

THE CURRENT STATE & FUTURE OF TORONTO'S RETAIL

MAIN STREETS



FINAL REPORT
Prepared by Three Sixty Collective

In Association with:

- Downtown Yonge BIA
- The Creva Group
- hRz Research Insights
- Peter Tomlinson Consulting



DOWNTOWN



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Current State and Future of Toronto's Retail Main Streets, 2020

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Photo: 360 Collective

1.0 Introduction

1.1 STUDY BACKGROUND

At their meeting on December 6, 2017, Toronto City Council directed the General Manager of Economic Development and Culture, in consultation with the Chief Financial Officer and Chief Planner, to conduct a study of the current state and future of Toronto's retail main streets and potential policies and programs to support small retail businesses in these areas. The associated staff report is available at <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.ED25.6>.

This direction arose out of concern about the resiliency and future of the city's retail main streets and small independent main street retail businesses. Several recent news articles and discussions had depicted the challenges facing retail main streets including increases in store vacancies due to high double-digit rent increases and increased competition from online shopping.

The General Manager of Economic Development and Culture issued a Request for Proposals to select a qualified consultant to carry out the study. This resulted in the retention of a team led by Three Sixty Collective in association with Creva Group (real estate advisory firm), Downtown Yonge BIA (business engagement), hRz Research Insights (retail data and trends analysis) and Peter Tomlinson Consulting (property tax analysis and policy development). The study began in December 2018.

1.2 POLICY CONTEXT

The Main Streets Study is undertaken within the context of the City of Toronto's economic development and planning policies impacting small independent main street businesses. References to the full documents that are cited are provided in Appendix 1.

1.2.1 ECONOMIC DEVELOPMENT STRATEGY

The City of Toronto's economic development strategy, **Collaborating for Competitiveness**, includes the policy "To help small and medium enterprises form and prosper" (Policy 3.1.)

The **Toronto Economic Development and Culture Division's Divisional Strategy 2018-2022** states that it is the Division's mission "to make Toronto a place where business and culture thrive." Strategic goals and actions are focused on four key areas:

1. Inclusion and Equity;
2. Talent and Innovation;
3. Space and Access; and
4. Operational Excellence (within the Division).

The Retail Main Streets Study responded to the Strategy's priorities in the following ways:

- **Inclusion and Equity:** Four of the eleven main street case study areas (see Section 2.3 below) serve Neighbourhood Improvement Areas. Issues related to immigrant-owned businesses are explored in Section 6.10 and lower-income areas in Section 6.11. Community Economic Development Actions to better support these areas are proposed in Section 13.
- **Talent and Innovation:** The business survey and interviews probed staffing and the adoption of retail innovation. Issues are summarized in Section 6.2 and approaches to better support independent business in Section 9.
- **Space and Access:** Access to affordable space on main streets for small independent businesses was explored in Sections 6.3, 6.4 and 6.7. Actions to better support small business access to main street floor space are proposed in Section 10.

1.2.2 PLANNING POLICIES

Section 3.5.3 of the Official Plan provides the policy context for the ***Future of Retailing***. This Section was introduced by Official Plan Amendment 231. It was appealed, and at the time of writing (January 2020), a decision by the Local Planning Appeal Tribunal (LPAT) had not yet been made.

Policy 3.5.3(5) addresses the desirability of providing local opportunities for small businesses and enables the passing of zoning regulations that may provide for a maximum store or commercial unit size.

Most main streets outside of the central core of the city are identified as ***Avenues***. Section 2.2.3 of the Plan describes these areas as reurbanization areas where additional housing and job opportunities are to be encouraged while improving the pedestrian environment. In so doing, the preamble notes that "some of the Avenues already serve as "main streets" that are focal points for the local community with attractive and bustling sidewalks. These traditional "Main Street Avenues" already have zoning in place to guide mixed use development in a way that fits with the neighbourhood and will be a low priority for avenue reurbanization studies. Ultimately all Avenues should perform this main street role and become meeting places for local neighbours and the wider community."

The Main Streets Study is consistent with these policy directions.

1.3 STUDY GOALS

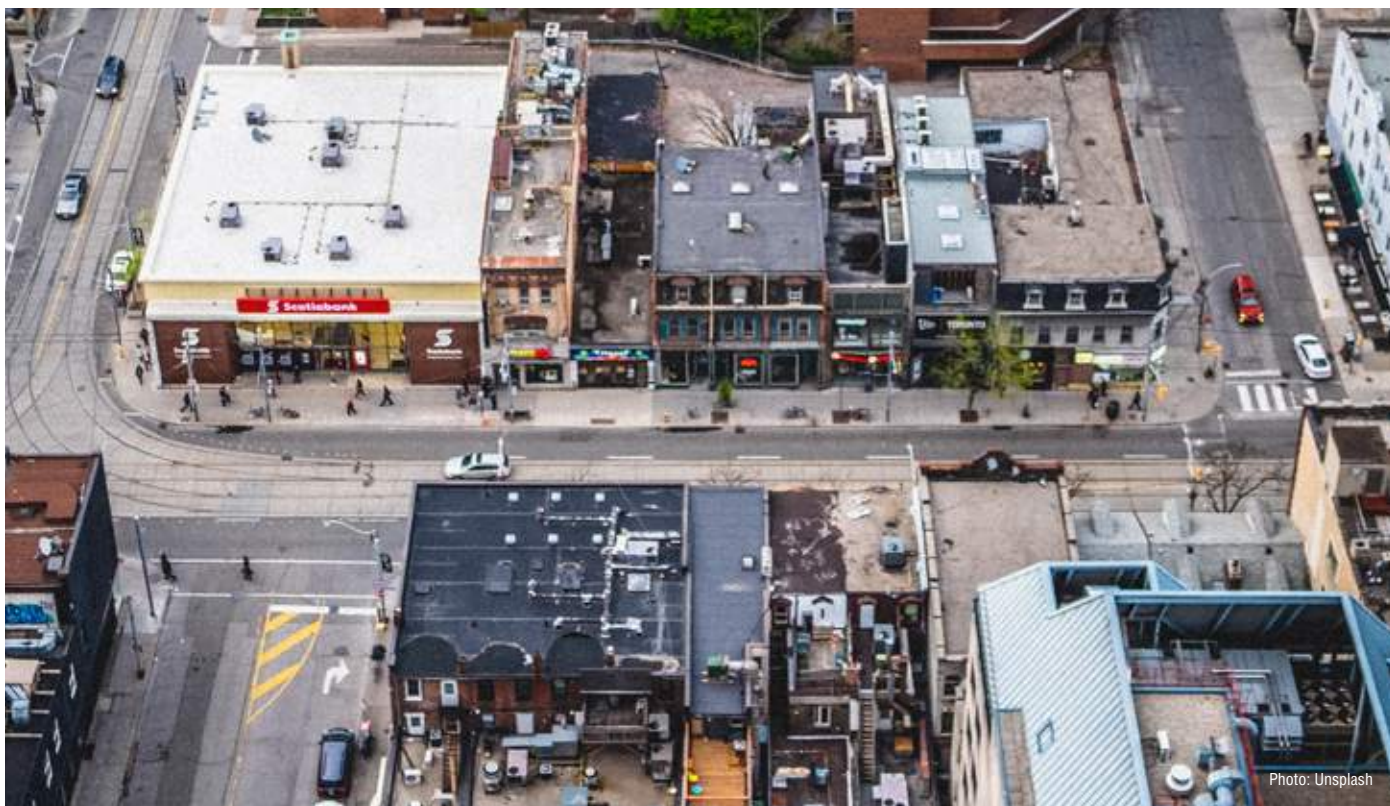
The terms of reference for the project established the following five study goals:

1. Provide baseline (foundation) information on the growth/decline, importance, and relationship of small and independent businesses and Toronto's main streets.
2. Identify the critical factors contributing to small and independent business success and/or failure.
3. Address the City's social equity and inclusiveness objectives as they relate to main street businesses.
4. Incorporate the public interest in main streets and small and independent business survival.
5. Identify prioritized interventions that:
 - a. Address critical 'pain points' impacting small and independent business success;
 - b. Will have an impact with attainable resources, and
 - c. Address the City's social equity and inclusiveness objectives.

The study approach and methodology (see Section 2) was directed at achieving these goals.

It is important to note that the study is focused on main street independent businesses located both inside and outside Business Improvement Areas (BIAs). Section 2.1 discusses how these parameters have been defined for the purposes of the study.

The study does not attempt to address the overall quality of life in city neighbourhoods, city building, infrastructure, public service provision, poverty reduction, social issues and safety beyond the impact these considerations have on the health and sustainability of main street independent businesses.



2.0 Study Approach and Methodology

The study approach was based on the consultant team's multi-faceted experience working with small businesses, main street areas, strip plazas, and public policy responses addressing retail retention, expansion, recruitment, property tax, planning, economic development, and societal issues. Data and empirical research were analyzed to document the real cause and effect changes affecting Toronto's main streets and small and independent retail businesses.

The study avoided duplicating work being undertaken in concurrent studies. These studies included the retail design and development best practices manual, the construction mitigation study, the business retention and recruitment studies for the Danforth Mosaic and Beaches BIAs and the Mount Dennis community economic development study.

The study was initiated in December 2018 and proceeded through three basic phases of work:

Phase 1:

Research - January to June 2019

Phase 2:

Consultation and Action Plan Development - June to September 2019

Phase 3:

Consultation and Action Plan Refinement - October to December 2019

2.1 DEFINITIONS

The study focuses on main street independent small businesses:

- It does not directly address the needs of independent businesses located in areas other than main streets, e.g. businesses located in office towers, enclosed shopping centres, power centres, concession stands or food trucks, etc.
- It does not directly address the needs of chain stores and franchises.

It is noted that the trends and issues identified in the study may also apply to independent businesses located in areas other than main streets and to corporate chain stores located in main streets. However, the scope of the study did not include assessing the commonalities and differences among these categories of businesses and locations.

2.1.1 TORONTO'S MAIN STREETS

For this study, main streets have been defined as arterial roads and side streets lined with predominately street-related commercial businesses.

- Commercial strip plazas are included unless they are “planned” shopping centres located in the interior of suburban residential subdivisions.
- Power centres, shopping centres and malls providing centralized property management and services such as marketing are excluded.
- Businesses located on the upper floors, basements and along ground floor interior malls and arcades are excluded to the extent possible. As is summarized in more detail below, some of the data sources did not enable this distinction to be made. The impact of this limitation on specific findings is noted throughout the report.

The core defining characteristics of main streets are that they are:

- linear in form;
- usually visible from and highly accessible to major traffic and surface transit routes;
- close to residences that are both integrated within the main street and located in bordering residential neighbourhoods; and
- primarily influenced by decentralized decision-making versus centralized business-mix curation, design control and central property management typical of shopping centres. (It is noted that while BIAs do undertake joint marketing, programming, physical improvements, etc., the balance of decision-making still rests with the individual business to a greater extent than in planned shopping centres. Also, a BIA's budget is voted on by its members and not dictated by the shopping centre management.)

We have not used a minimum size in defining main streets. The focus is on linear clusters of businesses that provide goods and services and places for community services and social interaction for the local neighbourhood. The Centre for the Study of Commercial Activity (CSCA) data typically does not include retail districts that have under about 2,300 square metres (25,000 sq. ft.) of ground floor commercial floor space. The smallest main street case study area included in the study has about 18,100 square metres (195,000 sq. ft.) of ground floor commercial floor space.

MAP 1: TORONTO'S RETAIL MAIN STREETS



Source: CSCA 2017

2.1.2 RETAIL BUSINESSES

The study uses a broad definition of Retail Businesses. It includes traditional retail such as clothing stores, home furnishings stores, general merchandise stores, grocery and pharmacies. 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, lawyers), business services such as printing/copying and medical services such as doctors, dentists and physiotherapists.

For this study, the definition of retail excludes auto-related goods and services such as dealerships, repair, gas stations, and car rental agencies.

Some of the analyses summarized in Section 4 of the report differentiate the types of businesses within this broad definition, often referring to North American Industrial Classification System (NAICS) codes. Some of the Ontario and national-level data sources have narrower definitions, only including specific NAICS codes (discussed in more detail in Section 2.2 and Appendix 2). The implications of the inconsistent definitions on the findings are noted throughout the analysis.

As part of the trends analysis (Section 5 of the report), it is noted that the definitions and functions of retail are changing and blurring. Retail is becoming less about the selling/purchasing transaction and more about the overall experience, value-added services and entertainment. As retail continues to change and adjust, flexibility and adaptability have become hallmarks of good retail policy, planning, economic development and retailers' design and operational strategy.

2.1.3 INDEPENDENT BUSINESSES

For the purposes of this study, we've referred to the following two criteria in defining independent businesses:

- Decision-making authority is vested in the local owners and not subject to conditions dictated remotely; and
- Business has a limited number of outlets and geographic range.

We have grouped corporate chains and franchises together as those businesses are identified by Statistics Canada and the CSCA as having four or more outlets in the same industry class under the same legal ownership at any time during the survey year. This definition was applied to the Toronto Employment Survey (TES) and the CSCA data sets to ensure data standardization. Our methodology was to:

1. Using the CSCA identified chain stores, naming convention and NAICS codes, the 2018 TES database was standardized (activity codes were also standardized).
2. The definition of chain retail was expanded to include additional services and products: Using the TES database, all businesses with four or more locations were identified and reviewed to determine if they could be considered chain retail. Naming, NAICS, and Activity Codes were then standardized.
3. Additional research was conducted to identify international retailers that may only have one location in Toronto (but more nationally/globally).
4. Previous years' data sets were reconciled.

This is the first study to have completed the background work necessary to permit independent businesses (those with three or fewer locations) within Canada and its commercial districts to be identified and analyzed. Significant strides have been made towards creating clear definitions permitting consistent interpretation of the data. Section 14 of the report suggests that this work be leveraged in the future to monitor independent business versus chain business trends over time and differences between different areas of the city.

2.1.4 SMALL BUSINESSES

Statistics Canada defines a small business as having fewer than 100 employees. It defines a “micro-business” as having one to four employees. The Toronto Employment Survey uses a slightly different categorization of one to five employees. The analysis of Toronto's retail and consumer service sector relies on the Toronto Employment Survey data.

The term “small” is also often applied to the amount of floor space a business occupies. However, we have not found it useful in this study to use a definition based on floor space since:

- There is not a reliable source of citywide data on the amount of floor space in individual commercial units, or in commercial frontages as a whole. Primary research beyond the scope of this study would be required to develop floor space estimates.
- There are no widely accepted definitions of what sized commercial units are “small” versus “large”. It depends very much on context.
- There also is not a strong relationship between whether a business is an independent operator or a chain and the amount of floor space it occupies. It depends on the type of goods and services provided.



2.2 DATA SOURCES

Appendix 2 summarizes the main data sets used in the study. Each one uses somewhat different definitions, methodologies and time frames. It is important to note the precise definitions, time frames and geographic parameters when interpreting each data set.

While they aren't directly comparable in every detail, the data sets do support each other in the stories they tell. Analysing them as a collective group builds towards a rich multi-dimensional understanding of the current state of main street small and independent businesses and the trends impacting their future. Sections 3 through 6 of this report strive to summarize this overall story. The findings from analyzing the individual data sets are summarized in the Appendices.

2.3 STUDY APPROACH

2.3.1 RESEARCH PHASE

National and International Context

Where data permitted, the study addressed Toronto's retail main streets and small and independent retail businesses in the context of national and international trends and data. The overall trends are being experienced in Toronto but also are being felt across the globe as retail continues to shift.

Citywide Analysis

The study's geographic focus was citywide. From a supply perspective, a very broad spectrum of different main streets and strip shopping plazas were included. From a demand perspective, a broad spectrum of neighbourhoods were included, ranging from highly urban, gentrified, newcomer, as well as areas where social and income inequality issues are very prevalent and the cycle of poverty makes it difficult for households to get ahead.

Case Studies

The team did a detailed analysis of eleven case study main streets in the city. As is summarized in the following chart, the case study areas were selected to represent a range of conditions likely to impact the issues experienced by small businesses. Areas significantly impacted by road or LRT construction were avoided since the impact of construction is being analyzed in a parallel study.

CASE STUDY

Eleven case studies from the City of Toronto were chosen based on the following evaluation criteria.

