



STAFF REPORT ACTION REQUIRED

Commercial Floorspace Requirements in Mixed Use Areas

Date:	May 20, 2009
To:	Planning and Growth Management Committee
From:	Chief Planner and Executive Director, City Planning Division
Wards:	All
Reference Number:	pg090027

SUMMARY

This report responds to Council's request to review the amount of commercial floorspace that should be required in redevelopments on properties that the Official Plan has designated for Mixed Use, including consideration of making the replacement of the existing commercial space mandatory.

The report shows that the Official Plan's approach to the City's retail commercial sector generally meets the needs of retail and service businesses and the City's residents and consumers. It provides opportunities for new businesses and allows the retail system to evolve and adapt to changing economic social and technological conditions. It generally provides adequate retail space that is accessible and convenient for the City's residents. The Mixed Use designation plays a key role: it provides for additional retail development along with residential development, especially on the Avenues, in the Centres and in Downtown; and it provides flexibility for owners to redevelop retail floorspace for other uses if local market conditions warrant.

Nevertheless there may be some instances where proposals to eliminate the retail-commercial space may have a relatively large local impact, especially shopping centres upon which the local residents have relied to meet their day-to-day convenience needs. A proposed Official Plan policy would require that these impacts be considered through the rezoning process, and if appropriate, some or all of the existing space be retained or replaced in the new development. This report recommends further consultation for such a policy.

RECOMMENDATIONS

The Chief Planner and Executive Director, City Planning Division recommends that:

1. Notice for the public meeting under the *Planning Act* be given in accordance with the regulations under the *Planning Act* with the public meeting targeted for Fall 2009;
2. Staff schedule consultation with stakeholders including the representatives of the development industry and the business community; and
3. The proposed policy be substantially the same as the following:

The review of applications for redevelopment that would result in the loss of more than 3,000 sq.m. of retail commercial uses in Mixed Use Areas will consider the impact of the loss of the retail commercial space on the local neighbourhood, based on the following considerations:

- a) The availability of other stores and uses to meet the convenience needs of residents of the local neighbourhood, particularly supermarkets, grocery stores and drug stores;
- b) The desirability of retaining options for walking and other alternatives to the auto;
- c) Other alternative opportunities for retail commercial development in Mixed Use areas to meet the convenience needs of residents of the local neighbourhood, particularly opportunities on nearby Avenues;
- d) The role of the shopping area being considered for demolition as a community meeting place and focal point for the local neighbourhood;
- e) The local neighbourhood should be considered to be an area within the following distance of the space being lost:
 - 2 km in the postwar suburbs or in areas where lower densities still require extensive auto use to shop for convenience needs
 - 1km in the pre-war city and in higher density areas and in areas of lower income or an aging population where walking is a viable or necessary means to shop for convenience needs.If appropriate, replacement or retention of some or all of the existing commercial space may be required in the new development.

Financial Impact

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

DECISION HISTORY

On June 11, 2007, when it considered the Long Term Employment Lands Strategy, Council directed the Chief Planner and Executive Director, City Planning, to:

- re-examine the interpretation of the Mixed Use designation and assess the need for replacement of all existing commercial/employment space, and in the absence thereof assign a minimum percentage of commercial/employment space to be built on the lands; and
- review:
 - a) the feasibility of requiring that all applications to demolish and rebuild, for proposed residential use, on lands previously used for retail commercial purposes, provide that the previous total square footage of commercial retail space remain used only for commercial retail purposes; and
 - b) the feasibility of establishing a maximum residential portion for mixed use properties, with specific criteria, as well as the guidelines and rationale for those criteria;
- consult with interested Members of Council as part of these reviews; and
- report to the Planning and Growth Management Committee on the status of these reviews by the end of the third quarter of 2007.

<http://www.toronto.ca/legdocs/mmis/2007/cc/decisions/2007-06-11-cc09-dd.pdf> at page 6.

The Chief Planner presented a status report to Planning and Growth Management Committee in November 2007. The report indicated that staff had begun the analysis needed to respond to Council's direction, but that it would take some time to complete. <http://www.toronto.ca/legdocs/mmis/2007/pg/bgrd/backgroundfile-7552.pdf>.

On November 13, 2008, Planning and Growth Management Committee considered a request from Cr. Feldman, 'that staff be directed to write a report on making the replacement of existing commercial space mandatory under the Mixed Use zoning designation.' The Committee referred the request to the Chief Planner for consideration and a report back as soon as possible.

