TORONTO

REPORT FOR ACTION

Support for the Retail Sector - Update

Date: October 27, 2020
To: Economic and Community Development Committee
From: General Manager, Economic Development and Culture
Wards: All

SUMMARY

Retail businesses are at the heart of Toronto's main streets, fostering a unique sense of place and belonging, and serving as a leading employer and economic driver. However, the ongoing COVID-19 pandemic and the restrictions put in place to reduce infection have had significant impacts on the retail sector, including but not limited to sudden drops in revenue and consumer traffic, difficulty covering fixed expenses such as rent, changes to store footprints to adapt to public health protocols, and the need to rapidly adapt to new business models.

This report provides an update on a number of ongoing and new City initiatives to support retail main streets. These efforts have focused on providing one-on-one support to those businesses most impacted by the pandemic, supporting the work of BIAs to provide an environment for businesses to succeed, and improving our understanding of the issues affecting main streets. These compound pre-existing challenges that Council has asked staff to examine.

A more extensive report on additional strategies to support the retail sector both to address ongoing issues and to deal with the full impacts of COVID will be brought to the Economic and Community Development Committee in 2021 when more is known about the short and longer-term impacts of the pandemic.

RECOMMENDATIONS

The General Manager, Economic Development and Culture recommends that:

1. The Economic and Community Development Committee receive this report for information.

FINANCIAL IMPACT

There are no immediate financial impacts associated with this report.

A review of the Commercial Façade Improvement Program will be undertaken and should the program be expanded to provide funding for interior renovations to meet COVID-19 restrictions or expanded outside of BIAs, the associated financial impact will be considered as part of a future year budget submission for the Economic Development and Culture Division.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

At its meeting of September 22, 2016, the Executive Committee requested the Deputy City Manager and Chief Financial Officer, in consultation with the General Manager, Economic Development and Culture, to report to the January 19, 2017 Executive Committee meeting on the feasibility of piloting solutions to support the ongoing sustainability of independent main street businesses, specifically raw food vendors/grocers and other small retail businesses, in Kensington Market and other areas of the City undergoing similar challenges, including potential solutions such as a new tax class for these businesses, providing financial relief in the form of tax adjustments or any other such tools they deem viable to ensure that independent main street businesses can continue to be viable in the City.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX17.31

At its March 28 and 29, 2017 meeting, City Council requested the Chief Planner and Executive Director, City Planning, in consultation with the General Manager, Economic Development and Culture, to report to the Planning and Growth Management Committee in the first quarter of 2018, with a potential retail strategy that: ensures new retail uses better address the goals and objectives of the Official Plan; evaluates similar policies in other cities, including, but not limited to, the 2006 Formula Retail Strategy in San Francisco; and promotes flexibility and incentivizes variation in both the size and type of new retail spaces on commercial main streets.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.MM27.36

At its October 2, 3 and 4, 2017 meeting, City Council directed the City Manager to report back to the December Council meeting on various matters pertaining supporting a vibrant Eglinton Avenue during the construction of the Crosstown LRT. The direction includes recommendations for City, Metrolinx and Crosslinks, and Parking Authority actions to assist local businesses and Business Improvement Areas on Eglinton Avenue during the next phases of construction.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.MM32.44

At its December 5, 2017 meeting, City Council directed the General Manager of Economic Development and Culture, in consultation with the Acting Chief Financial Officer and Acting Chief Planner and Executive Director City Planning to conduct a study of the current state and future of Toronto's retail main streets and report back on potential policies and programs that could support small, independent businesses in Toronto. The report also directed the General Manager of Economic Development and Culture, in consultation with the Chief Engineer & Executive Director of Engineering & Construction Services, Acting Chief Financial Officer and the City Solicitor to report to Executive Committee in the second quarter of 2018 on a construction mitigation program to support small businesses on retail main streets affected by major infrastructure projects.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.ED25.6

At its January 29, 2020 meeting, City Council directed the General Manager, Economic Development and Culture, in consultation with the Church-Wellesley Village BIA, other BIAs, TABIA, and the Chief Planner and Executive Director, City Planning to develop immediate and long-term recommendations to support the retention and growth of independently owned and operated LGBTQ2S+ small businesses and cultural space.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.MM14.8

At its February 26, 2020 meeting, City Council requested the Chief Financial Officer and Treasurer, in consultation with the General Manager, Economic Development and Culture to report to the Executive Committee prior to the launch of the 2021 Budget on the feasibility of implementing a vacant storefront tax.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.MM16.9

