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**Planning Implications of Danforth Retail Vibrancy Study**

**Prepared for the City of Toronto Planning and Economic Development & Culture Divisions**

**Draft Report**

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## Planning Implications of Danforth Retail Vibrancy Study

### 1. Introduction

Three Sixty Collective was retained by the City of Toronto Economic Development & Culture Division to undertake a Retail Vibrancy and Economic Analysis of Danforth Avenue in 2019. This was a component of a more comprehensive Complete Street and Planning Study. The Study Area was defined by the boundaries of the four Business Improvement Areas (BIAs) along the Danforth and extended generally from Broadview Avenue to Victoria Park Avenue.

A broader context for the study was provided by the Toronto Main Streets Study ([The Current State and Future of Toronto's Main Streets](#)) that Three Sixty Collective completed in January 2020. It identified general trends, strengths and issues impacting main street small businesses including those along Danforth Avenue Study Area.

The following data were collected in January and February 2020 and analysed:

- Business mix and vacancy along the Danforth,
- Retail property sales and rental data,
- Number of people visiting a selection of businesses on different days of the week and time of day,
- Cell phone mobility data to determine Danforth visitors' postal codes and trade area analysis,
- Demographic and expenditure data for the trade areas and neighbourhoods within walking distance of the Danforth (400 and 800 metres) and the "trade area" from which the Danforth draws 65% of its visitors.

The final report was provided to the Economic Development and Culture Division and presented at a public meeting and to the interested BIA Boards of Management.

The City Planning and Economic Development & Culture Divisions requested Three Sixty Collective to undertake an assessment of the planning implications and opportunities that emerge from the Retail Vibrancy Study to support Phase 2 of the Danforth Planning Study. This covers the portion of Danforth between Broadview and Coxwell.

It should be noted that the exact boundaries of the Planning Study are somewhat different than were analyzed for the Retail Vibrancy Study. Consequently, it was not possible to repeat the exact figures and breakdowns published in the Retail Vibrancy Study in the following summary. The planning implications from the research are nonetheless valid.

We also were asked to provide examples of incentives that have been negotiated with developers to support independent businesses and other programs that could be used to encourage independent business vitality as a starting point for further investigation and analysis. Section 3 of the report summarizes this research.

## **2. Planning Implications Emerging from The Retail Vibrancy Study**

The following summary follows a similar structure as the Retail Vibrancy (RV) Study, including a discussion of the following types of information:

1. Physical Characteristics,
2. Business Mix, also addressing four categories of business types that have different planning implications,
3. Community Amenities,
4. Visitation Patterns,
5. Green P Parking Lots,
6. Retail Real Estate
7. Trade Area,
8. Local Area Demographics, and
9. Underlying Retail Trends and Impact of COVID

It should be noted that both the RV Study and this report use a broad definition of the term “retail”. In addition to traditional retail stores selling goods such as clothing, food, home furnishings, etc., it also includes restaurants and other food and beverage services, personal service shops, leisure and entertainment-oriented businesses and the many types of small offices that are used by residents and typically locate in shopping districts.

Id	Topic	RV Study Highlights	Planning Implications
1	<b>Physical Characteristics</b>	<ul style="list-style-type: none"> <li>• Most of street is lined with two and three storey buildings with retail and other consumer service uses on the ground floor.</li> <li>• Blocks west of Jones Ave. have a fine-grained retail frontage and most blocks are less than about 100 metres, especially on the north side.</li> <li>• East of Jones, blocks are longer (160 to 280 metres) and there are more frequent gaps in the commercial frontage.</li> <li>• There is good access to rear laneways on north side.</li> <li>• Laneways on the south side are narrower and less continuous, meaning that many businesses rely on access from Danforth Avenue for their loading and servicing needs.</li> </ul>	<ul style="list-style-type: none"> <li>• West of Jones, maintain retail intensity and walkability.</li> <li>• East of Jones, encourage retail intensification and add more gathering places (e.g. small parkettes and courtyards).</li> <li>• Ideal retail blocks are shorter than about 100 metres (people can cross the street, frontage is more visible and interesting, there are stronger connections to neighbourhoods).</li> <li>• To increase the walkability of long blocks, insert N-S pedestrian connections and gathering places.</li> <li>• When encouraging retail intensification, form retail clusters based on walking distance (800 to 1000 metres) around major attractors (can be retail (e.g. supermarket) or non-retail anchors (e.g. library)).</li> </ul>