<http://www.toronto.ca/legdocs/mmis/2008/pg/decisions/2008-11-13-pg20-dd.pdf> at page 15

ISSUE BACKGROUND

In recent years, there has been a steady stream of proposals in all parts of the City to redevelop shopping centres and plazas, usually for housing.

Some proposals have not included replacement retail space; for example:

- Elane Plaza (on Eglinton at Danforth Rd) - redeveloped for townhouses;
- Warden Woods Mall (at Warden and St Clair) - redeveloped for a mix of semis, townhouses and walk-up apartments;
- Berry Road Plaza (Berry and Prince Edward) – redeveloped for townhouses;

- Glen Agar Plaza (Firwood and Lloyd Manor) – proposed redevelopment for residential;
- 1945 Lawrence West – car dealership redeveloped for stacked townhouses

Other proposals have included retention or replacement of retail space; for example:

- Markington Square (at Markham and Eglinton) - proposed redevelopment for housing and some retail with retention of the supermarket;
- 1221 Markham Rd, north of Ellesmere - proposed redevelopment for housing and some commercial space;
- Parkway Plaza (at Ellesmere and Victoria Park) - proposed redevelopment for housing and some retail with retention of the supermarket;
- Bridlewood Mall (at Finch and Warden) – proposed development of housing on the mall parking areas;
- Bathurst Manor (at Wilmington and Overbrook) – proposed redevelopment for apartments and a small retail commercial component;
- University Colony Centre (at Hucknall and Sentinel) – proposed redevelopment for residential;
- The plaza at the northeast corner of Dufferin and Lawrence - proposed redevelopment for housing and retail space;
- 25 Fontenay Ct, at Scarlett Rd – proposed redevelopment for housing with a commercial component;
- Honeydale Mall - proposed redevelopment for housing and retail;
- Stonegate Plaza (Berry and Stephen) – proposed redevelopment for housing and retail;
- Swansea Plaza (34-50 Southport) - proposed redevelopment for housing and retail.

COMMENTS

There are three elements to the directions from Council and Committee:

1. Should retail commercial space be replaced and or retained?
2. If so, how much?
3. Should there be limits on the amount of residential development?

The primary consideration is whether or not the space should be retained. The response to the other two issues flow from the analysis of that primary question.

The Meaning of ‘Commercial’

‘Commercial’ used broadly means all retail, service and office space; more narrowly it refers to retailing and services accessible to the public (‘retail commercial’). The directions from Committee and Council appear to be mainly concerned with the narrow interpretation, so this analysis will focus on that. To begin with, however, we will deal briefly with the broader interpretation, particularly as it relates to offices and office buildings.