At its meeting of June 29, 2020, City Council requested the General Manager, Economic Development and Culture to report back to the September Executive Committee meeting outlining how the business' outside of Business Improvement Areas were helped to participate in CaféTO and what the plan is moving forward; such report to include the amount of the $250,000 City-wide spend for the project that was directed to help the areas outside Business Improvement Areas.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EX14.1

At its October 27, 2020 meeting, City Council adopted a report from the City Manager entitled "Towards Recovery and Building a Renewed Toronto", which included the report of the Toronto Office of Recovery and Rebuild (TORR), "COVID-19: Impacts and Opportunities".
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EX17.1

At its meeting of October 28, 2020, City Council directed the Chief Planner and Executive Director, City Planning, in consultation with the General Manager, Economic Development and Culture and the Toronto Office of Recovery and Rebuild, to report to Planning and Housing Committee in the second quarter of 2021 on a chain store retail strategy for Toronto.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.MM25.5

COMMENTS

The purpose of this report is to provide an update on a number of ongoing initiatives in relation to the retail sector and independent businesses on retail main streets across Toronto.

What types of businesses are included in the word "retail"?

Retail includes traditional retail such as clothing stores, home furnishings stores, general merchandise stores, grocery and pharmacy. It also includes eating establishments and food services and other hospitality and leisure-oriented businesses such as cinemas, arcades, game rooms, virtual reality play centres, fitness centres, etc. It includes personal services and other service businesses typically located on the ground level (beauty services, dry cleaners, professional offices such as real estate, accountants and lawyers), business services such as printing/copying, and medical services such as doctors, dentists and physiotherapists. The definition of retail excludes auto-related goods and services such as dealerships, repair, gas stations, and car rental agencies.

Banquet halls and tour agencies would be included in the definition of retail, while hotels, sporting venues, performing events venues, museums and convention centres are not included.

Why is independent retail important to Toronto?

Based on 2019 Toronto Employment Survey data, there were more than 15,000 independent businesses in the food retail, non-food retail and food services sectors, totalling over 100,000 employees. This does not include the large number of non-food related services on main streets which are difficult to distinguish in the data from professional services located in office towers. In contrast to retail chains, independent businesses are more likely to have local supply chains and make use of other services within the community. Independent retailers are an important part of the fabric our neighbourhoods, providing unique experiences and authentic products valued by residents and tourists alike. Additionally, newcomers have looked to business ownership as a gateway to economic opportunity and have brought authentic products and cuisines to Toronto's main streets, contributing to the city's identity as a multi-cultural, diverse and cosmopolitan city.

Independent main street businesses are important to the notion of "community". They are places where people meet and interact with one another. Our main streets are where we recreate, we stroll, we people watch, and we celebrate and commiserate. They are living rooms for our communities and integral to the character of our neighbourhoods and our city.

How has COVID-19 impacted the city's retail sector generally?

The on-going COVID-19 pandemic has had a profound impact on Toronto's retail sector and on the livelihoods of business operators and their employees. Businesses that were reliant on walk-in customers such as in the downtown and near tourist destinations were all but shut down in the early stages of the lock-down and are still struggling to cope with closures, capacity limits, reduced hours, and social distancing measures that have forced operators to radically rethink their business models.

Most categories of retail and food service sales experienced sharp decreases in March and April, compared to the year prior. Retail sales started to regain strength in May. Data from Statistics Canada showed that, as of August, overall retail sales for the Toronto CMA were only about 4% below pre-pandemic levels. However, in some categories, sales have been slower to recover, such as in restaurants, clothing retail and accessories.

Total food service sales were 26% lower in July 2020 than in July 2019 while restaurants were limited to take-out and delivery. Employment in accommodation and food service in Toronto was 46% lower in July 2020 compared to July 2019.

At the same time, some businesses have fared better than others. As residents have stayed close to home, suburban main streets with a range of essential goods and services, particularly those with a regional appeal and more locally owned, did not see the same decline in visitation levels as many downtown main streets. They also appear to have bounced back more quickly as restrictions have been eased.

Businesses utilizing e-commerce platforms have been better able to adapt. According to Statistics Canada, e-commerce sales were up 116% year-over-year in May and 63% in July. As we enter the holiday shopping season, consumers are more likely to do their shopping on-line. The pandemic has changed, or at least accelerated, new trends in shopping behavior.

With Toronto in the midst of a second wave of COVID-19 infection and no clear time-line around the return to places of work and other in-person activities, the mid-to-long term impacts on retail are still very much uncertain.