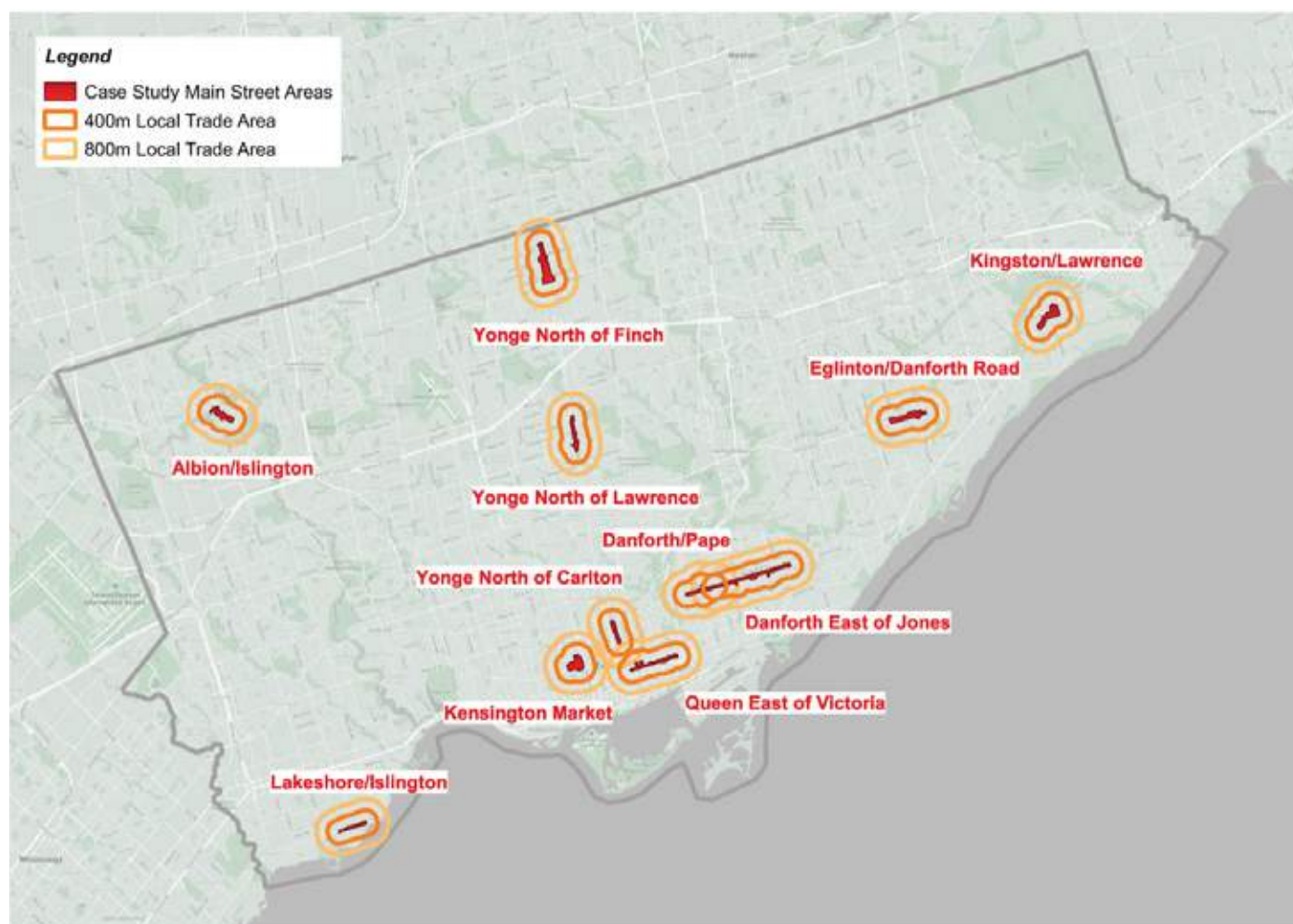
CRITERIA	Achieved	Kensington Market	Danforth East of Danforth Rd.	Eglinton / Danforth Rd.	Kingston Rd. / Lawrence	Yonge North of Finch	Yonge North of Lawrence	Albion / Islington	Queen East of Victoria	Yonge North of Carlton	Lakeshore / Islington	Danforth / Pape
LAND AREA SF (MILLION)		2.3	3.5	2.6	2.6	3.9	1.6	1.8	2.0	1.1	0.9	1.4
NEIGHBOURHOOD EQUITY SQUARE												
NIA (scores less than 43)	4											
Mid (scores 43 to 70)	6											
Prosperous (scores 70+)	2											
RECENT REDEVELOPMENT												
Stable	7											
High Redevelopment	4											
CVA based on Redev. Potential	1											
BUILT FORM												
Traditional Main Street	7											
Post-1950 Strip Commercial	4											
High Rise or Mid Rise	4											

CRITERIA	Achieved	Kensington Market	Danforth East of Danforth Rd.	Eglinton / Danforth Rd.	Kingston Rd. / Lawrence	Yonge North of Finch	Yonge North of Lawrence	Albion / Islington	Queen East of Victoria	Yonge North of Carlton	Lakeshore / Islington	Danforth / Pape
LAND AREA SF (MILLION)		2.3	3.5	2.6	2.6	3.9	1.6	1.8	2.0	1.1	0.9	1.4
BUSINESS MIX												
Unique Specialty area	1											
Destination	3											
Neighbourhood Shopping	10											
Service (non-retail) Focus	3											
BUSINESS ORGANIZATION												
BIA Area	7											
Non-BIA Area	4											
GEOGRAPHIC DISTRIBUTION												
Inner City	5											
North	2											
East	2											
West	2											

Notes

1. Neighbourhood Equity Index: Developed by the City of Toronto as part of the Strong Neighbourhoods Strategy (see Appendix 1) to summarize neighbourhood assets. Scores below 43 signal that the neighbourhood faces serious inequities. These areas are called “Neighbourhood Improvement Areas” (NIA). The highest possible score is 100. For this study, mid-range and high-range equity scores also were determined.
2. The study team used informal visual and anecdotal information to classify the case study areas according to the amount of recent redevelopment, built-form and business-mix.
3. Note that some case study areas meet two of the criteria categories. For example, the neighbourhoods north and south of Queen East of Victoria have different Neighbourhood Equity Scores.

MAP 2: CASE STUDY MAIN STREETS AND LOCAL TRADE AREAS



Source: 360 Collective

The characteristics of the local neighbourhoods within a 400 m and 800 m distance from each main street (approximately a five and ten minute walk) also were analyzed. The data included a socio-economic profile, visitation characteristics and trade area analysis.

The analysis of each case study is a snapshot at a point in time. Available data sources were relied on to identify trends. For the most part, the analysis is directional due to data limitations.

Interviews

The case studies included in-depth face-to-face interviews with small and independent businesses in the case study areas. Criteria were used to determine which businesses would qualify based on a representative sample of business types and the age of the business. Efforts were made to interview three businesses in each area, however, lack of interest and in some cases language barriers, especially in non-BIA areas and the outer areas of the city, resulted in lower participation in four areas. In total, 24 interviews were completed. The methodology and findings are summarized in Appendix 4.

Seven people with a citywide perspective on the experiences of small independent businesses also were interviewed. The methodology and findings are summarized in Appendix 5.

Business Survey

To supplement the one-on-one interviews with small and independent businesses in the case study areas, an online survey targeting small and independent businesses was developed. It was administered by the City of Toronto and marketed and promoted through a wide array of channels including the city's website, social media channels, councillors and BIAs and others across the City. The survey focused on the state of the industry, on obstacles and challenges during both the start-up and mature phases of business operations. The methodology and findings are described in Appendix 6.

In total, 642 businesses answered part of the survey and 444 answered every question. 85% identified themselves as independent businesses. Respondents were skewed towards businesses operating in the inner city (former City of Toronto). Appendix 6 summarizes the responses for all independent businesses (excluding chain store and franchise businesses) as well as for businesses located in Scarborough or Etobicoke, who rented their premises and who had been operating for five years or less.

Resident Survey

Another online survey was developed to collect information about where Toronto residents do their shopping, residents' attitudes and satisfaction towards main streets and independent businesses, and how their shopping patterns have shifted over time. It also was administered by the City of Toronto and promoted across the City. The methodology and findings are summarized in Appendix 7.

In total, 4,592 people completed every question on the survey. Although the goal was to represent the characteristics of all Toronto residents, respondents were skewed to the inner city (former City of Toronto) and higher-income residents. The responses by suburban residents and lower-income residents were analyzed separately to see if they differed from the total. As is described in Appendix 7, the differences in shopping behaviours were quite minor and are not considered to impact the main conclusions drawn from the survey.

2.3.2 ACTION PLAN DEVELOPMENT

The research phase findings were discussed with City staff in June 2019. This consultation process extended beyond the Economic Development and Culture Division to include separate meetings with City Planning and a cross-section of City departments whose service areas interact with main street businesses. Criteria for identifying priorities among the wide spectrum of possible actions were collaboratively determined and priority action areas identified. This process is described in more detail in Section 8 of this report.

The consultant team did an environmental scan on approaches being used in other municipalities to address the identified priorities. They consulted with targeted staff and stakeholders who had knowledge and experience relevant to each priority. A draft action plan was proposed in September 2019.

2.3.3 ACTION PLAN REFINEMENT

An Executive Summary of the draft action plan and research findings was posted on the City's website and widely distributed for comment and input. City staff posted a short online survey to collect feedback. An in-depth focus group was held with four of the main street businesses that had been interviewed in the Research Phase. The draft was discussed with City staff and with representatives from the Toronto Association of BIAs (TABIA).

The feedback received:

- Generally confirmed the research findings and the validity of the challenges confronting main street independent businesses that had been identified.
- Affirmed the important role performed by independent main street businesses in the city and the need for increased City support to better ensure their sustainability.
- Generally supported all components of the recommended action plan.
- Provided suggestions on how the different components could be fine-tuned or tailored to be more useful. These suggestions informed the final recommended Action Plan that is described in Sections 9 through 14 of this report.
- Suggested additional actions and strategies to support main street independent businesses. In some cases, these extended beyond the scope of the study. In other cases, they are included in Sections 9 through 14.

In summary, this report has been informed by the research undertaken as well as by the feedback and comments received. It should be noted that it is current as of November 2019. More recent policies, actions, studies, etc. are not reflected.



3.0 The Importance of Small Independent Main Street Businesses

3.1 THE ECONOMY AND ECONOMIC DEVELOPMENT

Dominate Toronto's Retail and Consumer Service Sector

- Independent businesses (1 to 3 locations in Canada) account for 74% of traditional retail establishments and 32% of total traditional retail employment in Toronto (See Appendix 8 – Toronto Employment Survey Analysis; excludes automotive-related retail; “traditional” retail means stores selling food and non-food merchandise).
- When non-automotive consumer services (restaurants and other food services, hairdressers, dry cleaners and other personal services, professional and medical offices) are included, the percentages rise to 84% of establishments and 67% of sector employment.
- 42% of total jobs in Toronto (full and part-time) are provided by independent businesses in the non-automotive retail and consumer service sector – 647,843 jobs in total. Note that this total includes professional and medical offices located in office buildings as well as on main streets. The data does not allow ground floor businesses to be identified (further discussed in Section 14 of this report).

Support Local Economic Growth More than Retail Chains

- Independent businesses do not tend to rely on international supply chains and business services delivered by far-away corporate head offices to the same extent as chain store locations. A 2007 study of retail diversity in San Francisco is referenced in the bibliography that finds empirical evidence that independent businesses have higher “local multipliers” (Civic Economics, pp. 15-26). For example, it found that every million dollars spent in an independent bookstore generated \$321,000 (USD) in local economic activity versus \$188,000 for every million dollars spent in a chain bookstore. It estimated that increasing the market share for independent retail businesses by 10% would generate an additional \$192 million in economic activity and 1300 new jobs in the San Francisco area.
- It is cautioned that the quantitative results from the San Francisco study should not be extended to the Toronto context. However, the central finding that independent businesses build their own local supply chains and source their own support services is considered relevant.

Differentiate and Diversify Toronto’s Shopping and Dining Experiences

- Independent businesses excel in providing products and services that are highly differentiated, innovative and which appeal to niche tastes or needs (see also Section 4.1 and Appendix 9 for more detail).
- They provide “authentic” products and experiences valued by both local residents and tourists. Sales to tourists increase the local economy.

“I have overheard people on the street marveling at the various independent restaurant options and I’m proud of that. I am so happy to have good quality local stores for groceries, gifts, pet supplies, etc.”

-Online Residents’ Survey Response

3.2 INCLUSION, EQUITY AND CIVIC ENGAGEMENT

Offer Newcomers Economic Opportunity

- Newcomers often have looked to entrepreneurship as the best route forward to making a living in Canada. While data documenting the extent of newcomer-owned businesses is sparse, anecdotal information supports this claim. Also, a 2010 Statistics Canada analysis (see Bibliography) indicated that 5.3% of immigrants owned a private company after living in Canada for nine years or more compared to 4.8% of people born in Canada.
- Opening main street shops, restaurants and service businesses has been an important part of this journey, as illustrated, for example, in the short documentary film “The World in Ten Blocks” (see Bibliography) which tells the story of immigrant small business owners operating along Bloor Street West near Dufferin.
- Many leverage their knowledge and connections with their home countries to import products and techniques, increasing the availability of authentic global products and cuisine in Toronto to the benefit of the broader community as well as to tourism development.

Are Connected to the Local Neighbourhood and Support Broader Societal and Civic Engagement Goals

- 76% of the independent businesses surveyed are motivated by a desire to contribute to their community. 60% said that they want to enrich others’ lives.
- Self-employment and family-run business is a lifestyle of choice for many. 75% of independent businesses are motivated by “doing what I love”, 52% by “being my own boss”.
- Secondary research (see, for example, Gomez, Isakov & Semansky, pp. 198-202) documented positive relationships

between the rate of independent businesses in US communities and the number of community associations and voter turn-out rates.

“Local businesses in my ‘hood are participants and supporters of community events, volunteers on committees, lead initiatives for those in need, create a feeling of safety, personal connection, history and permanence. They become friends with many of us and a point of contact during our daily lives”.

-Online Residents’ Survey Response

3.3 INDEPENDENT BUSINESSES PREDOMINATE IN MAIN STREETS

Main Streets are Key Locations for Independent Businesses

- Most of the main street case study areas included higher percentages of independent businesses than the Toronto average (Appendix 8 – Toronto Employment Survey Analysis). An independent business share of around 75-80% of total establishments is typical.
- There are several contributing factors. One is that shopping centre managers prefer to lease space to proven chains so that they can secure required financing and leverage well-known brands to attract customers (see discussion in Appendix 20 on the nature of the commercial real estate market).
- Also, independent businesses require relatively inexpensive and small amounts of space, especially in the start-up phase. The most common sized units are between about 50 to 250 square metres (about 500 to 2500 sq. ft.). This size range is prevalent along main streets, although affordability is becoming an issue in many districts (further discussed in Section 6). A traditional path of independent business maturation has been to lease space in a main street for the first few years while accumulating enough capital to purchase the building. This option is rarely available in shopping centres or malls.

3.4 STRONG MAIN STREET INDEPENDENT BUSINESSES ARE IMPORTANT TO THE COMMUNITY

Toronto Residents Prefer to Shop in Local Independent Businesses

- The Residents’ Survey (Appendix 7) indicated that over 90% prefer independent businesses for specialty food, personal services, restaurants and bars.
- Chain stores and big box outlets are strongly preferred only when purchasing electronics and telecom, sporting goods and financial services.
- 45% of residents are doing more shopping in local independent businesses than two years ago. 69% are doing less shopping at malls.

Main Street Independent Businesses Contribute to Creating Walkable Streets and Neighbourhoods

- City Building best practices document how ground floor design impacts walkability and the creation of places that attract people. The traditional main street built-form supports walkability and the creation of lively, interesting streets by framing the sidewalk with a strong human-scale edge that has narrow units, many doors and windows and strong vertical articulation. Frequent independent businesses add variety and distinctiveness, generating additional interest for passers-by. (For more information see, for example, Jan Gehl’s book *Cities for People*, pp. 74-82 and pp. 240-241).
- 85% of Toronto residents think it’s important to be able to walk or bike to shopping districts.
- On average, 30% of all case study main street customers live within a ten-minute walk (800 metres). (See Appendix 13 – Mobile Phone Data Analysis).

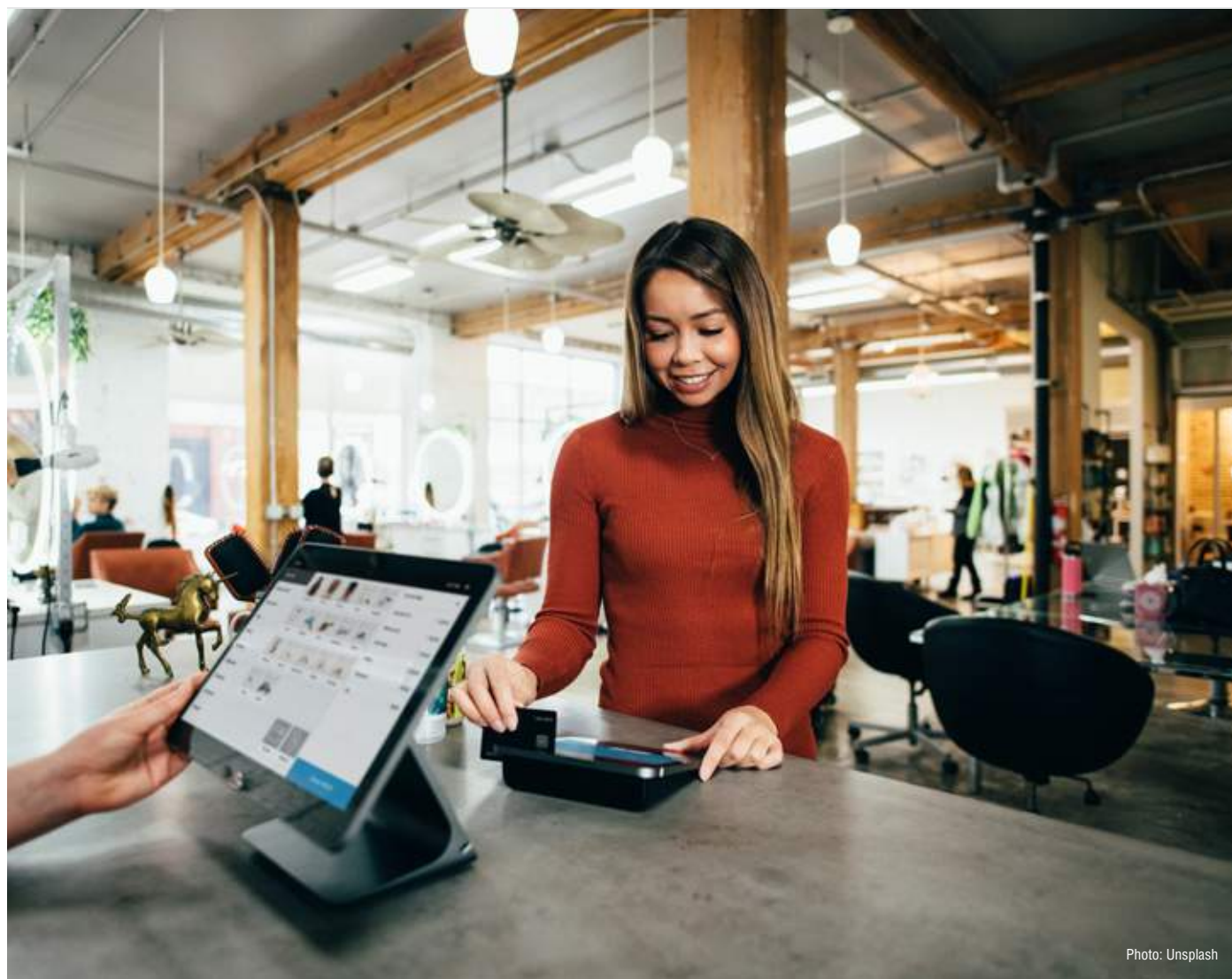


Photo: Unsplash

4.0 The Current State Of Main Street Independent Business in Toronto

4.1 RETAIL AND CONSUMER SERVICE SECTOR

The Toronto Employment Survey (Appendix 8) and Statistics Canada data for retail sales (Appendix 9) and business insolvency (Appendix 10) were analyzed for Ontario and, where data are available, for the Toronto Census Metropolitan Area (CMA).

It should be noted at the outset that there is more data available for retail trade than for the consumer service sector. The discussion of trends in personal services, food establishments, etc. therefore is fairly limited.

In General, Strong Economic Conditions Characterized the 2011 to 2018 Period

- Insolvency data (Appendix 10) show a drop in business bankruptcy in Ontario between 2012 and 2017 followed by a slight increase in 2018 in the retail trade, accommodation and food service sectors. Total business bankruptcy in the Toronto CMA followed a similar trend (sector breakdown not available).
- Retail sales in the Toronto CMA grew at an annualized rate of 3.4% between 2011 and 2018. This is a healthy rate of increase (Appendix 9).