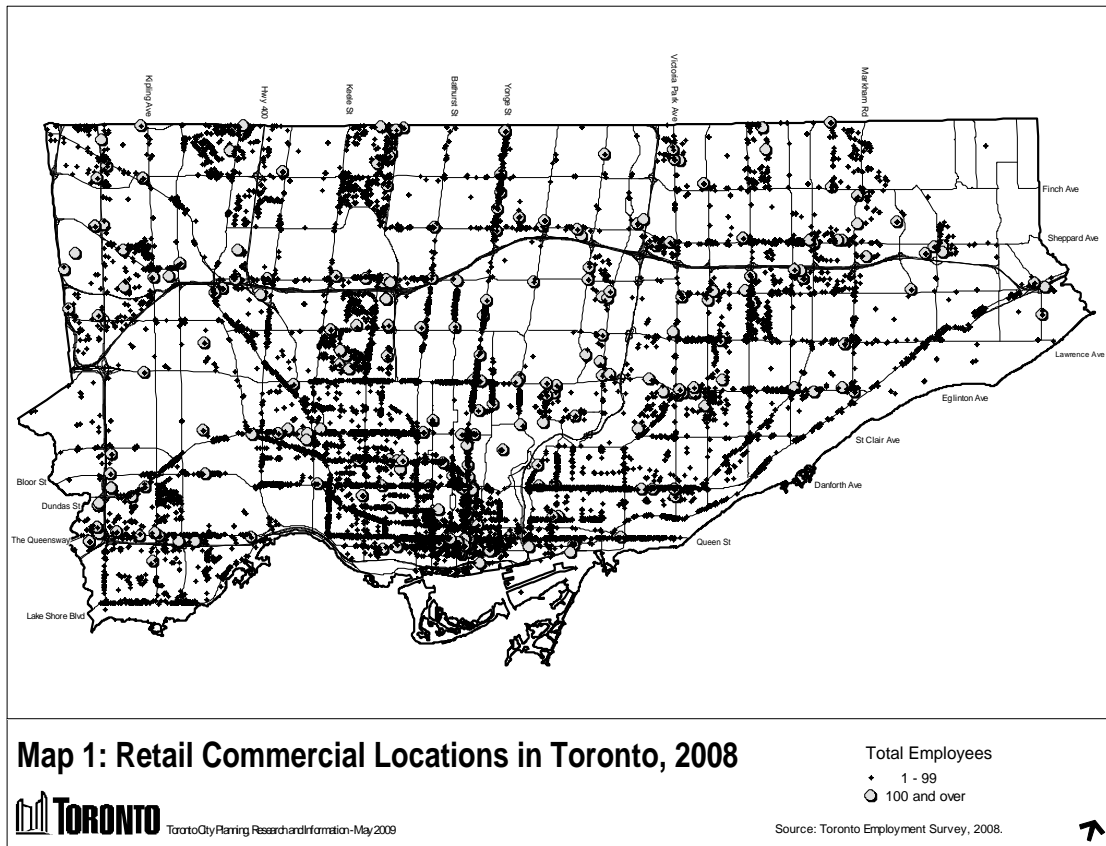
Most office buildings in the City are designated for Mixed Use in the Official Plan. This recognizes the non-office space (e.g. retailing, day care) in many of the buildings, but

also provides for alternative uses if there is difficulty renting out the office space. The Official Plan directs future office development to transit supportive locations in Downtown and the Centres and along the Avenues. The Centres are further supported by the provision of financial incentives to support office development through a Community Improvement Plan. In addition, office development is permitted throughout Employment Areas. In sum, there is ample opportunity for further office development in the City. It would not be reasonable to require as a general policy that existing office space be replaced or retained through redevelopment of Mixed Use Lands if other uses are economically more feasible and also represent good planning.

The Structure of Retailing in the City

This issue should be dealt with in the broader context of the Official Plan’s policy framework for the City’s retail commercial system.

Retail commercial services are provided in the city in a wide range of locations across the City, as shown in Map 1.



The spatial structure of retailing has evolved over the past 150 years. Major elements of this structure include:

- the Downtown and its distinctive subareas,
- the traditional shopping streets and pedestrian strips in the older parts of the City,

- the shopping centres and plazas that proliferated to serve the post-war City, many of which were planned for as part of the new neighbourhoods and communities; and
- more recently, power centres and big box stores ('power retail').

The Official Plan accommodates much of the City's retail commercial system in Mixed Use areas, although significant elements are found in other designations, as Table 1 shows. The Mixed Use locations are found throughout the retail commercial system – including Downtown, pedestrian strips, shopping centres, and other retail clusters across the City. Policies that address one particular element or land use designation may not be appropriate for other areas.

Table 1: Retail Commercial Employment by Land Use Designation, 2008.

Sector	OP Designation			
	Mixed Use Areas	Employment Areas	Neighbourhood Areas	Other Designations
Retail	95,800	34,390	4,300	3,970
Consumer Services	32,910	12,980	1,870	1,380
Auto Service and Repair	3,000	5,770	790	190
Total	131,710	53,140	6,960	5,540

Mixed Use provides for both 'vertical' and 'horizontal' mixing: it allows multiple uses in a single development (e.g. a combination of residential, retail and offices); and it provides a 'menu' of options for single use developments on individual sites that may add up to multiple uses in a local area. Both dimensions recognize that generally the permitted uses are compatible with each other, and allowing the mixing provides convenience for shoppers and commuters and flexibility and adaptability to changing conditions for property owners.

The Changing System

Retailing and the retail commercial structure are always changing. New elements are added to the system, but older forms persist, and they accommodate, and are modified by, the later forms: they provide the framework for the continuing evolution of the system. The pedestrian strips accommodated the City's growth in the age of the streetcar, but then had to adjust to the shopping centre system that accompanied post war suburban development. Now the traditional shopping streets and the shopping centres are both responding to power retailing.