Issues Affecting Main Streets, Pre-COVID-19

The COVID-19 pandemic occurs at a time when main street businesses were already grappling with a number of underlying challenges.

In 2018, the Economic Development and Culture (EDC) Division commissioned a study titled the "Current State and Future of Toronto's Retail Main Streets" to gain a better understanding of the issues impacting main streets and identify practical and tangible actions to support independent retailers. The study was led by a team of consultants, including retail experts Three Sixty Collective. The implementation of the study and lessons learned have influenced the development of EDC programs and provided vital insight on policy matters. With the lock-down measures put in place in April, EDC retained the same consultant team to update the study in view of COVID-19. As the pandemic continues to unfold it will take some time to fully understand its impacts.

The study findings will be used to inform the development of recovery programs for the retail sector. A summary of issues addressed in the study is included below.

Difficult Regulatory Environment
Businesses surveyed and interviewed through EDC's study of retail main streets spoke about the challenge of operating a business amidst the network of rules, permits and regulations that apply to small businesses.

Some expressed frustration about a lack of clear, consistent and accessible information on government requirements, permits and regulations, inadequate access to financing, and a shortage of professional services to support small business needs.

Having access to good information and professional expertise has only grown in importance due to the pandemic. Entrepreneurs' understanding of employment standards, commercial leases obligations, and how to access government programs will be essential.

Shortage of Protections for Commercial Tenants
Commercial tenants in Ontario lack the protections around rent increases and eviction that are afforded to residential tenants with some temporary relief now as a result of COVID-19.

The retail main streets study found that small landlords and small independent businesses alike lacked understanding of the critical importance of commercial lease provisions. Only 42% of the businesses surveyed had used the expertise of a real estate professional or broker and only 72% had used the services of a lawyer (including for all business matters).

Given diminished business revenues due to the pandemic, landlords and tenants continue to negotiate amended payment arrangements. The freeze on commercial evictions as well as government supports to landlords and tenants has mitigated the issue for the time being. Going forward, independent main street business are less equipped to negotiate favourable lease terms than national chains.

The Need for Community Economic Development
The Toronto Strong Neighbourhoods Strategy 2020 supports healthy communities and economic opportunities for residents in the City's 31 Neighbourhood Improvement Areas (NIAs). To address the economic status of NIAs, attention must be given to supporting the economic viability of retail main streets within NIAs.

As noted in the TORR report, the pandemic has shone the light on fundamental inequities in our society. The need to continue EDC's revitalization efforts, including ongoing initiatives in Mount Dennis, Little Jamaica and Jane and Finch, will be important to provide opportunities for employment and for new business start-ups for residents of these communities.

Property Taxes and Highest and Best Use Assessment Methodology
Property taxes were identified by 51% of respondents as the number one challenge to business success in the retail main streets study survey. Of particular concern were rapid property tax increases resulting from property assessments based on a hypothetical "highest and best use" valuation.

Despite the 10% cap on assessment-related property tax increases mandated by Council, if this growth continues the increased tax burden on many businesses will be unsustainable given pandemic-related economic challenges.

Providing a Safe and Inclusive Retail Environment
Safety and security issues were significant challenges to many businesses interviewed through the study. In some locations businesses struggle with the local impacts of homelessness.

Lack of Metrics and Monitoring for Main Streets
The issues affecting main streets, from high vacancies, high rents, property taxes, chain stores, development pressures, etc. have been a matter of considerable public discussion and debate and their ongoing impacts after COVID are still to be discerned. These issues are considerably nuanced and vary in significance from one neighbourhood to another. Consistent data is important to understand the underlying cause and effect relationship between the changes witnessed in our main streets and economic drivers of those changes.

COVID-19 Impact on Main Streets

As is clear from a variety of consultation initiatives, the COVID-19 pandemic has brought other issues to the forefront:

Addressing Rising Vacancy Rates
As of July 2020, vacancy rates had risen modestly in the case study areas of the retail main streets study compared to 2017 levels. Anecdotal evidence suggests vacancies have continued to rise over the past 3 months and are likely to grow as government stimulus is withdrawn and commercial leases expire.

Need to Support Innovation
The pandemic has been a period of rapid change and ongoing uncertainty. Independent main street businesses have demonstrated great resilience, selling products on-line, opening pick-up windows, adopting at home delivery, and finding new ways to connect with their customers. To survive and thrive in a post-pandemic environment, businesses will need to be flexible in adopting new models and developing new products and services.