Id	Topic	RV Study Highlights	Planning Implications
2	<b>Business Mix - General</b>	<ul style="list-style-type: none"> <li>• The Danforth includes a broad mix of businesses throughout the study area.</li> <li>• There are several concentrations of complementary businesses, with retail stores clustered near Broadview, food services clustered near Pape, and a broader mix of services east of Jones (food services plus entertainment, personal services and automotive services).</li> <li>• As was the case city-wide, proportion of retail stores slightly decreased 2011-January 2020 and services (especially food services) increased.</li> <li>• Most storefronts have frontages less than 7 metres.</li> <li>• However, larger businesses also are located throughout the area.</li> <li>• Office and service uses occupy upper floors in many buildings west of Jones.</li> </ul>	<ul style="list-style-type: none"> <li>• A mix of retail unit sizes and configurations is needed to accommodate the range of uses.</li> <li>• Businesses often expand by leasing adjacent units. It is important to retain the flexibility for this organic growth to continue.</li> <li>• Accommodating larger store units while maintaining an animated pedestrian-scale street frontage is important to the Danforth's continued retail vitality.</li> <li>• For illustrative purposes, store size data from two previous Toronto main street studies is summarized in Appendix A. Typically, about 10% of businesses are larger than about 300 square metres (more than 2 typical main street storefronts).</li> </ul>

Id	Topic	RV Study Highlights	Planning Implications
2.1	<b>Business Mix – Food Services</b>	<ul style="list-style-type: none"> <li>Food services are important throughout entire Study Area. They form a significant cluster around Pape.</li> <li>They range in size from small cafes to larger entertainment-focused eating establishments (20 square metres to 500 square metres) - for example, Greek restaurants, pubs/bar combinations.</li> <li>Clustering food services is important for customer draw and to create atmosphere and cohesion along the street front.</li> <li>Outdoor patio dining is a major contributor to the area's draw and ambience.</li> </ul>	<ul style="list-style-type: none"> <li>Range of unit sizes required.</li> <li>Often larger units require wider frontages and deeper lots – often at corner locations. For example, a 500 square metre food service unit may be 20 metres wide and 25 metres deep.</li> <li>Successful integration with upper floor residential uses impacts structural elements: e.g. elevator shaft location, sound/odour control, kitchen venting and exhaust system, cold waste storage area, solid waste screening. Easiest to incorporate in base building construction to facilitate restaurant tenant options.</li> <li>Patio depths ideally should be at least 3.5 metres.</li> <li>Patios should be designed to extend the season with permanent or semi-permanent weather structures. See images of Oslo. (Appendix 2).</li> <li>Restaurants selling food products and stores and services providing in-store or takeout food services is an increasing trend that has land use regulation and licensing implications.</li> </ul>

Id	Topic	RV Study Highlights	Planning Implications
2.2	<b>Business Mix – Clothing Stores</b>	<ul style="list-style-type: none"> <li>• Danforth from Broadview to Jones has a good collection of clothing and accessories stores.</li> <li>• These units tend to be narrow and deep with enough window display to attract customers. Deep interiors accommodate merchandise display, fitting rooms, stock storage, etc.</li> <li>• Clothing stores benefit strongly from clustering so that people can compare product in different stores. Often shoes and other accessories are purchased on same trip.</li> </ul>	<ul style="list-style-type: none"> <li>• Small clothing/shoe stores often are 7 to 9 metres wide and 21 metres deep (about 1:3 width to depth ratio).</li> <li>• As previously noted, businesses often expand by leasing adjacent units.</li> </ul>



