	100.0	100.0	84.1	12.1	3.8	87.4	12.6	100.0

Vacancies

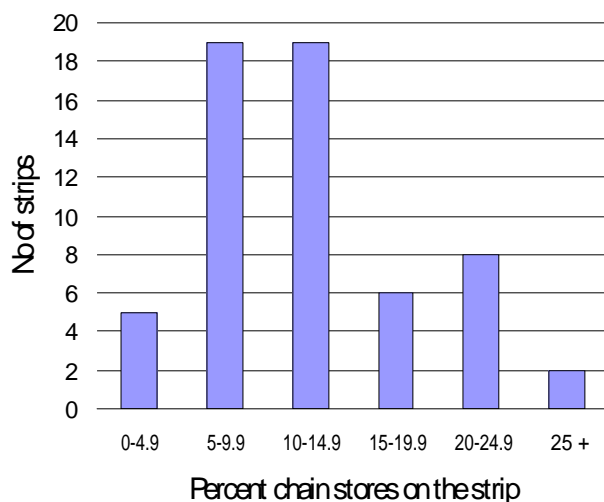
Store vacancies provide an indicator of potential opportunities for new businesses on the strips.

- **The overall vacancy rate on the older strips sits at about 8% - or one store in twelve.** Of the 11,600 stores on the strips, about 940 are vacant – many of which represent opportunities for new business.
- **Most of the vacant stores are small** – 89% are less than 1,000 sq ft and 60% less than 500 sq ft.
- **Vacancy rates vary from strip to strip.** About 12 of the 59 strips (20%) have a vacancy rate of over 12%, while another 8 strips (14%) have vacancy rates under 4%. The highest rate sits at 28% (Kingston Rd in Birchcliff), and the lowest at 2% (Yonge St north of Eglinton).

Chains

- **One store in eight:** Of the 11,600 stores on the older strips, 1,460 or about 12% are chain stores.
- **Generally small:** 65% of chain stores are under 1,000 sq ft, compared with 84% of all stores.
- **Five store types, all of which provide local goods and services, dominate the chains:** restaurants and bars (25%), banks and financial services (17%), food stores (8%), drug stores (7%), and personal and household services (7%).
- **The typical mall-type chains such as fashion and shoes, jewellery, cameras, and books account for relatively few stores on the strips** – less than 1% of all stores. They also tend to be smaller stores. For example of the 53 ‘fashion’ chain stores, 34 or 64% are under 1,000 sq ft. Of those over 1,000 sq ft, 6 (33%) are on Queen West between University and Spadina, including 3 of the 5 such stores over 3,000 sq ft. Indeed, nearly 40% of the fashion and shoe chain stores are on two strips: Queen West between University and Spadina, and Yonge north of Eglinton. It is also noted that although Queen West between University and Spadina has a relatively high chain content (22.5% of its stores), Queen West between Spadina and Dufferin has a much lower level (7.2% in each).
- **The proportion of stores which are chain stores also varies widely from strip to strip.** The proportion ranges from 31% at Yonge – St Clair to 1.9% on St Clair at Old Weston Rd (see chart).

Chain Stores on the Strips



- **Chains on successful strips.** The strips with highest chain store levels are generally strips in higher income areas and/or well known as ‘trendy’ strips that are recognized

as destinations based on their ambience and the variety and appeal of their stores and restaurants. These are successful strips where the chains follow their market on to the strip. The strip helps to 'brand' the chain. At the same time, to the extent that they then attract more shoppers to the strip, they also attract a bigger market for the small independent stores on the strip. The 'success' however, will prompt landlords to look for higher rents, which will force some of the independents to move or close. But the higher rents will only be sustained if the strip maintains its overall success and quality and continues to attract patrons.

Rents and Affordability

We have no reliable data on rent levels on the strips, although we know that rents vary widely from one strip to another and sometimes within strips. There is also anecdotal evidence that rents are increasing sharply on some strips, and that 'as independents are being priced out of hot neighbourhoods, cashed-up chains and luxury or trendy brands are moving in' ('The Downside of Up', *Globe and Mail*, July 19, 2008, page M1 and M4). This is particularly so in the downtown neighbourhoods such as Queen St West and The Danforth, which as we have seen, serve a wider specialized regional market as well as their local neighbourhoods.

Is it necessary to regulate maximum floorplates on the strips?

There is no empirical evidence that the issues that gave rise to the Council Direction are widespread on the strips. Overall, the strips tend to be characterized by small stores, with vacancy levels that provide ample opportunity for new businesses, and relatively low levels of chain stores, most of which target a local neighbourhood market for goods and services.

There is little evidence of large chain stores 'taking over' the strips. Queen west of University and Yonge north of Eglinton, with their higher levels of fashion and shoe chain stores and relatively low vacancy rates, come closest to the notion of strips losing their local character. Even these strips, however, consist mainly of non-chain stores (about 80%), and small stores (84% or more).

Furthermore, regulations restricting the size of stores are more likely to affect independent businesses than chain stores (there are more independently-owned large stores), and stores providing services to the local population (e.g. foodstores) than stores attracting out-of-neighbourhood customers.

In addition, informal discussions with local business organizations indicate that larger chain stores can be good for the strips. They help provide cachet for the strip and attract customers for the other stores. They are analogous to the department stores that act as anchors in malls. It is preferable that they locate on the strips rather than in new power centres or other malls where they may attract customers away from the strips. Nevertheless, it is important that the larger stores 'fit in' to the strips and play by the same rules as the smaller stores – similar design, reliance on on-street parking etc.

There would also be other difficulties and problems with the approach.

- **It is not clear what the maximum size would be.** Most stores are very small, yet many of the larger stores fulfill an important function on the strips; for example food stores and drug stores. It may not be advantageous to keep them off the strips.
- **Imposing a maximum store size may not allow some successful independent stores to grow in situ.** If they want to grow they will be forced to move, and if all older strips are controlled there will be few opportunities. They will have to move to the post-1945 City or perhaps to a shopping centre.

For all of the above reasons, staff do not recommend that a by-law implementing a maximum floorplate be pursued further.

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