Creating Physically Distant Spaces for Retail Customers
The need to achieve social distancing and provide a safe environment for customers and residents has changed the way the public right of way and public spaces are being used. Curb lane cafés installed through the CaféTO Program provided much needed additional outdoor seating space to restaurants and bars in summer and fall. At its October 27-28, 2020 meeting, Council approved a proposal to extend patios on private land, curbside cafés and frontage cafes from November 2020 to April 2021.

COVID-19 Impact on the Downtown Core

The COVID-19 pandemic has brought unique challenges for the downtown core, with employees working from home, offices closed, students studying remotely, borders closed to tourists and cultural and entertainment venues shut down.

Retail and services businesses in the hospitality and accommodations fields, in particular, are coming to terms with diminished travel and tourist activity, complicated by the closure of convention facilities, cultural attractions and sporting events.

Historically- or Culturally- Significant Retail Districts

In a City that is growing and ever-changing, culturally- and historically-significant districts are important anchors for diverse communities, but also face a variety of threats. Economic pressures from development and gentrification have pushed out much-loved and long standing businesses in areas like Kensington Market. Transit expansion projects that are needed to move people around the region have caused hardship for culturally-significant districts like Little Jamaica on Eglinton Avenue West. The struggle for urban planners and economic development professionals is to find the tools to protect these districts and reinforce their resiliency.

City of Toronto Support for Local Retail since March

Over the past seven months, EDC has expanded existing programs and launched a number of new initiatives to support main street retail.

Digital Main Streets and ShopHERE
In the weeks following the pandemic lock-down, EDC reorganized staff into project teams to support business and cultural organizations to mitigate the impacts of COVID-19, and position them for recovery. To support digital transformation, additional resources were allocated to the Digital Main Street program, increasing the number of digital service squads from one to four and expanding the program city-wide. Since January, the digital squads have provided more than 5,600 one-to-one consultations to Toronto businesses.

In partnership with Google and Shopify, ShopHERE was launched to assist Toronto businesses and artists to build on-line stores. To date 1,737 applicants have received support from ShopHERE and 365 on-line stores are now active.

BusinessTO Support Centre
The BusinessTO Support Centre provides one-on-one virtual support to help businesses access COVID-19 support programs and provide guidance around reopening. The Support Centre has responded to 930 inquiries to date. EDC also contributed strongly to the City's launch of a 'chatbot' to more quickly disseminate information.

EDC will look to continue to improve consultation services to main street retailers to respond to a broader array of inquiries, from government regulations, permits and licenses to financing.

Retail Accelerator Program
The Starter Company Retail Accelerator Program provides main street retail businesses with training to assist them to build and grow their businesses. Since July the program has been delivered in four BIAs, Oakwood Village, York-Eglinton, Fairbank Village and Eglinton Hill.

CaféTO
Led by the Transportation Services Division, the CaféTO Program installed 439 curb lane closures provided additional outdoor seating areas for 621 restaurants over the summer and fall. Over 700 businesses received support through the program. Over 100 curb lane pedestrian zones and 95 temporary parking pick-up zones were installed to support business areas.

Local BIAs played a critical role supporting the implementation of the CaféTO Program, conducting site visits, coordinating the needs of their member businesses and beautifying closure areas with plantings and furnishings. A total of 57 BIAs participated in the program. Grants for plantings and other on-street amenities were provided to 22 BIAs through the CaféTO BIA Grant Program.

A total of 27 curb lane closures were installed outside of BIA areas, supporting 81 restaurants.

De-Escalation Training for Businesses
De-escalation training sessions have been offered to businesses in BIAs to support safe and inclusive retail environments. The sessions, hosted by the Downtown Yonge BIA, have reached more than 200 business owners and their staff and additional sessions are planned.

In November and December, training workshops will be held for board members and staff on how BIAs can develop their own safe and inclusive retail strategy.

Support for Black Businesses on Eglinton Avenue West (Little Jamaica)
EDC has engaged the Black Business and Professionals Association (BBPA) to actively engage black businesses along Eglinton Avenue West and bring forward to the City a series on short, medium, and long term strategies and programs to support black businesses. Efforts are focused on improving business engagement, addressing immediate needs of businesses, facilitating access to government programs, and preserving the cultural aspects of black businesses on Eglinton.

Policy Framework to Guide Property Tax Reform for Toronto Main Streets
TABIA, with support from EDC, has commissioned a study on a policy framework to address the impact of 'highest and best use' assessments on Toronto's main streets. The study team includes representatives from MPAC, Revenue Services, Corporate Finance, TABIA and EDC. TABIA hopes to deliver the final report by year-end.