Power Retailing

Power retailing has had a major impact over the past 20 years. It has added a new set of centres and some large stores in former industrial / employment areas, as well as changing the store mix in the shopping centres. More recently, larger stores have begun moving onto the pedestrian strips.

Big boxes are found in a wide array of locations reflecting the commercial structure of the city. A recent study by the Centre for the Study of Commercial Activity (CSCA) found that less than 30% of big box stores in the Greater Toronto Area are in power centres:¹

Location	%
Downtown	5.6
Shopping centres	27.0
Pedestrian strips	11.3
Arterial strips	4.0
Industrial zones	13.7
Power centres	29.9
Free-standing	8.5

Because of their size, their low or competitive prices and the variety of goods they offered, the new format stores attracted customers away from their competitors in the shopping centres and strips.

The power retail process is still evolving. Although there won't be many new power centres built in Toronto, the new format / category killer / big box stores may continue to move into existing centres and retail locations – and continue to draw customers away from the shopping centres.

Other Changes

This has coincided with many other changes in retailing that have had an impact on the shopping centres and strips. Important instances include:

- **Supermarkets:** Many of the community and neighbourhood level shopping centres built in the 1960s and 1970s were anchored by supermarkets around 20,000 sq ft in size. Since then fewer, but larger, supermarkets have replaced the older smaller supermarkets, so that many of the centres lost their key anchor and customer draw.
- **Hardware / home improvement:** Power retailing brought very large home improvement stores that cut into the customer base of the hardware stores on the strips and in the shopping centres. Between 1994 and 2006 the number of hardware stores in Toronto declined by 33% - or by over 130 stores.
- **Bank branches:** With the rise of Automatic Banking Machines, the banks have closed many of their local branches, which were also important draws for local retail areas. Since 1989, the number of bank branches has declined by 35% for a net loss of over 360 branches.

¹ See Jim Simmons and Tony Hernandez, Power retail within Canada's major metropolitan markets, *Research Report 2004-9*, CSCA, 2004, p13, 575 big box stores in the sample

- Video stores: Video rental outlets grew rapidly in the 1980s, but with the arrival of big chains and changing technology, have declined by 25% since 1992 – or a net loss of about 100 outlets.

Adjustment to Change

The existing system has adjusted to these changes in various ways:

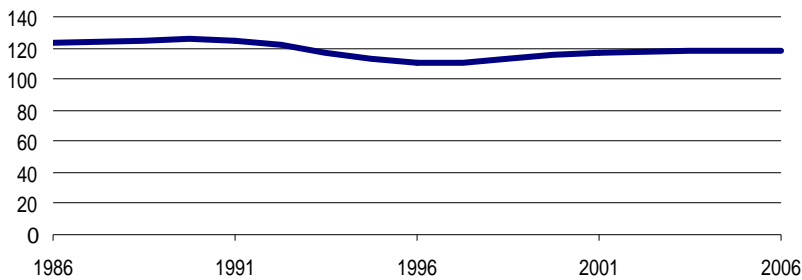
- On the strips, services, particularly restaurants and personal services, have replaced some of the retail stores.
- In some centres, independents or stores catering to particular ethnic groups have replaced chain stores that have lost their customers to the power centres and new formats, and closed supermarkets have often been replaced by pharmacies, dollar stores, or specialized grocery stores.
- Some centres have been redeveloped or ‘repositioned’ in the market. For example, Don Mills Centre has been redeveloped as a ‘Lifestyle’ centre aiming to draw customers with local pedestrian strip ambience; and Morningside Mall has been redeveloped to cater more explicitly to power retail.

Eventually, however, from an investment point of view some of the centres and other retail locations have become more attractive for other uses, particularly residential development. Some centres have been redeveloped while other proposals are in the pipeline, and as the examples listed above show, some did not replace the retail space, while others have included retail commercial space in the new development (see Issue Background).

City-wide Service Level

Even as the system has changed over past 2 decades, the overall level of service has changed little, as Figure 1 shows with the data from the annual Toronto Employment Survey (TES). The number of retail and service jobs per 1,000 population declined with the recession of 1990-92, and then levelled off at just under 120 jobs per 1,000 population – about the same as in 1986. Overall, then, there seems to be a relatively constant level of service, with increases in retail and service jobs largely driven by population growth. If jobs are lost in one location they may reappear at another. New jobs in one location may mean jobs are lost elsewhere.