Independent Businesses are Maintaining High Market Share in Many Retail Categories

- Ontario data (Appendix 9) shows that independent businesses (1-3 locations) account for a high share of total sales in many of the retail categories typically found along traditional main streets, including:
 - Specialty food stores (78%);
 - Health and pharmacy stores (76%) – note that franchisee and pharmacist owned stores are considered independent;
 - Convenience stores (72%);
 - Jewellery, leather and luggage stores (61%);
 - Home furnishings (59%); and
 - Grocery stores (50%) – note that franchisee-owned stores such as Joe's No Frills are considered independent.
- These types of businesses are a combination of local neighbourhood goods and specialty niche type businesses with a narrow and deep merchandising focus (e.g. seafood specialty food stores, homemade jewellery, mid-century modern home furnishings, organic grocers, etc.).
- From the consumer perspective, these businesses are able to differentiate themselves on unique attributes/selling features and are less sensitive to price comparisons (e.g. the price of a custom pair of locally made earrings is difficult to compare to earrings sold at chain jewellery stores such as People's Jewellers).
- Independent businesses maintained their market share in most of these categories between 2012 and 2017. Only specialty food stores have lost market share, falling from 85% in 2012 to 78% in 2017. This may be due at least in part to some well-known specialty food stores opening new locations to exceed the four-store threshold that categorizes them as chains. For example, Rowe Farms had increased to seven locations in Ontario by 2017.

Chains Dominate in Other Categories

- Retail categories typified by comparison shopping tend to be dominated by chain stores. The independent business share of sales ranges between 16% and 33% of sales for the following:
 - Furniture stores (33%);
 - Sporting goods, book, music and hobby stores (33%);
 - Electronics and appliances (31%);
 - Footwear (16%); and
 - Clothing (16%).
- The independent business sales market share dropped between 2012 and 2017 in most of these categories.

Some Independent Business Concerns are Revealed in National Survey

- Appendix 11 summarizes data comparing independent business prospects and concerns in Toronto versus other Canadian cities. These relate to all small businesses and not just those in the retail and consumer service sector:
- Toronto is third in the country behind both Vancouver and Montreal in overall competitive positioning (business barometer).
- A cause for concern is the lower median earnings for self-employed businesses in Toronto, especially in the context of Toronto's higher shelter and business occupancy costs.
- In addition, Toronto small businesses' report a lower percentage of full-time hiring, reflective of challenges in finding/retaining employees and the costs of staffing. Many businesses have switched to a higher proportion of part-time staff as a way to lower total staffing costs. These issues are further explored in Section 6 of the report.

In Toronto, Independent Business Dominates the Retail and Consumer Service Sector

- The Toronto Employment Survey data (Appendix 8) shows the strength of independent business within the City of Toronto's retail and consumer service sector. Automotive-related businesses are excluded. The following table synthesizes some of the key information from Appendix 8.

Toronto Independent Businesses

	Independent Share of Employment		Independent Share of Establishments	
	2011	2018	2011	2018
Food Retail	34%	32%	77%	73%
Non-Food Retail	34%	32%	74%	74%
Total Retail	34%	32%	75%	74%
Food Services	54%	56%	69%	69%
Non-Food Services	74%	75%	92%	92%
Total Retail Plus Services	66%	67%	84%	84%

Source: City of Toronto Employment Survey 2011 2018

- Independent business accounts for 69-74% of total food service plus retail establishments and 92% of non-food consumer service establishments. The independent share of food retail decreased between 2011 and 2018; the share in other categories was stable.
- Independent business accounts for a smaller – but still significant – share of employment. It is hypothesized that Toronto's strong role as a head office for many regional and national chains may be a factor in the larger number of employees in chain stores. Independent businesses' share of total retail employment decreased slightly between 2011 and 2018. Its share of consumer service employment increased.

In Toronto, the Number of Retail Establishments Decreased Between 2011 and 2018

- The trend was similar for both independent businesses and chains (see Appendix 8).
- In total, Toronto lost about 1,400 retail locations between 2011 and 2018 – a 10% decrease.
- The total retail activity does not appear to have decreased. The number of employees grew by 6,061, a 5% increase. This finding is aligned with the previously noted 3.4% annualized growth in Toronto CMA retail sales (see Appendix 9).

The Number of Service Establishments Increased Between 2011 and 2018 in Toronto.

- Food service establishments increased by 13% (1,084 locations) and employment by 35% (27,781 jobs).
- Non-food service establishments increased by 5% (1,780 locations) and employment by 25% (147,711 jobs). As previously noted, these locations include businesses located in office buildings as well as in main street ground floor locations.

Micro-businesses Account for a Large Proportion of Toronto's Independent Retail and Consumer Service Establishments. However, in Recent Years they Seem to be Decreasing.

- Appendix 8's analysis of business size shows that independent micro-businesses (0-5 employees) account for:
 - 58% of total food retail establishments;
 - 60% of non-food retail establishments;
 - 38% of food service establishments; and
 - 53% of non-food service establishments.
- In the retail sector, micro-businesses account for about 80% of independent businesses. They are less prevalent in the food service sector, accounting for about 55% of independent business locations.
- Micro-businesses account for less than 50% of chain store locations in all categories.
- Comparing 2011 and 2018 data shows that the micro-business share decreased in all categories. The drop in the share of food retail and food services was especially marked.
- The start-up and micro-business sector was not a focus of this study and more analysis would be necessary to understand the extent and implications of this shift. The replacement of full-time employees with a larger number of part-time employees could be a factor. It may also be that micro-businesses are incubating online and through social media to a greater extent than seven years ago instead of opening bricks and mortar business locations. Therefore, the Employment Survey is not identifying them as businesses. It is also possible that the rate of small business formation in the retail and consumer service sector could be slowing. These possible changes all have implications for the nature and health of the independent main street business sector.

4.2 CHARACTERISTICS OF TORONTO'S MAIN STREETS

The eleven main street case studies and their local trade areas (400 m and 800 m neighbourhood radii) were analyzed in greater detail, as is described in Section 2.3.1 of the report.

Seven different data sources were used for the analysis. Each is summarized in an Appendix:

- Toronto Employment Survey – Appendix 8;
- Centre for the Study of Commercial Activity (CSCA) Data for Business Mix Analysis – Appendix 12;
- Mobile Phone Data for Visitor and Trade Area Analysis – Appendix 13;
- Demographic and Socio-Economic Neighbourhood Profiles – Appendix 14;
- Retail Supply Metrics – Appendix 15;
- Retail Rents, Sales and Redevelopment – Appendix 16; and
- MPAC Property Assessment Analysis – Appendix 17.

4.2.1 CASE STUDY SUMMARY

Main Streets Serve Local Neighbourhoods

- All the case study main streets relied on the local neighbourhood for a significant proportion of their customers. On average, 30% of all visitors to the businesses resided within 800 m (approximately a ten-minute walk).
- There was a range in the degree of local orientation from a high of 36% for Danforth East of Jones to 20% for Yonge North of Finch and Yonge North of Lawrence (weekday). Local employees who live outside of the neighbourhood probably account for the higher regional visitation in the two nodes on Yonge Street.
- Several main streets also serve a secondary regional function based on their specialized activities. For example,
 - Danforth/Pape's Greek restaurants attract regional residents during the evening and on weekends.
 - Albion/Islington attracts region-wide visitors on the weekends based on its South Asian appeal and concentration of jewellery stores.
 - Danforth East of Jones and Lakeshore/Islington both are highly dependent on local residents during the weekday and weekend and have a region-wide draw during the evening.
- Yonge North of Lawrence has a regional weekend draw based on its cluster of high-end shopping and services. Higher-income households like to shop at independent businesses and often travel outside of their own local neighbourhood to visit main streets that have high-end stores, restaurants and services, such as Yonge North of Lawrence.
- Special mention should be made about Kensington Market. It is renowned regionally for its concentration of specialty food stores, restaurants and second-hand clothing stores, as well as for its special heritage character as a traditional market area. Yet its regional draw is only slightly above the case study average, at 73% on weekdays and 76% on weekends. Local residents also shop in Kensington Market in addition to its regional clientele.

Main Street Success is Strongly Related to Local Neighbourhood Socio-Economic Characteristics

- Due to the highly local nature of the main streets, the socio-economic characteristics of the 400 m and 800 m trade areas are correlated to the overall success of the main streets.
- Areas where there are negative population growth and very little change over from older residents to younger families experience similar stagnation in their business mix. Danforth/Pape and Albion/Islington are not experiencing population growth and the business mix is suffering. Danforth East of Jones is growing modestly and experiencing a change over from older households to younger households and the retail mix is benefiting from this increased local draw.
- Several local trade areas such as those surrounding Kingston/Lawrence and Eglinton/Danforth Road have very low household incomes, high proportions of newcomers and lower rates of housing turnover. Unfortunately, many of these households are stuck in a cycle of poverty that is very difficult to shift away from.
- A phenomenon across the City is that households are becoming larger as shelter expenses increase. This is the result of friends or multi-generational families living together to save on living expenses. This has an impact on per capita expenditures. Less is spent on items associated with household formation and maintenance (e.g. furnishings, food staple items) and more is spent on certain discretionary items such as eating out and apparel.

There is Wide Variation in Rents, Market Conditions and Property Assessments

- Rents have been increasing across the City but not in an even manner. Six main streets are experiencing increases at a higher rate than the City average and five main streets are experiencing increases at a lower rate than the City average.
- There is no correlation between the proportion of independent retailers and rent on main streets. Many high rent main streets also have a high proportion of independent retailers.

Redevelopment is Impacting Some Main Streets

- Redevelopment tends to be concentrated in certain areas of the City, especially in the central area, along transit lines and in regeneration areas. The redevelopment is causing significant changes in the amount of retail square footage, the vacancy and the mix of businesses immediately before and after construction. The study did not include an analysis of the extent to which independent retailers are impacted by the redevelopment process due to difficulties in accessing space in new developments. This is discussed further in Sections 6.7 and 10 of the report.
- It was evident that there is a shift in ownership of retail properties towards larger investment companies, REITs, pension funds, or other institutional investors. There was a trend towards fewer owner-occupied retail properties.

Independent Retailers Predominate in Main Streets

- As was discussed in Section 3.4, most of the case study main streets include a high proportion of independent businesses. 75-80% of total establishments is a typical range.
- For the most part, the independent to chain ratio has remained relatively stable. The exceptions were Yonge North of Carlton, which experienced a significant shift to chains over the 2012 to 2018 time period, and Albion/Islington and Lakeshore/Islington which experienced more modest shifts to chains.
- Of the eleven case study main street areas, only the Eglinton/Danforth Road and Kingston/Lawrence areas had significantly higher proportions of chains than the City of Toronto average.

There is Wide Variation in Business Mix and Vacancy

- The case study main streets showed a similar shift towards more service establishments and fewer non-food retailers as has been described for the city as a whole. This is true for both chains and independents.
- The dominant business categories across the case study main street areas are food services and food retail. The highest proportion of food services plus food retail are in Kensington Market (40%), Danforth/Pape (34%) and Yonge North of Carlton (26%).
- There has been a loss of clothing stores that had accounted for a high proportion of businesses in Yonge North of Carlton, Kensington Market, Danforth/Pape and Yonge North of Lawrence.
- New and innovative business concepts such as amusement, gaming and recreation have set up in some of the main street areas, especially in Danforth East of Jones, Lakeshore/Islington and Yonge North of Lawrence.
- Professional services account for a high proportion of businesses in Queen East of Victoria and Yonge North of Finch where the daytime office and health care worker population feeds retail goods and services demand.
- The average store size increased in nine of the main streets (all but Lakeshore/Islington and Queen East of Victoria). Kingston/Lawrence has the largest average store size (as well as a high proportion of chains) and Kensington Market has the smallest average store size. The range is between 74 and 292 square metres (800 and 3,147 sq. ft.). The other case study main streets had average store sizes between 111 and 139 square metres (1,200 and 1,500 sq. ft.).
- Only Albion/Islington and Queen East of Victoria had 2017 vacancy rates above 10%. Redevelopment pressure probably is a contributing factor in Queen East of Victoria.
- The other main streets all had vacancy rates below 10%, signalling a generally healthy business mix and balance between supply and demand.
- However, all but Danforth/Pape experienced an increase in vacancy between 2015 and 2017. Unfortunately, there isn't more recent data available that would enable an assessment of the extent to which this potentially worrisome trend has continued.



Photo: 360 Collective

5.0 Global Trends Impacting Main Street Independent Business

Retailing is subject to constant change and transformation. We have identified a number of drivers of change that currently are impacting the industry and highlighted their implications for Toronto's main street independent businesses. Appendix 18 provides a more detailed description.

The drivers are grouped into three themes:

- Changing consumer shopping behaviours and technology;
- New retail experiences; and
- Retail and community building

It is important to note that the selected drivers are all interrelated and that there is no one single factor that will define the future of retail. The drivers may impact retail businesses and main streets in different ways, over different time frames and to varying degrees. As a result, successful retail operations and main street initiatives and development need to be both flexible and adaptable to meet the needs of a broad spectrum of consumers to create vibrant and viable retail spaces for the community over the long-term.

5.1 CHANGING CONSUMER SHOPPING BEHAVIOURS AND TECHNOLOGY CUSTOMER JOURNEYS IN AN OMNI-CHANNEL ENVIRONMENT

Trend Description: *Customer Journeys as the New Norm*

- The wider use of mobile technologies increasingly is integrating different aspects of our lives. Work, shop, play, learn and experience related activities can take place almost simultaneously within a single time frame and from any of a wide choice of locations. To compete for attention, retail and retail main streets have to amp up the experience they offer.
- Investment in retail and retail main streets should be used to frame, enhance and reinforce customer experience and create positive moments.
- Despite technological immersion, shopping is playing an increasingly important role as a social function and as a way to connect with community.
- People attract people – plazas and public areas that attract people are becoming an important element to include in shopping districts, including main streets.
- There is a need to ‘best’ position the retail main street to provide meaningful and memorable moments. An important component of the positioning is in how the retail frontage and activities interface with the public realm.

Trend Description: *Retail as Distribution – Getting the Product to the Consumer*

- Location, location, location is still a key determinant in retail decision-making. The clustering of retailers along main streets is likely to continue to be viable for the foreseeable future.
- Retail districts will continue to need a sufficient density of nearby residents, employees, students, tourists, etc., to support their businesses. In keeping with the desirability of providing for “complete communities” and promoting walkability, walking distance (within approximately 800 m) is a key threshold.
- While online shopping and package delivery is disrupting traditional ways of getting the product to the consumer, the bulk of sales and product-pick-up is still in-store. Also, bricks and mortar store locations and small storefront parcel pick-up depots are playing an increasing role in fulfilling online purchases.

TECHNOLOGICALLY-IMMERSED AND EMPOWERED CONSUMERS

Trend Description: *Mobile Retail as Key to Customer Journeys*

- Mediocre retail businesses and undefined retail main streets will find it increasingly difficult to survive in an environment of empowered consumers.
- The importance of programs such as Digital Main Street that purposely goes out to independent main street businesses and works collaboratively with them to implement digital and technological strategies is key to helping them adapt to the new digital world.
- Even as the cost of technology comes down, the large price tag associated with some technology solutions makes them prohibitive for many small and independent businesses.

Trend Description: *Retail Sensors and Surveillance, Big Data and AI*

- Sales productivity (sales per sq. m.) no longer is the best single measure to assess the success of retailers in the omni-channel environment. Other useful metrics include dwell time, number of transactions, basket size, return frequency and tracking the customer journey throughout the store which can impact retail layout, merchandising, design and retail main street block planning.
- Large amounts of data can be sourced to help build customer profiles, segmentation analysis and customized product ads to individual customer preferences. Independent businesses may be less well equipped to utilize data-driven strategies than chains.

DEMOGRAPHICS IS DESTINY

Trend Description: *Impact of Gen Z on Retail and Workforce*

- This generation's work prospects are diminished and they are less focused on luxury-type retail.
- While they value shopping local and tend to prefer shopping at bricks and mortar stores, they are savers and more frugal with their money.
- Their characteristics may have a dampening impact on retail growth.

5.2 NEW RETAIL EXPERIENCES AND CHANGING SPACE NEEDS

EXPERIENTIAL RETAIL, PERSONALIZATION AND CURATION

Trend Description: *From Transactional to Experiential Spaces*

- Retail should be flexible and adaptable to embrace these and future trends in retail development, design, layouts, merchandising, window displays, etc.
- Landlords and property managers should accommodate flexibility in their retail leasing practices, for example by avoiding exclusivity clauses that preclude new ideas. Similarly, municipalities should be careful that their regulations do not prevent multi-functional activities taking place within retail spaces (for example, food services or small-scale manufacturing).

ANIMATING URBAN SPACES WITH POP-UP AND MODULAR RETAIL

Trend Description: *Temporary Retail as a Permanent Retail Model*

- Pop-Ups and temporary retail can be used to animate streetscapes.
- Their temporary tenancy is compatible with fluid design elements, including modular retail designs.
- Pop-Ups embrace the true meaning of an ephemeral experience. A constantly changing roster of businesses entices consumers for repeat visitation.

FOOD EXPERIENCE AND HYPER LOCAL FOOD CONCEPTS

Trend Description: *From Food Trucks to Grocerants*

- The trend is towards testing innovative ideas in small spaces such as food trucks, food hall vendors and concession areas within other retailers.
- Locally sourced eating establishments and other concepts such as organically-grown product will require more frequent small truck deliveries, refrigerated delivery space, more waste, increased need for refrigerated waste storage that impact store design and increase the costs for the retailer and landlord.
- The design may include places to grow produce on-site (e.g. rooftop gardens, apiaries).
- The integration of the public realm with the food service concept is an important part of the overall experience economy and accommodates customers' desire to "see and be seen".

- From a marketing perspective, small and independent retail businesses should use social media to communicate with their loyal followers. For example, a farmers' market vendor might tweet in the early hours what fresh product has been packed on the truck and will be available at the market – this generates a sense of excitement and urgency with consumers to get the best and freshest products before everyone else.