Id	Topic	RV Study Highlights	Planning Implications
2.3	<b>Business Mix – Food Retail, Health and Personal Care</b>	<ul style="list-style-type: none"> <li>• Supermarkets, specialty food, pharmacies, beer and alcohol stores are located throughout the study area. These uses are core to the Danforth's functioning as a neighbourhood shopping district.</li> </ul>	<ul style="list-style-type: none"> <li>• Range of store sizes is required.</li> <li>• These businesses generally prefer to locate on ground floor, but most can function on two or three levels if ground floor plate is too small.</li> <li>• Store frontage limits and design based on narrow retail bays and interior/sidewalk connection help maintain street animation and walkability.</li> <li>• Food retail has high requirement for goods loading/receiving and garbage storage and collection. A cold waste storage area is ideal. Also ensure effective screening of solid waste collection areas.</li> <li>• Commuters often buy these items on the way home. Explore opportunities to increase ease of connection between transit stops and neighbourhood retail.</li> </ul>
2.4	<b>Business Mix - Recreation, Learning</b>	<ul style="list-style-type: none"> <li>• These activities are a significant and increasing component of the mix throughout the study area (pre-COVID), especially east of Hampstead.</li> <li>• They help to attract visitors who then also eat and shop nearby.</li> </ul>	<ul style="list-style-type: none"> <li>• Most require larger spaces, often in a square format.</li> <li>• These businesses usually can be accommodated on upper or below-grade floors.</li> </ul>

Id	Topic	RV Study Highlights	Planning Implications
3	<b>Community Amenities</b>	<ul style="list-style-type: none"> <li>• Amenities such as libraries, daycare centres, and community hubs draw visitors and complement the businesses.</li> <li>• Houses of worship do as well: 38 to 50% of their visitors also went to nearby businesses.</li> <li>• During the summer months, evening prayers at Islamic- based houses of worship are often at 10:30 pm. People gather afterwards in restaurants.</li> </ul>	<ul style="list-style-type: none"> <li>• The inclusion of community uses and amenities attracts people to the district and adds diversity, landmarks and interest to the commercial frontage.</li> <li>• Small parkettes, courtyards, wide north-south walkways and other open space also add interest, activation opportunities (e.g. public art) and space for gatherings.</li> <li>• Courtyards can also provide restaurant patio space. See Appendix 3 for some examples.</li> </ul>
4	<b>Visitation Patterns</b>	<ul style="list-style-type: none"> <li>• The Danforth is busy throughout the day, evening and week. Many businesses attract a variety of customers and trip purposes. This contributes to their resilience.</li> <li>• Smaller stores selling local neighbourhood-type goods and services are very busy 4 to 7 PM on weekdays, demonstrating the importance of commuters.</li> <li>• Larger stores are busiest on weekends.</li> <li>• Danforth/Pape area food services are busiest between 6 and 9 pm. Many food service businesses east of Jones are busy late at night.</li> </ul>	<ul style="list-style-type: none"> <li>• Good pedestrian-scale lighting is important to support shopping, dining, entertainment and other evening and late-night activities. Parking lots, walkways and routes to subway stations should also be well-lit and safe.</li> <li>• Convenient connections between retail frontage and transit stations will support retail vitality.</li> </ul>