Figure 1: Retail and Service Jobs per 1,000 Population,



Note: Employment is used the indicator of service level rather than GFA because there isn't a comprehensive inventory of all retail-commercial GFA in the City (the CSCA database excludes many small clusters and establishments), whereas the TES includes all establishments.

How the Official Plan Provides for Change

New Commercial Retail Development

As the City's population grows, and if the service level remains relatively constant, there will be need for additional commercial retail development. The Official Plan provides for new retail development and directs it to:

- the Avenues – with retail commercial development to support residential intensification and provide goods and services for local neighbourhoods, primarily in the Mixed Use Areas designation;
- roads on the boundaries of Employment Areas, specifically for large stand alone stores and power centres – continuing an approach that was used to accommodate power retail as it evolved;
- Downtown and the Centres – with a focus on office development;
- Also in parts of Downtown, commercial retail uses are permitted in the Regeneration Areas along with residential uses.

The stable residential areas and employment areas will also accommodate small scale commercial development, but they are not expected to accommodate extensive amounts of commercial growth. Indeed, for the Avenues to develop as intended, it may be beneficial for some local retailing to move onto the Avenues from nearby locations in the neighbourhoods.

Redevelopment of Commercial Locations

The Official Plan recognizes that the retail system will continue to change and specifically envisages how the Mixed Use designation will accommodate this change:

“Retailing will continue to be an important part of the economy, however, the retail patterns that exist today are very different from those of 15 to 20 years ago and there is every reason to expect that those patterns will continue to evolve over the next 30 years. The Plan therefore provides the flexibility for owners of retail

properties to adapt to changing circumstances. Most existing and proposed major retail areas, shopping malls and commercial districts are within designated *Mixed Use Areas*. Many plazas, malls and arterial roads which previously had permissions for only commercial uses, are designated as *Mixed Use Areas* to permit residential uses as an alternative to or to support existing retail space that is not faring well and to implement the reurbanization goals of the Plan. Major shopping centres can continue to expand for retail purposes or develop as areas of mixed use. New shopping streets will emerge as *Avenues* develop and mature.” (*Official Plan*, Page 3-33)

In general terms, therefore, the Official Plan provides for an evolving retail system that seeks to match the interests of the deliverers of retail-commercial services and the needs of consumers:

- The Plan provides for a multitude of locations and opportunities for retail commercial activities in the City. Map 2 shows new retail establishments in the City as recorded by the 2008 Toronto Employment Survey. The Official Plan and particularly the Mixed Use designation provide flexibility for the retail system to evolve and adapt to changing economic and technological circumstances and provide ample opportunities for new business and to support competition and as low as possible prices for goods and services.
- Whether it is economically feasible to operate the space can only be decided by each store owner. What the Official Plan does is provide ample opportunities for them to find the right location. It also provides for a range of alternative uses should their space turn out to be uneconomic as retail space.
- So long as there are no major constraints on the availability of locations and opportunities for new retail development, the ‘market’ will respond to the needs of the population, even as the retail system evolves.
- This also means that the retention of space in a particular location proposed for redevelopment may not be necessary in order to ensure a supply of land and floorspace for jobs and assessment - they will find locations elsewhere in the City.