5.3 RETAIL AND COMMUNITY BUILDING

INTEGRATING RETAIL DIVERSITY

Trend Description: *Localization in Retail and Service in Community Building*

- Engaging in retail development concepts that build community allows a retailer to gain increased trust and dwell time and therefore to increase sales. The design of retail should be flexible and adaptable to embrace these and future trends in retail.
- Landlords and property managers should accommodate flexibility in their retail leasing practices, for example by avoiding exclusivity clauses that preclude new ideas – consumers are looking for a mix of retail and service experiences to meet their needs.
- The design should incorporate smaller spaces to test innovative ideas.
- Operating expenses and pressure from online retail have forced many retailers to do more within a smaller well-designed space.
- Retail development and operations should reflect the specific neighbourhood or retail main street identity and vision.

THE IMPORTANCE OF CONVENIENCE AND THE 24/7 ECONOMY

Trend Description: *Convenience, Open All Hours and Walkable Density*

- Population densities need to achieve threshold populations within five and ten-minute walking distances to support local serving neighbourhood retail.
- The retail operation and development must be conducive to local shopping in terms of easy to get to locations, ease of shopping, accessibility and visibility.

SUSTAINABILITY, SHARING AND THE CIRCULAR ECONOMY

Trend Description: *Ownership Meets Sustainability*

- The popularity of “sharing” is influencing retail design and development, including communal tables at restaurants, renting clothing and tools, home share rentals (Airbnb) and sharing parking (Honk Mobile).
- Retailers increasingly are marketing their ‘green’ initiatives and providing sourcing transparency, impacting their retail design and operations.
- Sustainability also extends beyond lifestyle preferences to real estate development (e.g. LEED standards, the efficiency of built form elements).



6.0 Key Factors Impacting Toronto Independent Main Street Business Success And Sustainability

6.1 INTRODUCTION

The surveys, interviews and other research conducted highlighted independent main street businesses' foremost pain points and their key requirements for success.

The business survey (Appendix 6) asked whether sales had increased, decreased or stayed about the same over the last two years. There was an almost equal breakdown in responses:

- 37% said sales had increased;
- 34% that sales had decreased; and
- 29% that sales had stayed about the same

The most common reasons given for sales both increasing and decreasing related to demographic or physical changes in the neighbourhood. This reinforces the critical importance of tackling business revitalization at the neighbourhood level such as is done by Toronto's BIA program and the Economic Development and Culture's Division BIA Office. It also emphasizes how important it is for individual BIAs and businesses to understand the demographic profile of their immediate neighbourhoods so that they can better respond to local needs, challenges and opportunities.

Other responses demonstrated a high degree of commonality in independent business interests and concerns across the city. The **critical factors for business success** include:

1. Predictable and stable costs;
2. A transparent and efficient regulatory framework;
3. A cost-competitive business environment when compared to other business models (e.g. online) and other locations (e.g. big box, other municipalities); and
4. Efficient good quality public infrastructure and services.

The main **citywide pain points** that surfaced related to:

1. Costs of doing business:

- High costs (especially staffing, rent, property tax, inventory, fees);
- Sharp increases/unpredictable cost (especially staffing, rent, property tax); and
- Financing hard to access.

2. Regulatory framework (City, Province, Federal):

- Unclear regulations (hard to find, difficult to understand, inconsistent interpretation);
- The time needed to comply (hours of effort, timeline); and
- Changes/new regulations (lack of communication, too little advance notice, additional costs of compliance).

3. Lack of time or specialized knowledge:

- HR, employment standards, labour law;
- Building and renovation requirements (contractors, engineers, architects, etc.);
- Finding space and negotiating leases; and
- Current/new business practices (e.g. digital and omni-channel implementation, "last mile" delivery/pickup), inventory control and sourcing, industry trends and best practices, succession planning and selling businesses).

4. Municipal infrastructure and services:

- Construction in the area;
- Lack of parking or transit access;
- Area cleanliness, maintenance;
- Garbage and recycling; and
- Safety and social issues.

The most frequently cited **challenges to business success** were:

1. Cost of staff (51%);
2. Property tax (51%);
3. Rents (50%);
4. Parking (44%); and
5. Cost of doing business (i.e. recycling, maintenance) (43%).

The following pages delve into the facts associated with these perceptions. The research related to ten different topics is summarized.

6.2 COST OF DOING BUSINESS

Stable Costs and Predictable Change is Key to Business Success

- A recurrent theme in the business interviews spoke to the importance of being able to forecast operating costs. Sudden change meant that there wasn't time to adjust business operations and make decisions to ameliorate the impact.
- Staffing costs were a significant pain point. Staffing accounts for a significant share of operating costs, especially for eating establishments where it approached 30% in 2017. Labour costs were in the 10-15% range for most other types of independently-owned retail stores (see Ontario proforma data in Appendix 9). As is described in Appendix 19, a series of regulatory changes between 2017 and 2019 increased staffing costs.
- Interviewees also mentioned difficulties in finding experienced and qualified staff, the cost of training, coping with high rates of staff turnover and lack of knowledge about employee-related regulations and law.
- Toronto's solid waste management fees also were singled out in many interviews (fees are summarized in Appendix 19). Businesses must apply for City service and are not eligible if they occupy more than 500 square metres of space. They must then hire private contractors.

6.3 RENT

- 65% of the businesses that rent their space indicated that rental levels were a major challenge impacting their business success.
- 24% of renters indicated that securing affordable space was a challenge.

Significant Rent Increases are Impacting Some Main Streets

- As has already been discussed in Section 4.2 (detail in Appendices 15 and 16), there is wide variation in retail rents across the city. Average rents in the case study main streets ranged from \$65 p.s.f. on Yonge Street North of Carlton to \$12 p.s.f. in the Albion/Islington area (net rent).
- Some main streets are experiencing extremely rapid rates of rent escalation. Average rents in six of the eleven case study areas have increased faster than the citywide average since 2013 – Yonge North of Carlton, Kensington Market, Yonge North of Lawrence, Queen East of Victoria, the Danforth/Pape area and Yonge North of Finch.
- Rents in the other five case study areas have remained fairly stable, increasing at rates at or below the rate of inflation.
- It seems likely that there will continue to be upward pressure on retail rents in the near future. From 2013 to 2019, retail property sales prices (for properties with less than 100,000 s.f.) increased by 25% on average across the city, almost twice as much as average rents. This has created a situation where recently sold properties are under pressure to increase rents to justify the sales price.

- There also has been a shift in ownership from owner-occupied properties to REITs, institutional investors and private equity firms. The extent of this trend also varies by district and is loosely correlated with the areas experiencing high rent increases. These categories of owners tend to be risk-averse and conservative in their tenant selection process.
- The implications for independent business is best understood in the context of how the commercial real estate market operates. Appendix 20 provides more information about some of the key dimensions.

The Commercial Lease is a Critical Business Tool

- The legislation governing commercial leases is summarized in Appendix 19. In essence, much less protection is provided for commercial tenants than for residential tenants. The terms of a signed lease agreement take precedence.
- It is difficult for laypersons to access detailed information about commercial lease agreements, such as what the clauses should cover, what the standard practices in the marketplace are, what is reasonable to request or require and what is not reasonable, etc. The resultant lack of knowledge impacts both small landlords and small independent businesses.
- Commercial brokers and lawyers who specialize in commercial lease agreements can negotiate the terms on their behalf. However, the business survey indicated that only 42% of main street independent businesses have used real estate professionals or brokers. Lawyers are used by 72%, but this response includes all types of legal support.
- Anecdotal information suggests that many businesses on Toronto's main streets have informal month-to-month arrangements with small landlords that are based on mutual trust and satisfaction with the status quo. These arrangements may be long-standing. Disruption may occur when the building is sold, especially if the buyer is a REIT or institutional investor interested in the investment or redevelopment potential of the property. Current tenants have no legal recourse should the new owner wish to dramatically increase the rent or to lease to a different tenant at the end of the lease term.

6.4 PROPERTY TAX

- Independent main street businesses who were interviewed or who responded to the online survey expressed significant concern about increasing and unpredictable property taxes. Property tax was the number one concern in the online survey responses (tied with staffing costs; 51% of independent businesses indicated that tax and staffing costs were a significant challenge impacting business success).
- Appendix 19 includes a short explanation of how the amount of property tax is determined. The amount of tax is based on the property's current value assessment (CVA) that is determined by a provincial agency, the Municipal Property Assessment Corporation (MPAC). The City of Toronto sets the property tax rate that is applied to the assessed value to determine the amount of tax. For the past few years, the City has chosen to cap assessment-related property tax increases to a maximum of 10%.
- The Ontario Assessment Act mandates that assessment be based on "highest-and-best use". The highest and best use typically reflects the current use of the property, but in neighbourhoods experiencing a lot of redevelopment and upzoning to higher density uses (in Toronto, usually condo towers with ground floor commercial), highest and best use may be deemed to reflect the value the property would have if purchased for redevelopment. This results in CVA values based on the unrealized development potential of properties, which often are much higher than would be associated with the continuation of the current use.

Some Main Streets Have Experienced Large Increases in CVA Assessment

- Appendix 17 shows that there has been a wide geographic variation in changes in CT assessment among the case study main streets ranging from an annualized increase of 20% (Yonge North of Carlton) to 2% (Albion/ Islington). The City average was an 8% increase.
- In situations where a tenant has a triple net lease, these higher assessments and corresponding property taxes are passed on to the tenant to pay.

- Five case study areas experienced rates of increase more than double the city average (16% or more): Yonge North of Carlton, Queen East of Victoria, Lakeshore/Islington, Yonge North of Lawrence and Yonge North of Finch. The businesses in these areas are probably experiencing 10% annual property tax increases, due to assessment increases (the maximum capped rate). Four of these areas also experienced above-average increases in retail rents.
- CT Properties whose assessments were based on unrealized development potential were mapped. They are heavily concentrated in the central core of the City, along main streets to the east and west of the core, along Bloor/Danforth, in the Yonge/Eglinton area and along Yonge north of the 401. Other pockets were scattered throughout the city.

6.5 ACCESS TO FINANCING

- 20% of independent businesses and 25% of those that had been operating for five years or less indicated that obtaining financing was a significant business challenge.
- Appendix 21 summarizes research on issues faced by start-up businesses. It indicates that most businesses self-finance, relying on savings, mortgaging their homes or loans/investments contributed by friends and family.
- Conventional lenders were not used to a significant extent.
- The Business Development Bank of Canada offers a small business loan program through all Canadian financial institutions. Loans of up to \$1 million are available for a wide range of purposes. However, it was not mentioned as a source of financing in the secondary research, interviews or survey responses. Comments made by several of the businesses and stakeholders interviewed suggested that the application process is extremely detailed and extensive, creating a possible barrier.

6.6 NAVIGATING GOVERNMENT REGULATIONS AND REQUIREMENTS

The Regulatory Framework Governing Independent Business is Complex and Difficult to Navigate

- Two dozen different pieces of legislation and regulatory requirements were reviewed for the purposes of this study and are summarized in Appendix 19. There are specific requirements for different types of activity (e.g. food handling, serving or selling alcohol, using potentially toxic chemicals, serving the public, etc.) and different sizes of business. All three orders of government are involved. Over a dozen different agencies and government offices administer the various requirements.
- The online Business Survey, face-to-face business interviews and surveys conducted by the Canadian Federation of Independent Businesses all identified “red tape” as a significant business concern.
- Small businesses do not have the in-house administrative or professional resources to delve into the multitude of requirements or to keep up to date with changes. Most are very focused on the day-to-day front line operations of their businesses.

Nor is it easy for them to retain external experts to help them navigate the requirements. Three key barriers to retaining expert services were identified in interviews:

1. Small business owners may find it intimidating to define their requirements and hire the “right” provider.
2. Professional services can be expensive and their cost may not have been anticipated. The cost and time savings from “doing it right” may be underestimated. This often leads to the same tasks having to be completed multiple times.
3. Many service providers prefer to work with larger clients. It can be time-consuming and frustrating for small businesses to find the appropriate professional service provider willing to accept them as a client.

- In our interviews, businesses did not complain about “over-regulation” so much as unclear or contradictory information and inefficient or unclear processes. Frustrations such as repeatedly having to fill out different forms with similar information or having to physically appear at a service counter and wait in line to obtain a business license were noted. Another issue was the difficulty in complying with changes in policy. Examples included the lack of specific guidance provided when trying to write an AODA compliant Customer Service or Workplace Safety policy. Some interviews noted the lack of funding assistance for implementing new requirements, such as new cigarette storage cabinets needed to comply with the Smoke Free Ontario Act.
- The building permit process was singled out as being particularly problematic to negotiate unless certified architects, engineers, contractors, etc. are retained. We were told that Plan Examiners and Building Inspectors sometimes do not have sufficient time to provide specific direction or corrections to non-expert applicants, resulting in a lack of clarity, confusion, frustration and extended timelines. The process runs more smoothly for submissions managed by experienced contractors with good credibility. Such people are in short supply and may not be available to once-only clients, especially for small scale projects.

Independent Businesses Report a Low Level of Awareness or Use of Available Support Services

- Research for the study identified a plethora of support and advisory services available to Toronto small businesses (summarized in Appendix 22). Some are accessible free of charge online. An example is <https://www1.bizpal.ca>, a one-stop portal searchable by municipality and type of business that provides links to the required permits and licenses. The portal is managed by the Canada Business Network (part of Innovation, Science and Economic Development Canada).
- There are several start-up business advisory services offered by various post-secondary institutions, agencies and the City of Toronto (Enterprise Toronto) that provide information about requirements and considerations, host workshops with experts (e.g. small business lawyers) and sometimes provide start-up consulting, mentorship and coaching.
- Dozens of not-for-profit associations provide different categories of small business members with various services. Most host business-to-business networking events. These can be a valuable way for small business owners to find mentors, share experiences with other businesses confronting similar issues and meet accountants, marketing companies, etc. who are interested in working with small business clients. Some host workshops or talks by inspirational speakers. Some advocate with government for policy change. Some of the ethnic chambers of commerce translate regulations, etc. for their members and the association directors may volunteer to assist individual members with language barriers to resolve issues they may be having.
- Yet most of the businesses responding to the online survey did not use the available supports (see Appendix 6).
 - Accountants are the most commonly used support – by 85%.
 - Personal mentors play an important role – especially for newer businesses.
 - BIAs and other neighbourhood business also are important supports.
 - City of Toronto-supported small business services (Digital Main Streets and Enterprise Toronto) are known about by about three-quarters of businesses. But fewer than 20% had used them.
 - The main retail industry associations are used by fewer than 10%. Professional associations and small business support groups are used somewhat more often.
- The interviews indicated several barriers to taking advantage of the available supports, including:
 1. Lack of time to investigate and identify the best support to fit the situation;
 2. Lack of time to take training, attend support meetings, etc.; and
 3. Cost (or perceived cost).

6.7 REDEVELOPMENT PRESSURES

- Some main streets are experiencing significant redevelopment. Some of the implications have been touched on in Sections 6.3 and 6.4. They include the transfer of property ownership to REITs, institutional investors and property equity firms and the re-assessment of properties based on their unrealized redevelopment potential.

Redevelopment has Possible Disruptive Impacts on Independent Businesses' Access to Locations

- There also has been an associated decrease in the number of small retail properties with less than 5,000 sq. ft. (see Appendix 15). These are the kinds of properties most often associated with independent businesses. Over 300,000 sq. ft. of retail space in small properties was demolished between 2013 and 2019. They are being replaced by larger concentrations of retail space in mixed use buildings. It should be noted that while this is a significant trend, citywide there is still an enormous number of small retail properties available.
- Appendix 15 also documents a shift in property sales volumes away from owner-occupied properties. If this trend continues or escalates, it could eventually reduce businesses' ability to find small commercial or mixed use properties they can purchase to own their premises. As above, it should be noted that there are still an enormous number of owner-occupied retail properties available citywide. However, owner-occupied properties could conceivably become a rarity within specific main streets.
- Redevelopment is extremely disruptive to the independent businesses that lose their premises as a result. Moving even a short distance away can result in losing customers in addition to the time and additional expense required to find and outfit a suitable space and to move.
- Independent businesses may also find it difficult to access space in new developments. As is discussed in Appendix 20, developers often need to lease a high proportion of their space to national chains for a number of asset-based financial reasons including the need to secure financing at favourable interest rates. It also is easier for developers, commercial property managers and brokers to work with proven chains rather than search for independent businesses. On the flip side, some developers are deliberately leasing a portion of their space to independent businesses in order to differentiate their building. Researching this issue was not within the scope of this study but is an important question. Section 10 of the report suggests that further study be undertaken.

6.8 PUBLIC SAFETY

- 16% of businesses citywide reported that safety and social issues were significant challenges to their business success.
- Face-to-face interviews and stakeholder consultations indicated that the issues are concentrated in certain neighbourhoods including downtown Yonge, Kensington Market, Queen Street East of Victoria, Chinatown and the Danforth/Pape neighbourhood.
- Problems included open substance abuse, behaviours related to substance abuse and mental illness, assaults on staff, theft and lack of visible police presence. Several people commented that street front retailers and staff felt left on their own with little support to deal with needle litter and unpredictable disruptive and sometimes threatening behaviours.

6.9 START-UP BUSINESSES ON MAIN STREETS

- While start-up businesses and entrepreneurship development was not a focus of the study, the online survey, interviews with stakeholders, secondary research and the review of services available to small business did address the issue.

- Businesses that had been operating for 0-5 years accounted for 23% of survey respondents. They included fewer traditional retailers and more food, cultural, entertainment and recreational services than survey respondents as a whole, reflecting recent trends in the mix of business types. Their choice of locations was driven by affordable rent to a greater extent than survey respondents as a whole. They were more challenged by rental levels, the time required to run the business, access to financing, sourcing goods, importing and hours of operation (perhaps reflecting lower staffing levels).
- Other studies have interviewed entrepreneurs to probe the obstacles to growth they experienced (e.g. Ted Rogers Diversity Institute Report, pp. 18-24; research summarized in Appendix 21). Top challenges included accessing financing, staffing, negotiating taxes and the many regulations associated with operating a business.
- As is summarized in Section 4.1 of the report, the Toronto Employment Survey shows a decline in the prevalence of micro-businesses in Toronto's retail and consumer service sector. Although not all micro-businesses are new businesses, most new businesses are micro-businesses.

6.10 IMMIGRANT-OWNED BUSINESSES

- Interviews and secondary research indicated that immigrant-owned businesses share the same challenges as Canadian-owned small businesses (see for example, Appendix 21 and the Ted Rogers Diversity Institute Report, pp. 18-24). But a higher proportion of the immigrant-owned businesses reported each barrier.
- In particular, learning and navigating the rules and regulations associated with operating a business in Canada was the number one barrier for immigrant-owned businesses. They also experienced considerably greater difficulty in finding investors and securing financing. Coping with language barriers and business cultural differences (e.g. negotiating styles, level of formality, etc.) added an additional layer of issues.
- Toronto's many ethnic chambers of culture and business associations assist their members in meeting and networking with other businesses in their co-ethnic community and may translate regulations and other information for their members. Most are volunteer-based with very few (if any) staff. Most of their services are delivered by association members on a voluntary basis.
- There is an online information portal oriented to newcomer businesses as <http://newcomerentrepreneur.ca> (see Appendix 22).
- Some Newcomer Settlement agencies also support entrepreneurship development. For example, WoodGreen Community Services has a well-developed program. ACCES Employment operates a program for newcomers who had operated businesses in their home countries (Entrepreneurship Connections) which supports about 90 clients a year.