Local Capacity Building
The Local Capacity Building program focusses on disinvested retail areas, working with non-BIAs to develop actions plans and improve the capacity of businesses to address the challenges they face. The Capacity Development Fund is provided as part of this program to fund initiatives to address specific challenges in these areas. With early and intensive support these areas could well develop organizational capacity and ideally develop into BIAs.

BIA Leadership Fund
The BIA Leadership Fund provides emerging leaders in the BIA movement with tuition to the Local Economic Development Certificate Program at Ryerson University, as well as access to an experienced mentor and networking opportunities. Twenty-five Leaders have received support from the program over the past three years, and have brought back new skills and knowledge to their roles with their respective BIAs.

BIA Innovation Fund
The BIA Innovation Fund provides funding (up to $25,000 per BIA) to pilot new and unique strategies to issues being encountered by BIAs and share what is learned with others. Recent projects have focused on COVID-19 support and recovery including an on-line marketplace and events space, hyperlocal order delivery service, and virtual reality tours. The purpose of the BIA Innovation Fund is to expand the tool-kit of available strategies for BIAs, recognizing the opportunity to use BIAs as a tool for local economic development.

Next Steps Forward to Support the City's Retail Sector

The Division will continue to expand its immediate support for main street retail and services as the pandemic keeps imposing hardship on local businesses. This will include expanding existing programs outside of BIAs.

Winter Activation Grants
"Bring Back Main Streets", a report prepared by the Canadian Urban Institute, recommends winter-friendly place making strategies to encourage people to visit their main streets during winter. A Winter Activation Grant will be launched to support safe outdoor events and programming to draw traffic to restaurants, bars and other small businesses during the winter months within public health regulations.

Commercial Façade Improvement Program Review
The COVID-19 pandemic has caused businesses to re-evaluate their business models and make physical changes in their place of business to accommodate government restrictions. With rising vacancies, spaces will need to be renovated to accommodate new businesses.

A review of the Commercial Façade Improvement Program will be undertaken to consider funding for interior renovations to meet new COVID-19 restrictions and upgrades to vacant spaces to meet the demands of new uses. The review will also consider the option to expand the program to non-BIA areas.

The Changing Role of BIAs

The role of BIAs has changed as a result of COVID-19. During the pandemic, BIAs have expanded to include one-to-one support to their members, providing updates on requirements and government programs as well as supporting participation in programs like CafeTO. Moving forward, there is an opportunity for BIAs to build a stronger relationship with their landlords and member businesses to play a greater role in retaining businesses and attracting complementary businesses to their main streets.

Pop-up Shops Program

The Pop-Up Shop concept, pioneered in Toronto by the Danforth East Community Association (DECA), works to fill vacant storefronts with temporary stores. Pop-ups provide a number of benefits by improving the marketability of vacant space, improving foot traffic, and incubating new businesses.

Through a new BIA Pop-Ups Program, intensive workshops will be delivered by the Downtown Yonge BIA to train selected BIAs on pop-up models, and a grant will be provided to assist BIAs with start-up costs. Those BIAs will then act as mentors to others, increasing the number of BIAs delivering pop-up shop programs.

Independent Main Street Dashboard

An Independent Main Street Dashboard will be launched to provide consistent monitoring of key metrics on the health of main streets across the city. Understanding the challenges facing retail main streets is hindered by data that is incomplete and not easily accessed. The retail main streets study provided insight representing a snap-shot in time, but greater understanding can be achieved from monitoring trends over time. Specific indicators may include vacancy rates, business composition (independents vs. chains, retail vs. service), market rents, sale prices, pedestrian counts, establishments by category and square feet, employment, crime and safety statistics, demographic and socio-economic data.

The Dashboard will be a resource to Council, staff, as well as BIAs on key issues affecting their main streets.

LocateHERE

LocateHERE is a joint project with TABIA and Digital Main Street which will establish a web-based platform to promote available commercial real estate within BIAs. The site will have economic profiles of all 84 BIAs and a listing of available commercial spaces.

The site will also support EDC initiatives in non-BIA areas by providing geographic based data on retail areas across the City.

Conclusion

The COVID-19 pandemic has brought a period of significant change and uncertainty. EDC will continue to amend and expand its programs to support the needs of retail main street businesses. A more extensive report outlining a detailed strategy for the retail sector will be provided to Economic and Community Development Committee, ideally in the second quarter of 2021 depending on the track of COVID-19.

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