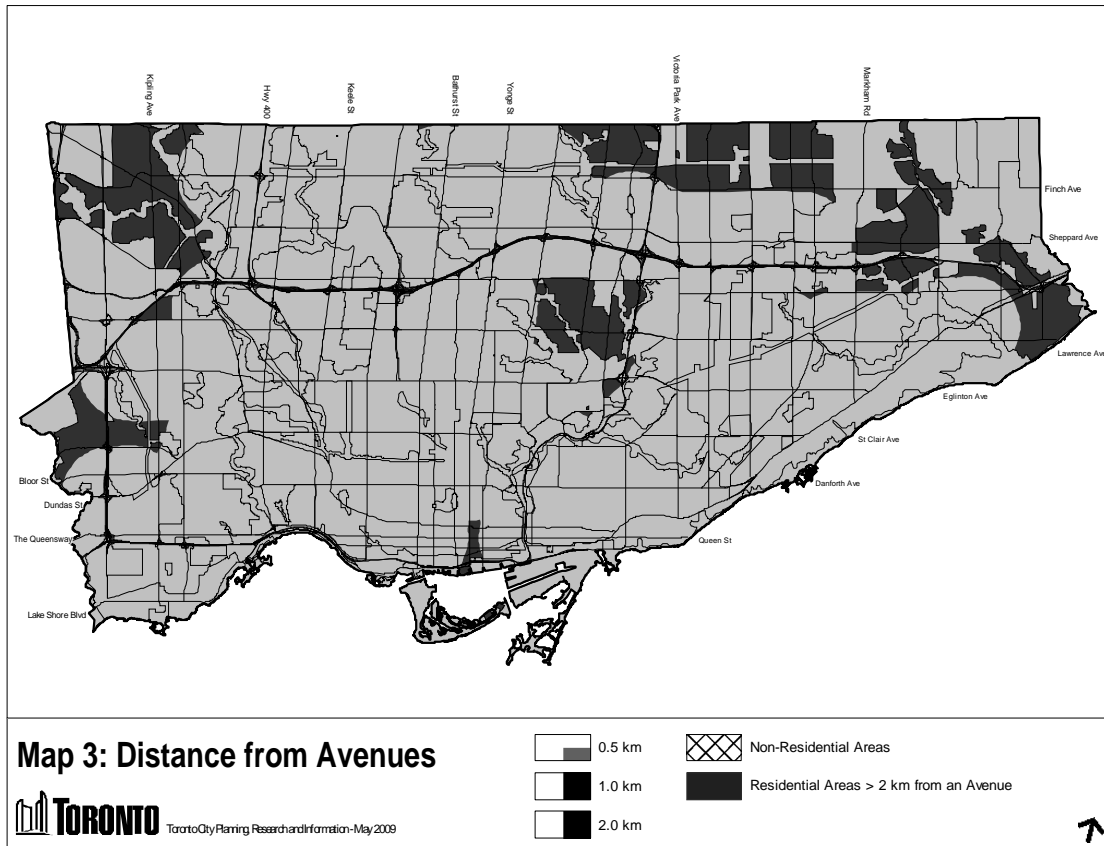
Some Areas May Not Be Well Served

Although overall service levels have remained relatively constant, retail commercial activity is not evenly distributed across the City (see Map 1). The service level varies from neighbourhood to neighbourhood. There may be areas where the loss of retail space would be keenly felt by the residents. The loss of a shopping centre may mean longer trips, loss of walkable shopping options, and disruption of established shopping patterns. In other cases, a centre may not be missed – indeed its underperformance may be caused by changes in shopping patterns and demographics in its local market. The impact of closing a centre or losing local retail space is difficult to predict – it will depend on the local market area and on the changing habits of local consumers.

Alternatives on the Avenues

As the discussion of the changing retail system indicated, proposals to convert shopping centres to residential probably indicate poor performance in the market, and that previous customers are using alternative retail locations to meet their needs. This in turn suggests that closing the centre is unlikely to drastically reduce the actual level of service to its local area. For locations near the Avenues, the Official Plan provides future opportunities for new floorspace or businesses to meet local needs when a retail location is closed. In locations further away from the Avenues, the problem may be greater, since there will be fewer opportunities for future development. Map 3 shows areas more removed from the Avenues and Centres. On the other hand, these are likely to be stable areas, where little

change can be expected in the overall level of need – and it may be declining levels of local need that led to the closing of the location.



How Much Space Should be Retained / Replaced?

In those cases where retaining or replacing space may be justified, the amount to be retained cannot be identified in advance. Since it is likely that the relatively poor performance of the centre is prompting the conversion proposal, it is unlikely that 100% would need to be retained. On the other hand, there may be reasonable demand for some space. Ideally, the zoning amendment to allow the residential (or other uses) through conversion should also continue to permit the retail space so that the developer is able to meet market demand. Just as likely, however, the developer will wish to sell at the point of redevelopment especially for condominiums, and will have little interest in retaining an interest in the property, especially since renting the new space may be risky. In addition there is the problem of requiring the space to be built and occupied. Although the zoning can permit the space, it cannot compel it.

Limits on Residential Development

Limiting the future residential development through the rezoning may be a tool to ‘compel’ the replacement / retention of the retail space. The zoning could limit the amount of residential space that can be built in the absence of the retail space.

Otherwise, limits on the amount of residential space would be developed according to the usual criteria related to the neighbourhood context and the other policies set out in the Mixed Use Designation in the Official Plan.