6.11 MAIN STREETS IN LOWER INCOME NEIGHBOURHOODS

- Four case study main streets are located in Neighbourhood Improvement Areas: Eglinton/Danforth Road, Kingston/Lawrence, Queen East of Victoria and Albion/Islington.
- The Albion/Islington and Queen East of Victoria areas were the only two main streets with vacancy rates higher than 10% in 2017. Vacancy does not appear to be an issue in either Eglinton/Danforth Road or Kingston/Lawrence. In other respects, the characteristics of the main streets near Neighbourhood Improvement Areas were not strongly differentiated from the other case study areas.
- Businesses in the Albion/Islington, Eglinton/Danforth Road and Kingston/Lawrence areas proved to be disinterested in being interviewed and did not respond to the online survey to a significant extent.

- Lower-income residents also had a low response rate to the online survey. However, it was possible to break out and analyze the respondents with below-median incomes (\$80,000 or less). This group included a disproportionate representation of senior citizens and people under the age of 35. For the most part, lower-income residents displayed similar behaviours and preferences as total respondents. As might be expected, they were somewhat more dependent on public transit and less dependent on driving, and more interested in shopping where they could get good value and discounts. A slightly higher percentage shopped primarily in their local neighbourhood. They had similar preferences for shopping at independent businesses as the total survey respondents.
- There was some evidence that higher-income residents living in lower-income neighbourhoods left the area for all but basic convenience shopping (Queen East of Victoria case study analysis).
- Low income is a significant barrier to small business formation and incubation. Small businesses rely on personal savings and loans from family members to finance start-up and growth to a large extent. They look to family members and friends to provide advice and mentorship. Without these personal assets and connections, the challenges to small business start-ups become magnified.



Photo: AtaliasPhotos

7.0 Research Summary

Overall at the citywide level, Toronto has a strong main street independent business community. Independent businesses account for a high proportion of Toronto's retail and consumer service activity and are well-loved and well used by city residents.

That said, there is wide variability from area to area. Some of Toronto's main street business communities are under threat to the detriment of the quality of life in the local communities they serve.

The research has shined a light on the strengths and weaknesses that characterize independent businesses in Toronto's retail and consumer service sector as well as on the opportunities and spin-offs associated with their growth and vitality and the challenges they are facing that threaten their sustainability. These are summarized on the following pages. The strengths and opportunities point to the value in ensuring the continued strength of independent main street businesses in Toronto. The weaknesses and threats provide a factual basis for determining the actions that are needed. These are the focus of the remainder of the report.

THE CURRENT STATE AND FUTURE OF TORONTO'S RETAIL MAIN STREET INDEPENDENT BUSINESSES: STRENGTHS AND OPPORTUNITIES

Strengths

- Independent businesses dominate the retail and consumer service sector and have been maintaining their position in most categories in which they are strong.
- Main streets are key independent business locations.
- Independent businesses differentiate and diversify shopping and dining experiences.
- They offer newcomers an economic opportunity.
- They contribute to community, societal and civic engagement.
- Main streets contribute to the walkability of neighbourhoods and streets.

Opportunities

- Local residents prefer to shop in local independent businesses for a wide range of goods and services.
- Many residents (almost half) are increasing their use of independent businesses.
- Independent business growth has stronger spin-offs to the local economy than chain growth.
- Independent business has an entrepreneurial opportunity to innovate in the digital economy.

THE CURRENT STATE AND FUTURE OF TORONTO'S RETAIL MAIN STREET INDEPENDENT BUSINESSES: WEAKNESSES AND CHALLENGES

Weaknesses

- Chains dominate in retail categories typified by comparison shopping.
- Lower median earnings are reported by small businesses in Toronto than in other Canadian cities.
- The proportion of micro-businesses in Toronto's independent business sector is decreasing.
- The number of brick-and-mortar retail locations has decreased (for both independent businesses and chains).
- Independent main street businesses typically have limited access to specialized services and knowledge (HR experts, commercial lease experts, lawyers, digital, marketing, etc.) as well as to in-house supports that can research information and negotiate regulations on their behalf.
- Independent businesses often experience problems accessing capital and financing.
- Consumer services are expanding, especially restaurants and other food services. These sectors present good opportunities for new business formation and expansion.

Challenges / Threats

- Adapting to e-commerce: the need for omni-channel and digital strategies and associated infrastructure; big data analytics; parcel pick-up/delivery strategies.
- Study time frame (approximately 2012-2019) coincided with a period of economic growth and prosperity in Toronto. A recessionary period might be characterized by quite different findings.
- The complex regulatory framework is hard to understand and navigate. Businesses may encounter inconsistent interpretations of requirements. Changes in regulations often occur with little notice or communication.
- Some main streets are experiencing significant increases in retail rents and/or property tax increases that is making space less affordable for current businesses.
- Redevelopment pressures in some main streets are forcing the relocation of many independent businesses. There is evidence that some new developments favour chains over independents as tenants. The study terms of reference did not address the extent to which this is occurring or the net impact.
- Social issues in some neighbourhoods are impacting main street businesses. Front line staff and business owners feel ill-equipped and under-supported.
- Immigrant-owned businesses, businesses in lower-income neighbourhoods and businesses in the start-up phase face greater challenges than the general business community.



Photo: AtaliasPhotos

8.0 Framework for Action

How can the City of Toronto better support independent main street business success?

The research identified four **key critical success factors**. The action plan should focus on better ensuring these requirements:

1. Predictable and stable costs;
2. A transparent and efficient regulatory framework;
3. A cost-competitive business environment when compared to other business models (e.g. online) and other locations (e.g. big box, other municipalities); and
4. Efficient good quality public infrastructure and services.

The research demonstrated the breadth of issues that impact independent main street businesses. They truly are all-encompassing, including traffic congestion, public transit service, public safety on our streets and in our communities, social issues and crime, income security, and on the list goes. In framing an action plan, it was necessary to determine **priorities**. The criteria were developed in collaboration with City staff:

1. Support over-arching City objectives.
2. Focus on actions that are within the City's mandate.
3. Attack drivers versus symptoms and focus on actions with a strong likelihood of success.
4. Do not duplicate other ongoing studies or initiatives.
5. Build on, leverage and fill gaps in current service delivery.
6. Focus on actions that can be researched and developed within study timeframe and budget.
7. Focus on actions that promise to be cost-effective to implement.

The central goal was to identify pragmatic actions that would make a difference to independent businesses and main streets. **It is recognized that many important issues could not be addressed.** Other City initiatives are tackling some of these. Some are systemic issues beyond the scope of this study or are outside the mandate of the City of Toronto. Issues impacting independent businesses that could not be addressed within the scope of the study include:

- The cost of doing business – many factors determine pricing and cost factors. Most are beyond the City's mandate (e.g. tariffs, shipping costs, food price fluctuations, etc.).
- Issues related to staffing – wage levels, employment and workplace standards are regulated by the Province. The study scope did consider strategies for providing information, guidance as to interpretation and facilitating access to HR and legal professionals.
- Regulatory framework – the content and rationale for various regulations, permits and licenses or the associated processes were not analyzed. The study scope did consider means through which they can be made more accessible to independent businesses.
- Construction mitigation – this is the subject of a separate study currently being undertaken by the Economic Development and Culture Division.
- Service levels in providing municipal infrastructure and services – these are determined by many factors beyond the scope of this study.

Officially Recognize the Significance of Main Street Independent Businesses.

It is recommended that City Council adopt a formal statement recognizing the significance of its main street independent business community and the role it plays in the economy and in contributing to city residents' quality of life and city neighbourhoods' quality of place and walkability.

- Currently, support is implied in the Official Plan and economic development strategy and program (the current policy context is described in Section 1.2).
- A more explicit policy statement would have both symbolic importance to the independent main street business community and would help focus attention on the sector when determining City program and resource allocations.
- Stakeholder consultation indicated support for official policy recognition. However, it was noted that the policy should be more than "empty words". It should be an active policy used to influence actions and resource allocations. This is the intent.
- The policy also should be supported by an ongoing metrics and monitoring program (discussed in Section 14).

Priority Action Areas

In consultation with City staff, it was determined that the study should focus on developing the following priority action areas:

1. Small business support services, both within City Hall and indirect support delivered by external associations and agencies.

- Supports over-arching City objectives.
- Many actions are within the City's mandate and others can be influenced or facilitated by the City.
- Builds on current service delivery.
- Feasible to further develop within study time and budget.
- Potential for financially sustainable implementation.

2. Increasing independent businesses' access to space.

- Aligned with main street intensification policies.
- Builds on current policy initiatives by addressing potential barriers/gaps in creating spaces suitable for independent businesses.
- While full and detailed analysis is beyond the scope of the current study, it was feasible to address some aspects of the issue.

3. Property tax policy.

- Supports over-arching City objectives.
- Some dimensions are within City control.
- Builds on current policy initiatives.

4. Public safety.

- Aligned with City policy.
- A multi-dimensional issue involving other levels of government, other City divisions and the Police Commission.
- Limit investigation to assistance and supports for front line businesses. This builds on current service delivery and can reasonably be developed within the scope of the study.

5. Community economic development.

- Aligned with City objectives.
- Some actions are within the City mandate; others are not.
- Builds on current service delivery.
- Several other studies and initiatives are underway; avoid duplication.

Stakeholder consultation supported action in all of these areas.

The analysis and recommendations associated with these five priority action areas are summarized in Sections 9 through 13 of the report. Metrics and monitoring is addressed in Section 14.



9.0 Small Business Assistance

9.1 OVERVIEW

The research and consultation undertaken pointed to a need for greater support in providing:

1. Clear, consistent and accessible information and direction;
2. Individual one-on-one assistance in interpreting general requirements to the specific situation and in providing guidance on how to meet requirements or seek exceptions;
3. Access to professionals and experts who can support small business needs;
4. Training;
5. Access to financing; and
6. Support in adjusting to changes (e.g. in costs, regulatory requirements).

Toronto already has a plethora of support and advisory services available through a combination of the private sector, non-profit agencies and business associations and government offices. Appendix 22 inventories and briefly describes more than three dozen different organizations and online portals. Yet the online survey and interviews revealed that most businesses do not make use of them. Barriers include:

- The complexity of different options and lack of time to investigate and identify which are the most useful in a specific context;
- Lack of time to take training, attend support meetings, etc.; and
- Cost (or perceived cost).

There almost needs to be a gateway service that refers businesses to the best source of assistance for them. It also highlights the critical importance of outreach and communications for services to reach and effectively assist their target clients. The services need to be described in concrete terms and their applicability to specific situations demonstrated. Business testimonials often are helpful.

Current City of Toronto Services

1. City of Toronto points of service

- Independent main street businesses interact with City of Toronto services on a frequent basis. The most common points of contact for main street businesses are business licenses – Municipal Licensing and Standards; building permits required for renovations and outfitting premises (which are usually the responsibility of the tenant, not the landlord) – Toronto Buildings; sign permits and by-law compliance – Toronto Buildings; and permits for sidewalk cafes and merchandise display – Municipal Licensing and Standards.
- Feedback from both City staff and businesses suggests that the processes work fairly well when everything is in order. However, complicated situations can be confusing and difficult to resolve. City staff do not have the time or resources for much one-on-one coaching. They expect the applicant to provide the required information or to hire experts to represent their interests. Building permits frequently require applicants to obtain sign-off by engineers, architects and other technical experts.

2. Economic Development Services

- Staff provides case management services for large companies with significant job creation potential (“**Gold Star Program**”). These include acting as a go-between between the business and other City staff to help them interpret and meet requirements or apply for by-law variances.
- Staff do not actively reach out to main street businesses but do assist any who are referred to them. Staff estimate that they probably work with about two to three hundred small business clients a year. Resource constraints preclude expanding services to main street small businesses on a regularized basis.
- Staff support business start-ups and organize free and low-cost workshops and seminars for existing small businesses on a range of topics through **Enterprise Toronto**. Training options include 15 to 20 “Ask the Expert” sessions each year at which people can book free 15 minute meetings with professionals in accounting, legal, insurance, marketing, etc. A “How to Run your Business Program” is offered that covers ten topics relevant to general business operations. Participants have access to one-on-one advisory services and mentors during and after the program.
- Most Enterprise Toronto clients are in professional services or IT and digital fields. A high proportion is at the preliminary stages of business formation. Main street businesses currently represent a small minority. Enterprise Toronto staff indicated that they are open to serving this group to a greater extent.

- A “**Retail Accelerator Program**” was launched in October 2019. Retailers who have been operating bricks and mortar locations for one to five years can apply to take a 6-module course covering various aspects of retail operations. Graduates are eligible for a \$5,000 grant to finance their business requirements.
- The **BIA Office** primarily supports the formation, organizational development and operation of Toronto’s Business Improvement Areas. Each BIA sets its own program within the framework established by the enabling legislation (Chapter 19 of the City of Toronto Act). The BIA mandate traditionally has focused on physical upgrades to the streetscape and commercial façade and on marketing and promotion. In recent years some BIAs and the BIA Office staff have started to address a broader range of issues impacting the economic health of their business communities.
- Several innovative programs have been developed by individual BIAs. For example, the Duke Heights BIA has started an Employment Hub that provides information and hosts talks about a range of topics (including Small Business Tax rates, changes to Employment Standards Act) and partners with York University to answer members’ specific questions about general business operations).
- **Façade Improvement Grants** are provided to businesses in BIAs for undertaking renovations to the exteriors of their buildings. Eligible improvements are specified. Interior renovations are not eligible. Nor are fees or work on the backs and sides of buildings or privately owned parking lots.
- **Heritage Tax Rebates** are provided for the eligible maintenance and conservation work on buildings’ exterior heritage elements. The buildings must either be designated as heritage structures or located within Heritage Conservation Districts. The Program is administered by City Planning (Heritage Preservation Services).
- **Digital Main Street** was developed and launched by the City of Toronto in partnership with the Toronto Association of BIAs (TABIA) in 2016. It is owned and operated by TABIA. It offers main street businesses three types of services to facilitate their adoption of digital technologies:
 1. An online vendors list. Staff verify the authenticity of each vendor through an online check but do not provide evaluations or recommendations. Currently, over 600 vendors are listed by the category of services they offer and geographic location.
 2. Webinars and workshops on a variety of topics; blogs and tips on applying digital technologies; case studies and testimonials from businesses.
 3. Digital Service Squads who meet businesses one-on-one in their locations. They help them assess their stage of digital adoption and provide them with a step-by-step digital transformation plan. Grants are currently available to help fund implementation. Currently, the digital service squads and grants are funded by OMAFRA (until March 31, 2020). BIAs and Chambers of Commerce throughout Ontario can apply to set up a digital service squad.
- Digital Main Street has successfully expanded its scope since 2016 from a pilot in one BIA to a province-wide program funded by OMAFRA. Corporations in the IT sector are partners and provide a significant portion of its funding. Its strengths include:
 1. Offering an open door to all suppliers. It is non-proprietary and does not advocate any specific services, platforms or products.
 2. Directly addressing the intimidation factor by making it easy for businesses to assess their needs and identify a starting point. Service Squad staff drop into business to explain and offer the services.
 3. Minimizing businesses’ time commitment by working with them in their locations at their convenience. Most consulting sessions take less than an hour.
 4. Subsidizing the cost of digital transformation by providing free online advice, information and training to all businesses. Businesses in participating BIAs are eligible for free individual assessments and transformation plans and grants up to \$2,500 towards the cost of implementation.

9.2 ANALYSIS OF POSSIBLE ACTIONS

9.2.1 TO PROVIDE CLEAR, CONSISTENT AND ACCESSIBLE INFORMATION AND DIRECTION

- The City of Toronto website strives to provide user-friendly information about City regulations, permits, programs and services. The consultants found it relatively easy to navigate and did not identify any significant gaps or areas of confusion. Telephone contact numbers support the website content and the consultants found that their questions about information gaps were promptly answered by knowledgeable staff. A concurrent initiative led by the Deputy City Manager's Office is seeking to enhance self-service transactions to make it easier for people (including businesses) to pay bills and make appointments on the website.

Possible Actions to Consider

Economic Development staff currently keep up to date with policies and procedures impacting their business clients. When they notice or receive feedback about an area that is unclear or confusing, they could:

1. Work with the source to clarify the requirements and possibly provide an interpretation bulletin, Q&A document, implementation examples or templates, or other communication tools. It is noted that any document produced or distributed by the City of Toronto or its staff would need to be approved as accurate by the owner of the source information.
2. Continue to organize workshops, Q&A sessions, webinars, etc., where the source of the information explains and interprets the regulations for a small business audience.
3. Develop a broader audience and greater reach for such information sessions by facilitating their repetition at sessions hosted by BIAs and other business associations.
4. Encourage information sharing among individual BIAs and other business associations as to effective tools and contacts they've used to better inform their members.

9.2.2 TO PROVIDE ONE-ON-ONE ASSISTANCE IN NAVIGATING REGULATORY REQUIREMENTS

- The business interviews, as well as other studies, suggest that one-on-one assistance in navigating processes is the biggest gap, exacerbated by small businesses' lack of in-house administrative and professional service resources and barriers to retaining external professional services.
- The lack of support for navigation creates the impression that the City is overly bureaucratic and unsympathetic to business interests. This sentiment repeatedly came out in the face-to-face interviews and online survey.

“I wondered why there were a lot of vacancies in the area and now I know why; there's too much red tape – It's like the City is against small business”

“Why doesn't the City partner with small business rather than see us as revenue sources?”

“The City needs to make it easier for small independent businesses to be profitable and focus on what they're good at”.

“Small business owners feel like the enemy of the City”

- Some of the business associations that were contacted do advocate on behalf of their members on a special request basis. However, their ability to do this is hindered by their own lack of knowledge about processes, contacts and lack of resources.
- Some other municipalities (for example, Edmonton) do provide small businesses with one-on-one assistance in navigating City processes and permits.

Possible Actions to Consider

For City Hall processes, it is suggested that consideration be given to increasing the level of case management services provided to main street businesses. It is suggested that the expanded service initially be introduced on a trial basis so that outcomes and resource requirements can be better evaluated.

This could be done by creating a new “Small Business Advocate” position. The job requirements would be similar to those performed by the current Economic Development Officers only focused on assisting small businesses in the retail and consumer service sector. The advocate position would work closely with Toronto Buildings and Municipal Licensing and Standards plus other Divisions as may be required to meet the needs of their clients. It is anticipated that a major focus might be building permit expedition by helping small businesses understand the specific requirements and then source the services or advice they need to meet them.

- Meeting the needs of small business requires that waiting periods be minimized. It is suggested that the service strives to provide a 24-hour response time to initial enquiries and a prompt turn around on consultations and any follow-up actions that are needed to resolve issues. The implication is that each staff person will only be able to serve a limited number of clients in parallel (the number will vary depending on the level of complexity of the service requests).
- Consideration should be given to decentralizing some aspects of service delivery through the geographically based business services staff network. Edmonton takes this approach; 1.5 staff provide one-on-one small business support on a full-time basis. Another half dozen staff have been cross-trained to assist clients on an as-needed basis.
- Interested BIAs could also play a role, perhaps through a “train the trainer” model. The Small Business Advocate could train BIA staff so that they can help their members navigate City Hall requirements – and/or act as a first point of contact between BIA members and the Small Business Advocate.
- Consideration could be given to partnering with universities and colleges to involve students in some aspects of service delivery.
- The Small Business Advocate position could be the point person for liaising with other City Hall front line service providers to identify clients experiencing compliance or application issues. The role could include developing tools or strategies that front line services can implement themselves to better meet the needs of small businesses.
- The position could work with Enterprise Toronto start-up clients once they are ready to begin to look for locations and apply for municipal permits and licenses. This would better support the location and growth of micro-businesses.
- It is suggested that the BIA Office and individual BIAs be actively engaged in outreach about the expanded service to better ensure that independent main street businesses are aware of the program. However, it is recommended that the service be extended to all small businesses in the city and not limited to those located in BIAs.

For provincial and federal processes, a more indirect approach is suggested:

- Enhancing small businesses’ access to professionals and experts who can assist them (see Section 9.2.3 below).
- Organizing workshops and Q&A sessions with the responsible officials for Toronto’s small business community (see Section 9.2.1 above).

The adequacy of these approaches and the need for further action can be assessed in the context of evaluating the Small Business Advocate pilot and through ongoing monitoring and feedback from the small business community.

9.2.3 TO INCREASE ACCESS TO PROFESSIONALS AND EXPERTS

- Enterprise Toronto currently facilitates access to some categories of professionals willing to work for small business clients through their “Ask an Expert” sessions.
- Digital Main Street provides vetted online listings of digital service suppliers.
- Some business associations publish member business service directories and facilitate business-to-business connections at networking events.

Possible Actions to Consider

The feasibility of providing listings of professional and technical services interested in working with independent main street business clients was discussed with economic development staff. Several challenges were raised:

- Keeping the listings current in a business community of Toronto’s scale;
- Being both inclusive enough to be equitable and selective enough to be useful; and
- The implications of City staff vetting or qualifying businesses that wanted to be listed.

The Digital Main Street approach is considered to offer a more promising avenue in that it is independent of the City yet non-partisan and already associated with serving the needs of Toronto’s independent main street business community. Consideration could be given to building on the services currently offered by Digital Main Street to include listings of other kinds of service providers interested in working with independent main street businesses. A deeper analysis should first be undertaken to:

- Identify the specific types of services main street businesses are having difficulty accessing in more detail;
- The best business model to follow that avoids diluting or confusing the Digital Main Street brand;
- The resources required to establish an online professional service listing that extends beyond digital services and to maintain it on an on-going basis and associated funding strategy; and
- An outreach strategy to recruit potential listings and promote its availability.

It also is suggested that consideration be given to increasing the range of grants available to independent main street businesses to include the use of professional services. Eligibility could be targeted at specific priorities, e.g. legal services associated with commercial leases for start-up businesses and/or to support businesses experiencing issues with their landlords; professional services needed to implement compliance requirements for new regulations; professional services associated with renovations eligible for façade improvement grants.

9.2.4 TO PROVIDE TRAINING

- Digital training is provided through the Digital Main Street Program.
- The Economic Development and Culture Division has launched the Retail Accelerator Program for retailers.
- Organizational development training is provided to BIA Boards of Management to support them in meeting the needs of their members.
- The Local Leadership Program supports the skills upgrading of BIA coordinators.

Possible Actions to Consider

Consideration could be given to expanding training offerings. In the short term, it is suggested that lessons learned from current programs be reviewed and leveraged. Extending the reach of current programs and modelling their successes may be the most effective strategy to expand training offerings.

9.2.5 TO PROVIDE ACCESS TO FINANCING

- The City provides grants to property owners on main streets to encourage exterior renovations, conserving heritage elements and eligible improvements to the façade.
- Façade improvement grants are limited to BIAs.
- The Digital Main Street program provides grants to main street businesses to implement their digital transformation plans.
- The Retail Accelerator Program provides grants to retail business owners who have completed a six-module training program to invest in their businesses.
- Enterprise Toronto provides information about venture capital and angel investors who support start-ups and small businesses.
- The Business Development Bank of Canada (BDC) offers a small business loan program through financial institutions. Loans of up to \$1 million are available for a wide range of purposes. Feedback received from several businesses and stakeholders suggested that the application is extremely detailed and extensive, creating a barrier.

Possible Actions to Consider

Consideration could be given to extending Façade Improvement Grants to businesses outside of BIAs. This would enable property owners throughout the city to access funds, potentially benefiting distressed retail areas with lower organizational capacity.

- The benefits of such a strategy should be weighed against the disadvantage of reducing the cumulative impact of façade improvements on any one area by distributing the program more widely. BIAs also play an important role in helping to promote and facilitate the program in each neighbourhood. Outreach to property owners outside of BIAs may be challenging, reducing their participation.
- Non-BIA eligibility criteria could be identified that focus the funds on specific priorities. For example, properties in more derelict condition could be targeted. Grants could be targeted to support more comprehensive community economic development initiatives as is done in Edmonton, or to properties that have been vacant for several years.

Consideration could be given to enabling grants for interior renovations. Edmonton recently has modified their program to include interior renovations, noting that doing so directly benefits retail tenants trying to undertake leasehold improvements. Design support and permit fees could also be considered eligible costs.

The City's Community Improvement Plan would need amending to enable either of these programs.

Section 9.2.3 above suggests that grants be made available to reduce the cost of hiring professional services in some situations.

A review of the application process associated with BDC's Small Business Loan Program could be undertaken in collaboration with the BDC. It may be feasible to increase access to the program by facilitating the application process, e.g. by hosting workshops or Q&A sessions.

9.2.6 TO PROVIDE SUPPORT IN CHANGE MANAGEMENT

- Regulatory changes often are associated with transitional costs for business. In some cases, they are minor – staff training for example. But sometimes, physical renovation or new equipment is required.
- Grandfathering current businesses and premises from the new provisions, phasing-in implementation and providing significant notice and broad communications are common practices that help ease the transition.
- The City of Toronto occasionally has provided financial support to businesses to help them comply with new regulations, for example, when the new standards for Boulevard Cafes and Merchandise Display were introduced, grants to help businesses bring existing cafes and displays into compliance were enabled.

Possible Actions to Consider

Economic Development staff should continue to keep up to date about regulatory changes and new programs affecting the business community. Communication plans targeting main street independent businesses (as well as other business client groups affected by the changes) should be organized. Communication plans should include a combination of tools appropriate to the context – in-person seminars, workshops, webinars, bulletins and newsletters, etc. Changes introduced by the other orders of government should be addressed as well as those initiated by the City.

Consideration could be given to rolling out workshops and information sessions through TABIA, individual BIAs and other Toronto business associations.

In considering the expansion of grant programs for renovations as suggested above, financial incentives to comply with new regulations could be given priority when determining eligibility requirements. Incorporating AODA-compliant features when renovating could be an example.

9.2.7 OUTREACH AND COMMUNICATIONS

- The majority of businesses have never used the available supports provided by business and industry associations or City programs. For example, only 14% reported having used Enterprise Toronto and 17% Digital Main Street. Start-up businesses (0-5 years in operation) reported higher levels of (19% for Enterprise Toronto and 22% for Digital Main Street (see Appendix 6).
- There also seems to be a lack of clarity about the nature or scope of services that different organizations provide. For example, there seems to be a widespread perception that Enterprise Toronto primarily serves people considering self-employment or small business formation and is not relevant to existing small businesses operating on main streets. This does not reflect the objectives of staff or the reality, although main street independent businesses currently account for a small minority of their clients.

Possible Actions to Consider

Rebranding and well-resourced communication and outreach plan for the different components of the Economic Development Division's services for small main street business is recommended. Currently, it would be difficult for independent main street businesses to identify services applicable to their needs on the City's website. For example, a google search on "Toronto small business services" leads to the Enterprise Toronto home page, which is described as:

"A one-stop source to start and grow your small business. Our team of small business advisors can help you make the right decisions during your business start-up and help develop your management capabilities as your business venture grows."

It seems doubtful that many independent main street businesses would see themselves in that description.

Communications should be specific and concrete. They should strive to demonstrate how the services have helped individuals solve specific problems. Client testimonials are extremely helpful tools and should be developed. They should include main street businesses so that others can better see the relevance to them. Video clips are especially compelling. Enlisting the support of clients to participate in association meetings also is extremely effective when feasible to arrange.

Examples of organizations that have effectively used client testimonials in their online communications include Digital Main Street (<https://digitalmainstreet.ca/case-studies/>) and the City of London (<https://www.sbcentre.ca/clientshowcase.php>).

Frequent points of contact for independent main street businesses should be incorporated in the outreach strategy. City of Toronto service desks (MLS business licensing, Building Permit application intake, etc.) and external professional services (accountants, lawyers, brokers, business account bank managers, etc.) and the professional associations that represent them could be explored.

Service presentations could be made at business association and BIA meetings, ensuring that the messaging is concrete and tailored to the specific audience being addressed. Conferences and trade shows attended by service providers could be targeted.

9.3 SMALL BUSINESS ASSISTANCE RECOMMENDATIONS

1. Pilot an explicit “Small Business Advocate” role as part of the City’s economic development services to provide one-on-one assistance in navigating City regulations, policies and procedures and act as a point-person for liaising with other City Hall front line service providers to develop tools and strategies for better meeting the needs of small business.
2. Implement a communications plan and outreach strategy focused on how Economic Development and Culture supports independent main street business success. The plan may include a rebranding of services to clarify their applicability to independent main street businesses throughout the City.
3. Continue to disseminate information and organize workshops, webinars, etc. to help businesses understand the regulatory framework and key business requirements (e.g. understanding commercial leases).
 - Develop a broader audience and greater reach for sessions by facilitating their repetition by BIAs and other business associations and chambers of commerce.
 - Encourage information sharing among individual BIAs, chambers of commerce and other business associations as to effective tools and contacts they’ve used to better inform their members.
4. Explore options for facilitating independent businesses’ access to professionals and experts.
 - Promote “Ask the Expert” workshops to main street independent businesses through BIAs and other business associations. Consider increasing topics of specific interest to this audience (e.g. commercial leasing).
 - Explore the feasibility and associated resource requirements of expanding the vendor listings maintained by Digital Main Street to include other categories of services needed by main street independent businesses.
5. Explore whether the Digital Main Street training model is transferable to other types of training relevant to main street independent businesses and whether it is feasible to also serve main streets that are not BIAs.
6. Consider increasing financial support for independent main street businesses, such as:
 - Financial support for hiring professional services. Eligibility could be targeted at specific priorities and categories of businesses, e.g. legal services for negotiating commercial leases, professional services needed to comply with regulatory changes, businesses in their first five years of operation.
 - Façade improvement grants for main street property owners located outside of BIAs.

- Grants to property owners and tenants for interior renovations and leasehold improvements. Eligibility could be targeted at specific priorities and categories of business, e.g. renovations needed to comply with regulatory changes, properties that have been vacant for extended periods of time and/or new businesses moving into their first bricks and mortar location.
7. Consider collaborating with the Business Development Bank of Canada to review the Small Business Loan application process and strategies for making the program more accessible to main street independent businesses.



Photo: Unsplash

10.0 Small Business Access to Main Street Floor Space

Three dimensions were considered:

1. The cost of space;
2. Independent businesses' access to space; and
3. Micro-businesses' and start-up businesses' access to space.

10.1 COST OF SPACE

- As is discussed in Section 6.3 of the report, some main streets are experiencing sharp increases in property sale prices and retail rental levels. When the underlying cause is growth in the local market, existing tenants may experience sufficient sales growth to sustain the rent increase; but some tenants may not. Options for them include sub-leasing a portion of their space, changing their business model to generate higher sales or re-locating either to nearby less expensive locations (e.g. upper floors, side streets) or to different main streets.
- Tenants are vulnerable to rent increases, especially if their leases do not include escalation clauses and/or the right to extend tenancy at the end of the lease term. In Ontario, there is almost no protection for commercial tenants beyond the provisions of the lease they have negotiated with their landlords. As has already been discussed, arrangements between small landlords and independent business tenants on main streets often have been informal. Legacy rental levels may be well below the current market rate in the area. Tenants are vulnerable to unanticipated “catch up” increases when their lease term is up, the building is sold, or the landlord is approached by a broker or business willing to pay more for the space than the existing tenant.
- Commercial rent control rarely has been implemented in Canadian or US jurisdictions for a large number of reasons. New York City currently is considering re-introducing greater rent and security of tenancy protection for commercial tenants when renewing leases. The proposal is generating considerable controversy as to its probable impact and effectiveness.
- A full analysis of the pros and cons of commercial rent control and the requirements to bring it into effect would require extensive research. The Province of Ontario has jurisdiction. In keeping with the decision to focus on actions that are within the City of Toronto’s mandate, it has not been included in the scope of the study.

Analysis of Possible Actions

It is suggested that the City of Toronto support small businesses by increasing their understanding of commercial leases and their access to professional real estate and legal services when looking for space and negotiating leases. This topic is not a current focus of small business support services. It is recommended that it be added. Appendix 20 provides a starting point by explaining key terms and considerations.

Timing is critical. Businesses considering bricks and mortar locations should be made aware of commercial lease parameters and the importance of working with legal and real estate professionals to represent their interests at an early stage, well before they enter into lease agreements.

- Education and communications could be undertaken through Enterprise Toronto as well as BIAs, other business associations and other points of contact for entrepreneurs such as small business banking and loan personnel, accountants and entrepreneurship development services and agencies.
- Consideration also should be given to making legal advice more accessible and affordable for small businesses, especially those in the “start-up” and “survival” phases of growth (further explained in Appendix 20). It is suggested that commercial leasing and associated brokers and legal services receive priority when developing the actions discussed in Section 9 of the report.
- The suggested monitoring program (Section 14 of the report) should include tracking vacancy, business turn over and rental rates in the future. The need for further action should be evaluated in that context, noting that the City of Toronto’s capacity to take direct action is very limited.

10.2 INDEPENDENT BUSINESSES’ ACCESS TO SPACE

- The City of San Francisco, as well as some other US cities, have placed limitations on new “formula retail stores” (aka chain stores) locating in certain designated main streets.

- Many BIAs and Economic Development Offices across the country operate business recruitment programs, usually directed at filling vacancies and revitalizing business districts. By collecting and publishing vacancy information and market profiles, they also make it easier for businesses looking for space to identify vacancies and collect related market intelligence. Some BIAs hire brokers and professionals to search out specific tenants that their research indicates are missing from their portfolio. In other cases, BIAs publish and distribute a simple “desired business” list.
- Toronto City Planning has utilized planning tools to ensure that new developments include space for smaller retailers. For example, the site-specific zoning by-law for 2490 Bloor Street West requires that the commercial space be subdivided into at least three units, each one less than 500 sq. m. in size. The East Harbour Development (Unilever Precinct Plan) is to include a minimum of 40 units that have less than 50 sq. m. of floor space within the total 185,200 sq. m. retail development.
- Toronto City Planning is undertaking a parallel study on retail design best practices. This should improve the quality and functionality of the new retail spaces constructed along main streets. All retail businesses will benefit from having a greater availability of units with efficient layouts and good visibility.

The Toronto Employment Survey has begun to identify and collect data on chains and independent businesses. This makes it more feasible to research and monitor independent businesses’ presence on main streets.

- It is recommended that a more detailed analysis of trends in recent retail developments be undertaken. This would identify and analyze the extent to which the newly constructed space is being leased to independent businesses versus chain stores and the barriers being encountered in making new retail space on main streets available to independent businesses.

Consideration could be given to the City playing a role in facilitating connections between independent businesses seeking space and brokers and landlords with space available. It is suggested that the need for such a role be evaluated after assessing the barriers being experienced in more detail. Also, a “Pop-Up” program is being developed by the BIA Office. It will include listings of available commercial space and market profiles for BIAs. All businesses will be able to access this information, facilitating their search for main street locations. This may address the need sufficiently well, although main streets that are not BIAs will not be included in the initial rollout.

It is recommended that City Planning continue to use planning tools to reserve some space in new developments for smaller businesses. In doing so, it should be recognized that:

- Floor space size is more strongly related to the type of merchandise sold and services provided than to the ownership of the business. Chains and independents occupy similar ranges of store sizes. The majority of store units on main streets are between 50 and 230 sq. m.
- It is important to provide for a full range of store sizes within broader commercial districts, including space suitable for large supermarkets, entertainment uses, etc. Therefore, floor space limits or requirements favouring smaller stores should not be applied across wide areas.

10.3 MICRO-BUSINESSES’ ACCESS TO SPACE

- There are many examples of initiatives that help micro-businesses access floor space, both inside and outside of Toronto. They typically provide small amounts of relatively low-cost floor space on short-term leases. Beyond that, the objectives and program designs vary, including:
 - Shopping centre managers lease temporary kiosks and store units to “Pop-Up” vendors as a strategy for filling vacancies plus creating a dynamic ever-changing retail environment for customers. Vendors generally can only occupy the space for a limited time since the prime objective is to generate consumer interest. However, successful vendors may be able to “graduate” to become permanent tenants in other spaces within the centre.