A Policy Approach

The preceding analysis indicates that the Official Plan's approach to providing for the retail and service needs of the City is working well, although in the future there may be some instances where proposals to eliminate the retail commercial space may have a relatively large local impact. This may especially be the case for some of the more 'isolated' neighbourhood or community shopping centres, upon which the local residents have relied to meet their everyday needs.

On the other hand, retail service needs are very well met in large parts of the City where closing a centre or stores may have little or no impact on the local residents. In addition, providing flexibility for landowners to close retail space and redevelop or re-use it does not impose undue hardship when the retail space becomes uneconomical or provides unacceptable income levels for the owner or tenant.

Instances where the impact of removing space may be unacceptable cannot be predicted in advance because as the retail system continues to evolve the level of service in individual areas will change, as will the economic feasibility of using the space for retail commercial activities. It would, however, be reasonable for the Official Plan to require that through the rezoning process the local impacts of closing space be considered and provisions for the retention or replacement of the space be made.

A policy could read as follows:

The review of applications for redevelopment that would result in the loss of more than 3,000 sq.m. of retail commercial uses in Mixed Use Areas will consider the impact of the loss of the retail commercial space on the local neighbourhood, based on the following considerations:

- a) The availability of other stores and uses to meet the convenience needs of residents of the local neighbourhood, particularly supermarkets, grocery stores and drug stores;
- b) Other alternative opportunities for retail commercial development in Mixed Use Areas to meet the convenience needs of residents of the local neighbourhood, particularly opportunities on nearby Avenues;
- c) The desirability of retaining options for walking and other alternatives to the auto;
- d) The role of the shopping area being considered for demolition as a community meeting place and focal point for the local neighbourhood;
- e) The local neighbourhood should be considered to be an area within the following distance of the space being lost:
 - 2 km in the postwar suburbs or in areas where lower densities still require extensive auto use to shop for convenience needs

- 1km in the pre-war city and in higher density areas and in areas of lower income or an aging population where walking is a viable or necessary means to shop for convenience needs.

If appropriate, replacement or retention of some or all of the existing commercial space may be required in the new development.

The policy is based on the following considerations and conclusions from the analysis:

Convenience: Meeting everyday convenience needs is a key element of quality of life in the City, and it is a relatively limited area of consideration. Meeting broader general shopping needs is clearly less problematical, both in the widespread range of opportunities to provide space across the City, and in the overall service levels within the City.

Options for walking and alternatives to the auto: With an aging population, global warming and higher gas prices, it will become more and more important to lessen reliance on the automobile and promote 'walkable' neighbourhoods. Walking to shop for convenience needs is an important element of neighbourhood 'walkability.'

Amount – 3,000 sq. m: The policy should not apply to small amounts of space, the loss of which will make little difference to local levels of service. 3,000 sq.m. is the size of a neighbourhood centre that is likely to play an important role in meeting local convenience needs. It may have a good sized grocery store or drug store in it.

Potential opportunities: This recognizes that the Mixed Use designation provides flexibility to develop new retail commercial uses, should the local market support them. It does not consider opportunities in other designations because they are much more restricted in scale and consequently less predictable in their likely provision.

Avenues: The Official Plan sees the Avenues as important locations for population growth and for retail commercial uses to support that growth. In particular, for the Avenues to develop as hoped, it may be beneficial for some of the local retail to move onto the Avenue from nearby locations in the neighbourhood. The key however, should be that adequate/ reasonable retail service is handy to the residential area.

Community Focal Point and Meeting Place: Shopping centres often take on an informal role as local meeting places for their neighbourhood.

Size of local neighbourhood: The 2km criterion is based on i) the approximate greatest minimum distance of all residential areas within the city to a large supermarket, and ii) the size of the large concession blocks in North York, Etobicoke and Scarborough, which are approximately 4km wide/square (i.e. they lie within a radius of 2km of their centre, or the arterials serve 2km on each side). The 1km criterion recognizes the greater friction of distance in the older city where walking is often necessary to shop and also the lower

auto ownership levels of the City's low income residents and the lower auto use of the City's older residents.

Next Steps

This report requests direction for City Planning staff to consult with stakeholders, including representatives of the development industry and business community. A final report and public meeting under the Planning Act are targeted for Fall 2009.

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