- Many towns, BIAs and community centres and social agencies have organized “Pop-Up” programs for new entrepreneurs. Often filling vacancies is part of the rationale. Various strategies have been used to select vendors – including business plan competitions, “Dragon Den” modelled pitches and requiring that interested entrepreneurs first receive training to qualify for free or discounted rents. Some programs permit vendors to transition to become permanent tenants (especially where filling vacancies is an objective). Others do not.
- Sometimes the eligible vendors are themed, e.g. artists or craft artisans selling their own products or social enterprises providing business development and employment opportunities for local residents, youth and other targeted populations.
- Sometimes volunteers are organized to paint and upgrade the space, storefronts and window display areas. In some cases, the vendors are required to participate in upgrading the space.
- In all cases, it is important that the space provided has good visibility to enough people so that the vendors can attract enough business. Even the best concepts will fail in poorly located floor space.
- All Pop-Up and business incubation programs require local consultation, coordination and oversight to build program parameters that meet the needs of the community, recruit the landlords, select and manage the vendors, manage the finances and ensure that the program meets the participants’ expectations
- Toronto City Planning has used Section 37 Agreements to reserve floor space in major development projects for business incubation as a community benefit (for example, in the Mirvish Village Development at Bloor and Bathurst). Legislation requires that a not-for-profit organization manage the incubation program. It would be interesting and useful to review the outcomes of these initiatives. It is noted that the new Section 37 regulations introduced by Bill 108 may limit the inclusion of incubation space as a community benefit in the future.

Possible Actions to Consider

The BIA Office is developing a Pop-Up program in parallel with this study.

Additional Pop-Up and/or business development initiatives targeting specific types of entrepreneurs, social enterprises, or requiring training and business development to qualify for discounted rent may be useful. While implementation usually needs to take place within local areas, citywide program templates and step-by-step guides, mechanisms for information sharing and the use of similar evaluation metrics could facilitate programs. Toronto’s cancellation of the commercial vacancy rebate program probably is making participation in Pop-Up programs more attractive to property owners.

It is suggested that the need for additional citywide initiatives to achieve specific micro-business incubation objectives be evaluated after the planned BIA Pop-Up program is operating.

10.4 SMALL BUSINESS ACCESS TO SPACE RECOMMENDATIONS

1. Undertake measures to inform small businesses about commercial leasing terms and considerations and the importance of working with legal and real estate professionals at an early stage of their consideration of opening bricks and mortar locations. It is recommended that this topic be given priority in working with start-up businesses and in organizing workshops.
2. Consider strategies for making legal services more accessible and affordable for small businesses, especially those in the start-up phase and the first few years of operation. In expanding services for facilitating access to professionals, it is recommended that legal advice on commercial leases be given priority.
3. Undertake an analysis of the extent to which space in new retail developments on main streets has been leased to independent businesses versus chain stores and franchises. Identify and assess any barriers being encountered in making newly constructed retail space accessible to independent businesses and consider the need for additional policy or program responses in that context.
4. Continue to utilize planning tools to reserve some space in large-scale retail developments for smaller businesses and to support business incubation.

5. Continue to develop, encourage and support programs providing low-cost space on short-term leases to entrepreneurs and small businesses (such as “Pop-Up” programs) and programs supporting their “incubation” to become permanent tenants. Consider the need for additional citywide initiatives to facilitate local programs in the context of experience with the “Pop-Up” program being developed by the BIA Office.
6. Include the monitoring of main street vacancy rates, business turn over and rental rates in the recommended Independent Main Street Business Dashboard program (see Section 14 below). The need for additional action to better ensure space affordability should be evaluated in that context.



11.0 Property Tax Reform

- The way in which property tax is determined is summarized in Appendix 19, and the impact it is having on some main street independent businesses described in Section 6.4.
- Monitoring international articles revealed that concerns about property tax increases are not isolated to Toronto. There are many articles and studies about how property tax increases that are out-of-line with businesses' growth in sales are threatening the sustainability of main street businesses in UK cities. There also is concern in several other Canadian cities, most notably Vancouver.
- Areas experiencing rapid growth in popularity that have high redevelopment potential typically experience rapid increases in assessed value that transfers to property tax increases.
- Vancouver and other BC municipalities have requested the Province to introduce a "split assessment" roll. This would identify both the portion of assessed value attributable to the existing use of the property and the portion attributed to unrealized development potential. They are also asking that a new sub-class be defined for the unrealized development potential (both commercial and residential). This would enable municipalities to set different tax rates on the assessed value of current use and assessed value of development potential. The second portion could be taxed at a significantly lower rate, or exempted entirely, providing both landlords and their tenants with tax relief.

Analysis of Possible Actions

The City of Toronto has been working on property tax reform for several decades. The “**Enhancing Toronto’s Business Climate**” policy was approved in 2005. It is gradually reducing the differential between the City’s business and residential tax rates. By 2023, the commercial tax rate is to be no more than 2.5 times the residential rate. The tax rate for small businesses (located in properties with commercial assessments of \$1 million or less) reached the target in 2015.

Policy regarding the provincial component of the property tax (often referred to as the “**education tax**”) also has been analyzed and discussed for many years. Toronto has been advocating for business education tax reductions that would reduce provincial tax rates in the City to parity with the provincial tax rates in the 905 area. In 2019, a provincial tax increase added \$17.9 million to the commercial taxes collected in Toronto.

Tax volatility from one year to the next is a major and real concern for all property owners. The province has responded by phasing in assessed value increases over four years. But in Toronto, the increase in assessed values has been so sharp in some neighbourhoods that additional action was needed to avoid major dislocation and hardship for property owners and their tenants. City Council approved a 10% cap on property tax increases associated with current value assessment in 2018 and 2019. The tax revenue that is not collected as a result of the cap is made up by a “claw-back” on properties within the same tax class that experienced more modest rates of assessment increase (or assessment decreases).

The Main Streets Study has confirmed that cost stability and predictability is required for small business sustainability. Capping property tax increases at a defined maximum per year on an ongoing basis may be the most straightforward means to achieve this. The study’s scope did not include a detailed analysis of the impact of alternative cap levels on business viability.

The flip side of the cap/clawback system is that businesses in areas where property values are stable or decreasing face higher tax burdens than if there were no cap. Analysing the extent or impact of this tax redistribution is beyond the scope of the Main Street Study. However, we note that if all businesses are assured that their taxes will not increase by more than the defined rate annually in the future, even businesses currently subject to clawback might see capping as a benefit since there is at least a theoretical potential that future reassessments in their neighbourhoods may lead to rapid tax increases if there were no cap.

A cap on property tax increases also assists businesses located in properties where the assessed value is determined by unrealized development potential. However, as is illustrated in the following table, annual capped tax increases still result in property tax levels far in excess of what would be charged based on current use. A split assessment roll such as is being considered in B.C. offers greater promise as a mechanism for insulating operating businesses from property tax levels associated with the redevelopment value of the properties they occupy – a value they will not benefit from since redevelopment is more likely to result in their relocation.

City Council has already identified this issue as a concern and requested the Chief Financial Officer and Treasurer to report on options to mitigate the adverse impact of “highest and best use” valuation on business (Motion adopted on October 29, 2019). Reports on this topic are coming forward in parallel with this study.

It is also noted that the provincial government announced in December 2018 that it would “confirm with MPAC that industrial properties will be assessed on current permitted uses, not speculative uses”. (<https://news.ontario.ca/medg/en/2018/12/proposed-changes-to-create-jobs-and-reduce-regulatory-burden-in-specific-sectors>).

To date, no further action has been taken. If a policy is introduced, it would be important to ensure that retail uses located in Employment Areas (usually shopping centres and big box retail) are not unintentionally given a tax break relative to main street businesses as a result.

Property Taxes on a Hypothetical Toronto Main Street Business: Existing Ontario Legislation Versus Proposed B.C. Model

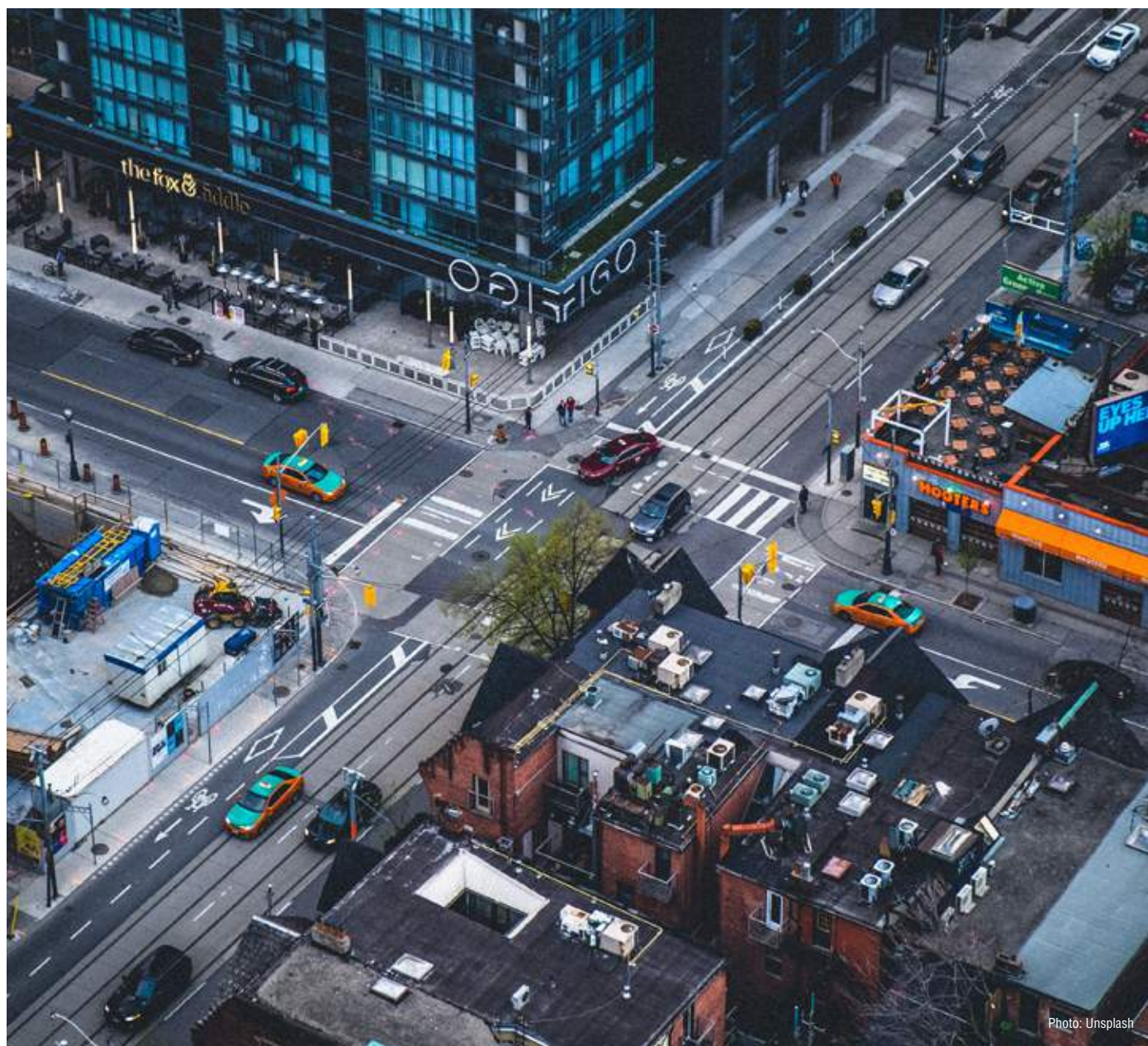
Tax Year	Scenario 1 With Existing Ontario Legislation, No City Cap	Scenario 2 With Existing Ontario Legislation, 10% City Cap Starts in 2018, Assumed to Continue through 2020	Scenario 3 With Proposed B.C. Split Assessment Model, City Assumed to Exempt Redevelopment Component of Assessment
2016	\$10,000	\$10,000	\$10,000
2017	\$15,000	\$15,000	\$10,000
2018	\$20,000	\$16,500	\$10,000
2019	\$25,000	\$18,150	\$10,000
2020	\$30,000	\$19,965	\$10,000

Source: 360 Collective and Peter Tomlinson Consulting

- The table shows taxes levied on a property occupied by a hypothetical main street Toronto business. For ease of comparison, all three scenarios omit impacts of budget-related levy increases — i.e. tax increases in the table are entirely due to assessment changes.
- For taxation in 2016, the property's assessment was based on estimated market value as of January 1, 2012. On that date, the property's highest and best-use is assumed to have been its current use. In other words, MPAC's "willing buyer" would have been someone planning to retain the existing building over the long term, receiving market rental income.
- Starting in 2017, assessment based on 2012 market value was phased out as new assessment, based on January 1, 2016 market value, was phased in. Market conditions prevailing on January 1, 2016, prompted MPAC to believe a willing buyer would demolish the existing building and redevelop the property. Assessment is then set at a competitive market price for the land, with a "lands in transition" assessment code applied to the property (the Toronto assessment roll currently has about 600 properties with that code).
- All three scenarios in the table assume 2016 taxes were uncapped, i.e. the property was no longer eligible for the older capping program in effect before Toronto's 10% cap was introduced 2018. The new assessment is assumed to take the property's tax to \$30,000 by 2020, when phase-in is complete (Scenario 1).
- In addition to the highest and best use value assessment as mandated in the Ontario Assessment Act, Scenario 3 assumes that MPAC determines a current use value assessment. Current use value is an estimate of what the willing buyer would pay for a property subject to a constraint, i.e. that redevelopment is ruled out and the existing building is to be retained over the long term.
- Scenario 3 assumes that current use value appreciates from 2012 to 2016 at the same rate observed for the commercial class generally, so taxes through 2020 remain constant at the 2016 level.
- The difference between highest and best use value and current use value is the residual due to redevelopment potential. In the split assessment model proposed for B.C., the assessment roll would show both current use value and the redevelopment residual. The redevelopment component would be assigned to a new commercial sub-class. Municipalities could either exempt assessment in that sub-class or tax it at a rate below the general commercial rate.
- As indicated in Scenario 3's column heading, the redevelopment residual is assumed exempt from tax. If instead it were taxed, the result would be a hybrid of Scenarios 1 and 3. Adopting such a hybrid would allow municipalities to control the total tax shift off lands in transition properties, an amount that other properties would have to make up.

11.1 PROPERTY TAX REFORM RECOMMENDATIONS

1. Ameliorate the impact of assessment volatility on business survival by continuing to cap annual property tax increases.
2. Undertake further analysis of the incidence and impact of commercial assessment increases based on unrealized redevelopment potential versus current use. Monitor B.C. and Vancouver's exploration of "split assessment rolls" and planned introduction of measures to reduce the impact of increases due to unrealized development potential on businesses.



12.0 Public Safety

- As is discussed in Section 6.8, many main street businesses in the city are experiencing public safety issues. Problems included open substance abuse, behaviours related to substance abuse and mental illness, assaults on staff, theft and lack of visible police presence. Several people commented that street front retailers and staff felt left on their own with little support to deal with needle litter and unpredictable disruptive and sometimes threatening behaviours. The problems are geographically concentrated.
- Problems were so severe in the downtown that the Downtown Yonge BIA developed a toolkit based on their research of best practices in other communities to help their members address safety issues.
- As part of this study, the toolkit has been generalized and is offered as a model for other neighbourhoods. It is provided in Appendix 24.

Possible Actions to Consider

It is suggested that the toolkit be shared with other businesses and BIAs experiencing safety concerns across the City to streamline their own responses to public safety concerns. As is described, many of the actions can be undertaken by individual businesses or small groups of businesses who are not part of BIAs as well as by BIAs.

It is noted that the suggested local community-based approach is aligned with the Safer Ontario Act, which was passed in late 2018. It mandates municipalities to work with police services and local service providers to develop community safety and well-being plans that proactively address locally identified community risks.

The toolkit summarizes a 5-Step Process and provides examples of the tools that were developed for the Downtown Yonge area as a model for other neighbourhood-specific responses:

1. Identify area challenges;
2. Identify local contact number and procedures for reporting crime and protecting against crime;
3. Identify and reach out to local neighbourhood social agencies and resources for people experiencing social, mental health, homelessness or substance abuse issues;
4. Organize regular community safety workshops and meetings for elected officials, agency representatives and local businesses; and
5. Advocate for specialized training for businesses and front line staff.

It is emphasized that the toolkit is offered as a model for associations and businesses that wish to take proactive action to address neighbourhood social and safety issues. The extent to which they implement the outlined measures is a choice most appropriately made at the local level.

The City may also wish to consider offering financial support to organizations for implementing community safety plans once the local needs of been identified.

12.1 PUBLIC SAFETY RECOMMENDATIONS

1. Create an online resource to make the Community Safety Toolkit developed as part of this study (Appendix 24) accessible to businesses throughout the city. Implement a media and outreach strategy to promote its availability and use.
2. Consider the need for providing financial support to organizations for implementing community safety plans once the local needs have been identified.



Photo: Unsplash

13.0 Community Economic Development

- Issues related to main streets in lower-income neighbourhoods are discussed in Section 6.11 of the report. While not a focus of the study, four of the main street case areas serve Neighbourhood Improvement Areas and some insights were provided.
- The City has robust programs striving to strengthen community assets in Neighbourhood Improvement Areas. Staff in Social Development, Finance and Housing, Public Health, Employment and Social Services, Parks, Forestry and Recreation and Economic Development and Culture work collaboratively to build synergies among their various perspectives, areas of expertise and connections with stakeholders. The Strong Neighbourhoods Strategy and Towers Renewal program are best practices (see Appendix 1 for references to more information).
- The BIA Office is piloting a local capacity building program in three main streets. Staff time and financial resources are invested to motivate the local business community to work together towards area revitalization and to better enable that process.
- A parallel study is developing a community economic development strategy for the Mount Dennis area.

Actions to Consider

The City should continue to undertake and support integrative community development initiatives. As is currently the case, these should strive to increase local employment opportunities, improve transit access, improve food security and public health, nurture local sports, recreation, cultural and artistic development and expression, promote civic engagement and engage youth. Best practices should be shared and built on.

There would seem to be potential to integrate more commercial revitalization and business development initiatives in community development projects that would have spin-off benefits for main streets and their local independent businesses. The following are some best practices in commercial revitalization:

- Locating community resources such as daycare and community centres, libraries, etc. in main streets to strengthen their role as neighbourhood hubs and local shopping districts.
- Nurturing local cultural and artistic expression and integrating main street properties and businesses in local cultural and artistic development initiatives.
- Building relationships and partnerships between local businesses and commercial property owners and community agencies and stakeholders, including local schools, places of worship, community centres, etc.
- Undertaking market and commercial needs assessments of neighbourhoods to identify service gaps and shortfalls in the buying power needed to support private businesses. Using this information to look for opportunities to intensify housing and develop revitalization strategies.
- Involving local commercial property owners in initiatives to use vacant or under-utilized space for community or cultural purposes, social enterprises, entrepreneurship and cultural development initiatives and business incubation for local residents. Examples of initiatives include shared space models, Pop-Up vendors, temporary markets, galleries and stores displaying items made by residents and selling them on consignment.
- Facilitating local business formation and incubation by supporting financing plans accessible to lower-income populations, for example, targeted financing programs permitting applicants to provide “sweat equity” and/or the completion of training instead of financial collateral to qualify for start-up loans or grants.
- Strengthening the organizational capacity of local businesses and their connections with other community stakeholders.

13.1 COMMUNITY ECONOMIC DEVELOPMENT RECOMMENDATIONS

1. Continue to facilitate community economic development focused on Neighbourhood Improvement Areas and the commercial districts that serve them.



14.0 Metrics and Monitoring

14.1 NEED FOR MONITORING

Two of the core goals for the research undertaken in the Current and Future State of Toronto Retail Main Streets Study were to:

1. Separate myths from realities; and
2. Develop a clear cause and effect relationship between what people were witnessing on the street and the data that supported or disproved that finding.

A series of primary and secondary data research initiatives were conducted to achieve these goals.

However, there were several constraints encountered related to the data gathering and analysis, including a lack of consistent definitions across multiple data sources on key items such as a main street, small retailer, independent retailer, chain retailer, etc. This made cross analysis more difficult. The result is that the analysis relies on identifying directional changes.

The study made significant steps toward creating clear definitions and a consistent interpretation of the data. For example, consistent data definitions were developed to enable an analysis of chains versus independents based on the Toronto Employment Survey.

In this era of evidence-based decision-making, readily available and consistent data becomes imperative. Otherwise, each study will have to re-invent their data sources and a different interpretation of the data may be applied.

14.2 FRAMEWORK FOR MEASURES AND METRICS DATA GATHERING AND ANALYSIS

The Audience, End Goals and Geography

This study had a clear audience based on a needed citywide response to the current and future state of Toronto's retail main streets. Going forward, the data collected and the mix-and-match of different measures and metrics by any retail based study will have to clearly align the data gathered and the interpretation based on the end goals and the audience as well as on whether the response is citywide or area specific.

Audience

- Internal to City Hall
- External

End Goals

It is important to remember that data gathering, measures and metrics should be directed at a purpose or end goal. Measuring data is not for just the sake of collecting data, but it is gathered to influence policy, change retailer behaviours, or a number of other end goals. Examples of end goals for different audiences include:

- City – policy-related decision-making depends on whether they are citywide or for individual markets (main streets), including economic impact assessments.
- Consumers – marketing or advocating on their behalf.
- Retailers/Landlords – encourage better development.

Geography

- Citywide
- Local area-specific

Depending on the audience, end goals and geographic coverage, there are a range of measures and metrics at the City's disposal that can be assembled. Appendix 25 illustrates a selection of potential key measures that could be used to answer specific questions.

In all of these measures, it is important to note that the data points by themselves may not be meaningful. It is only in the context of change over time, differences between areas, amount per square metre, amount per linear metre, etc., that cross-comparisons and metrics come to life.

14.3 CITYWIDE MONITORING OF KEY MEASURES AND METRICS

The study has provided a snapshot of the current state of Toronto's main streets and independent businesses in the retail and consumer service sector. It is the first time the City has undertaken such a study, and significant steps have been made towards creating clear data definitions and developing a framework for analysing trends across multiple data sources. It is recommended that the City begin to systematically monitor trends so that issues are identified at an early stage and actions can be undertaken to sustain this very important aspect of Toronto's quality of place and life and its economy.

It is also important that the impact of the new initiatives introduced in recent years and recommended by this study are monitored so that they can be fine-tuned to be more effective or supplemented to address any critical gaps.

We have reviewed how other cities approach the monitoring of their retail sectors and main streets.

- Most other cities do not collect data in a similar manner as the City of Toronto. Other places have attempted one-off databases (e.g. Calgary) but have not invested in creating a consistent monitoring program.
- Many other cities rely on the databases of major leasing firms or data gathering firms such as Cushman and Wakefield market research reports or CoStar. This data will be primarily collected for shopping centres and major main streets.
- Toronto is unique compared to other North American cities in that it has a large number of small and independent business locations on a myriad of main streets. Other cities may have several good main streets but the bulk of retail space is located in shopping centres.
- Many U.S. cities have municipal sales tax. This allows the municipality to monitor sales activity through the collection and analysis of this data, as well as use the revenues for targeted revitalization programs should they choose to do so. Toronto and other Ontario municipalities are not permitted to levy a sales tax. Therefore retail sales data sources are limited to transaction-based operators (e.g. Moneris). There tend to be difficulties in ensuring that the data collected corresponds to the actual physical location of the business (i.e. typically chain and franchises report all sales transactions at their head office location instead of for individual locations).
- The Centre for the Study of Commercial Activity at Ryerson University collected citywide retail supply information for Toronto retail districts. However, they stopped collecting this data after 2017.
- New York City is planning to develop a vacancy database through which landlords would have to register their vacant units with the City. This self-reporting system is not without flaws in terms of data accuracy.

Actions to Consider

At the citywide level, it is recommended that an **“Independent Main Street Business Dashboard”** be developed and published annually in a consistent manner so that year-to-year changes can be monitored. The key metrics to include are:

- Number of businesses by major retail category.
- Number of chains and independents.
- Vacancy rate.
- Employment per establishment.
- Retail sales (not available in a consistent manner).

After evaluating different options, we have concluded that the Toronto Employment Survey is the best tool to collect and analyze much of the required information. A few changes have been identified that would better support retail analysis.

1. Annually update the list of chain stores (4 or more locations in Canada) to reflect ongoing changes.
2. Consider a mechanism to distinguish between street-related ground floor establishments and those that are accessed by internal concourses or are above/below grade. This will allow future research to focus on street-related uses.
3. Consider advancing a pilot that tests estimating sizes of establishments through visual estimates, estimates based on frontage widths and block lengths, or through the provision of information by survey respondents. Pilot study areas should initially focus on street-related retail uses in specific geographies of interest.
4. In combination with size estimates, consider including the ability to track vacant space by identifying commercial units where no employees are recorded.

Data sources that the City may wish to consider purchasing to supplement the information collected by TES include MLS, CoStar/Altus and/or ICSC and brokerage firm retail market trend and property sales analyses. These would enable the City to monitor trends in property ownership, sales and retail rental levels for the city as a whole as well as for individual main streets.

The BIAs could be requested to collect business mix, vacancy and floor space information. The City could set up a data repository where such information would be uploaded and made available. Some BIAs already maintain a business directory and it may be feasible to categorize the business types by NAICS codes and include floor areas and vacancy with relatively little additional effort. The BIAs could use the data to support business recruitment programs, as well as to monitor economic success and shifts in the business mix over time. Whether or not individual BIAs participate probably should be a local decision made by each BIA Board. Having a consistent citywide framework and a central repository for those that do participate would increase the value of their efforts as well as increase the data available for citywide studies.

It also is recommended that a follow-up comprehensive study of the Current State and Future of Toronto's Main Street Businesses be undertaken in five years' time (2024). The retail sector currently is undergoing significant transformation and all analysts are forecasting that the disruption will continue for the foreseeable future. New transportation and delivery technologies (such as driverless cars, drones, the "sharing economy", etc.) also may impact the retail and consumer service sector more significantly and in currently unknown ways. In addition, the aggregate impact of the programs and measures recommended by this study on the overall strength of independent main street businesses should be assessed to determine the outcomes from the resources expended and whether program adjustments should be made.

14.4 LOCAL AREA STUDIES

Key metrics include:

Gross leasable area	<ul style="list-style-type: none"> • Difficult to find a consistent source of data as CSCA no longer collect this information • Other sources including property size information, field surveys and estimation, or combining several data sets such as MLS or CoStar/Altus information
Vacancy	<ul style="list-style-type: none"> • Potential to be collected by TES • Would only be based on the number of units and not size unless size data is included in the database
Business Mix	<ul style="list-style-type: none"> • TES – subject to any confidentiality (based on NAICS code)
New Business Openings	<ul style="list-style-type: none"> • TES – subject to any confidentiality
Business Turnover	<ul style="list-style-type: none"> • TES – subject to any confidentiality
Employment	<ul style="list-style-type: none"> • TES – subject to any confidentiality
Assessed property values	<ul style="list-style-type: none"> • MPAC through the City, changes over time-based on consistent definitions (CT and ST)
Main Street Economic Profile – market rental rates, sales prices, leasing	<ul style="list-style-type: none"> • CoStar, Altus, Toronto Real Estate Board, ICSC and brokerage firm data
Socio-economic profile of residents within 400m and 800 m	<ul style="list-style-type: none"> • Only for main streets that have a high degree of local serving neighbourhood retail • Environics, Tetrad scans
Sales	<ul style="list-style-type: none"> • Primarily changes in sales activity, as measured by organizations such as Moneris that collect data on main street type businesses (e.g. sit down restaurants)
Customer draw	<ul style="list-style-type: none"> • Surveys, license plate surveys, or cell phone data surveys to understand the trade area draw and differences between complete communities and tourism
Leveraged investment	<ul style="list-style-type: none"> • How much public or private money was used to create a catalyst or leveraged investment

14.5 METRICS AND MONITORING RECOMMENDATIONS

1. That the City Planning Division be requested to consider the feasibility of enhancing the Toronto Employment Survey in the ways suggested in the body of the report to better support the City's ability to monitor independent main street business health and trends.
2. That an "Independent Main Street Business" dashboard be developed and published annually in a consistent manner so that year-to-year changes can be monitored.
3. That a follow-up comprehensive study of the Current State and Future of Toronto's Independent Main Street Businesses be undertaken in five years' time (2024) to monitor changes and inform the need to amend policies or programs.

SUMMARY OF RECOMMENDATIONS

1. Request Council to adopt an explicit policy statement recognizing the key role that independent main street businesses play in the City of Toronto by contributing to its economy, quality of life, quality of place and social inclusion and equity objectives.
2. Pilot an explicit “Small Business Advocate” role as part of the City’s economic development services to provide one-on-one assistance in navigating City regulations, policies and procedures and act as a point-person for liaising with other City Hall front line service providers to develop tools and strategies for better meeting the needs of small business.
3. Implement a communications plan and outreach strategy focused on how Economic Development and Culture supports independent main street business success. The plan may include a rebranding of services to clarify their applicability to independent main street businesses throughout the City.
4. Continue to disseminate information and organize workshops, webinars, etc., to help businesses understand the regulatory framework and key business requirements (e.g. understanding commercial leases).
 - Develop a broader audience and greater reach for sessions by facilitating their repetition by BIAs and other business associations and chambers of commerce.
 - Encourage information sharing among individual BIAs, chambers of commerce and other business associations as to effective tools and contacts they’ve used to better inform their members.
5. Explore options for facilitating independent businesses’ access to professionals and experts.
 - Promote “Ask the Expert” workshops to main street independent businesses through BIAs and other business associations. Consider expanding topics of specific interest to this audience (e.g. commercial leasing).
 - Explore the feasibility and associated resource requirements of expanding the vendor listings maintained by Digital Main Street to include other categories of services needed by main street independent businesses.
6. Explore whether the Digital Main Street training model is transferable to other types of training relevant to main street independent businesses and whether it is feasible to also serve main streets that are not BIAs.
7. Consider increasing financial support for independent main street businesses, such as:
 - Financial support for hiring professional services. Eligibility could be targeted at specific priorities and categories of businesses (e.g. legal services for negotiating commercial leases, professional services needed to comply with regulatory changes, businesses in their first five years of operation).
 - Façade improvement grants for main street property owners located outside of BIAs.
 - Grants to property owners and tenants for interior renovations and leasehold improvements. Eligibility could be targeted at specific priorities and categories of business (e.g. renovations needed to comply with regulatory changes, properties that have been vacant for extended periods of time, new businesses moving into their first bricks and mortar location).

8. Consider collaborating with the Business Development Bank of Canada to review the Small Business Loan application process and strategies for making the program more accessible to main street independent businesses.
9. Continue to:
 - Use planning tools to reserve space in large scale retail developments for smaller businesses and to support business incubation.
 - Develop, encourage and support programs providing low-cost space on short term leases to entrepreneurs and start-up small businesses and which support their “incubation” to become longer-term tenants.
10. Ameliorate the impact of assessment volatility on business survival by continuing to cap annual property tax increases.
11. Create an online resource to make the Community Safety Toolkit developed as part of this study accessible to businesses throughout the city. Implement a media and outreach strategy to promote its use.
 - Consider the need for financial support to organizations for implementing community safety plans once the local needs have been identified.
12. Continue to facilitate community economic development initiatives focused on Neighbourhood Improvement Areas and the commercial districts that serve them.
13. Undertake further analyses of:
 - The extent to which space in new retail developments on main streets has been leased to independent businesses versus chain stores and franchises. Identify and assess any barriers being encountered in making newly constructed retail space accessible to independent businesses and consider the need for additional policy or program responses.
 - The incidence and impact of commercial assessment increases based on unrealized redevelopment potential versus current use. Monitor Vancouver’s exploration of “split assessment rolls” and planned introduction of measures to reduce the impact of increases due to unrealized development potential on businesses.
14. Develop an “Independent Main Street Business Dashboard” and publish it annually in a consistent manner so that year-to-year changes can be monitored.
15. Undertake a follow-up comprehensive study of the Current State and Future of Toronto’s Main Street Businesses in five years’ time (2024) to monitor changes and inform the need to amend policies and programs.

DEFINITIONS AND GLOSSARY OF TERMS

Anchor Tenant: The major store(s) within a planned shopping center that attract(s) customers to the centre. The anchor varies with the scale of the centre.

Convenience Goods: Food and drug type retail. Goods with a very steep spatial demand curve, which are frequently purchased, often non-differentiated and relatively inexpensive.

Cross Shopping: Consumers prefer to visit more than one store per trip, generating positive externalities for neighbouring stores.

Disposable Income: Income available after taxes and contractual commitments (pension plan, insurance, loans, rent, etc.).

Distribution System: The chain of information, financial flows, transportation, retail, wholesale and production facilities that link the point of production to the point of consumption.

Economies of Scale: Factors leading to a decline in the average cost per unit as the quantity sold increases. Typically, economies of scale are larger when fixed costs account for a high proportion of total costs.

Fixed Costs: Those costs of running a retail business that do not vary with the amount of goods sold (i.e. overhead); includes rent, utilities, insurance, etc.

Destination Retail: Ability to attract customers on their own.

Gen Z: The generation born between 1996 and 2010. This generation was raised with wide access to the internet and social media.

Gross Leasable Area: The area of a retail unit or shopping centre that is assigned to stores, excluding corridors, exits, open space.

100% Intersection: The central corner within an unplanned retail district where land values are highest, land-use density is greatest and pedestrian flows are maximum.

Horizontal Integration: The organization of a single firm that operates a number of facilities that carry out the same function, but at different locations.

Income Elasticity: Consumption increases or decreases disproportionately as household income increases or decreases.

Leasing Broker: The intermediary between the developer, landlord, property management and the retail business. The broker may rent a block of space in a centre and sublet it to tenants or may simply match tenants to spaces.

Lifestyle: The variety of ways a person or household may spend time and money. The range of options can vary widely from suburban, outdoor, punk, intellectual, ethnic groups, etc.

Logistics: The costs of a retail business of operating a store that is spatially separated from the head office, including administration, warehousing and shipping costs.

Margin: The proportion of a store's sales not attributed to the cost of the goods themselves, i.e. the overhead or fixed costs.

Market: A set of consumers, target market.

Market Area, Trade Area: The locations served by a store or retail district, or shopping centre. The penetration of the trade area will vary with distance. Primary trade areas are usually 50% to 60% of the total visitation and the secondary trade area is up to 75% to 80% of the total visitation.

Market Profile: A breakdown of a retail business district or shopping centres market area according to income, demographics and lifestyle segmentation.

Market Segment: A subdivision of a market on the basis of income, demographics, location, or lifestyle or some combination of these factors.

Market Share: The proportion of total sales in a market obtained by a given retail business, business district, or shopping centre.

Niche: A small market, partially isolated from the competition by distance or degree of specialization.

Oligopoly: A competitive condition in which several large firms compete on a more or less equal basis, but in the knowledge that an action by any of them will impact all the rest.

Point of Sale: Monitoring consumer behavior by means of information gathered at the checkout.

Predatory: The behavior of a retail business, often a chain, attacking a competitor by setting up an adjacent facility.

Pre-emptive: A retail business locating a store before the target market is built.

Product Line: A mix of products determined by the producer or supplier, based on supply-side considerations.

Retail Chain: A number of stores of the same type that are owned and operated by the same firm (horizontal integration).

Retail Structure: The spatial distribution of retail stores and store types including the composition of groupings of stores, spacing, block planning and relationship to the market.

Shopping Centre: (Planned) a number of retail-related activities that are (a) operated separately, but (b) occupy a single property and are managed by a single firm. As a result, they are typically distinguished from unplanned centres by their design, internal layout, the mix of business type and store size and rental structure.

Shopping Goods: (Comparison goods) goods with very shallow demand curves. They are distinctive (often brand name products) infrequently purchased, with a high value/bulk ratio. Customers like to compare different stores.

Spatial Demand Curve: The decline in the likelihood of the purchase of a good with the distance from the store. This decline is attributable to the costs in time and money of consumer travel and ultimately to the presence of competitive sources for the product.

Spatial Monopoly: A situation in which one supplier has a price advantage over competition that is equal to the differential in travel costs to the customer. This price advantage can be converted to profit for the retailer, according to the economic principles of monopolistic competition.

Threshold of a Good: The minimum trade area needed to support the sale of a good (or to support a type of business).

Truncation: Diminution of the market area of a particular store, business district, or shopping centre by a competitor locating in such a way as to intercept customers before they get to the original store. Truncation may also result from natural and man-made features that restrict access.

Turnover: The average number of times the store's inventory is replaced each year (i.e. the ratio of annual sales to current inventory). A food store may have a turnover of 15 and clothing stores five or six times.

Unplanned Centre: A cluster of retail stores within a city in which there is a structured internal pattern of locations achieved by the independent decisions of stores operating within the land market.

Variable Costs: Those costs of running a store that are directly related to the quantity of goods sold (e.g. the wholesale cost of the product).

Vertical Integration: The organization of a single firm that operates a sequence of activities that provide goods and services for each other. In the distribution system, a major retailer might expand into wholesaling or even production activities in order to guarantee a supply of goods of a specific quantity or to recoup the advantage of its market power.

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11. Summary Comparison of Canadian Cities for Small and Independent Businesses
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