Id	Topic	RV Study Highlights	Planning Implications
5	<b>Green P Parking Lots</b>	<ul style="list-style-type: none"> <li>• Lots are heavily used by local residents. About 40% of people parking in each lot live within 800 metres of it.</li> </ul>	<ul style="list-style-type: none"> <li>• Contribute to retail vitality.</li> <li>• Potential for future partnerships to support goods pickup/delivery for small businesses. This is an increasing requirement that large retailers and shopping centres are starting to address. BIAs and small businesses may also start to explore options.</li> </ul>
6	<b>Retail Real Estate</b>	<ul style="list-style-type: none"> <li>• Retail rents and property sale prices are slightly below Toronto main street average.</li> <li>• Small property owners predominate.</li> <li>• Some evidence of ownership consolidation and higher sale prices near Pape.</li> <li>• Recent evidence that property sales may be increasing (CoStar listings 2020 and 2021).</li> </ul>	<ul style="list-style-type: none"> <li>• Redevelopment interest is starting to be evident, especially close to Pape.</li> </ul>

Id	Topic	RV Study Highlights	Planning Implications
7	<b>Trade Area (65% of visits)</b>	<ul style="list-style-type: none"> <li>• Most customers live in the neighbourhoods to the north and south.</li> <li>• Neighbourhoods within a 10-minute walk (800 metres) account for a high percentage of visits.</li> <li>• The restaurant cluster near Pape is the exception, drawing from neighbourhoods between the Don Valley and Victoria Park.</li> <li>• People living east of Jones don't tend to shop in the Danforth/Broadview area.</li> <li>• People living west of Pape don't tend to shop east of Jones.</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthening connections to the north and south would support retail vitality.</li> <li>• The area east of Jones is impacted by more barriers created by the long blocks as well as Danforth Collegiate to the north and the Greenwood Yards and rail corridor to the south.</li> </ul>
8	<b>Local Area Demographics</b>	<ul style="list-style-type: none"> <li>• Neighbourhoods within 800 metres have a stable population that is older in age than the city average.</li> <li>• There is an above average percentage of dual income households.</li> <li>• There is a strong preference for using transit to commute to work.</li> <li>• About 5% of commuters cycle to work, double the city average.</li> </ul>	<ul style="list-style-type: none"> <li>• Residential intensification will provide growth opportunities for local businesses.</li> <li>• Dual income households value convenient retail and service opportunities, as evidenced by visitation patterns (see Row 4 above).</li> </ul>

Id	Topic	RV Study Highlights	Planning Implications
9	<b>Underlying Retail Trends and Impact of COVID</b>	<ul style="list-style-type: none"> <li>• The use of e-commerce has accelerated.</li> <li>• Physical stores are becoming less transactional, more experiential.</li> <li>• There is an increased focus on local connections.</li> <li>• Remote working probably has added day-time population except in blocks with upper floor office concentrations.</li> <li>• Hardest-impacted sectors include restaurants, entertainment and clothing/apparel, all strongly represented in area.</li> <li>• Essential businesses generally have done well - also strongly represented in area.</li> <li>• Business turnover and short term vacancy may increase - has both positive and negative consequences.</li> </ul>	<ul style="list-style-type: none"> <li>• Wider range of activities taking places in stores – blurring land use classifications.</li> <li>• Increased need for in-store order storage, pick-up and delivery,</li> <li>• Ambiance and activation in public realm is more important – e.g. patio dining, public art, gathering and relaxation places.</li> </ul>

### **3. Supporting the Location of Small Independent Businesses on the Danforth**

#### **3.1 Background**

The Toronto Retail Main Street Study completed comprehensive research, addressing all aspects of business operations and a wide range of challenges in locating on main streets. The research demonstrated a high degree of commonality in main street independent business interests and concerns across the City. The critical factors for business success included:

1. Predictable stable costs,
2. A transparent and efficient regulatory framework,
3. A cost-competitive business environment, and
4. Efficient, good quality public infrastructure and services.

The main pain points that surfaced included:

1. Costs of doing business – especially sharp and unpredictable increases. The impact is exacerbated by difficulties in accessing financing. Rent and property tax increases were among the main cost increase issues identified in the business survey and interviews. <sup>1</sup>
2. Regulatory framework – unclear regulations, lack of start-to-finish navigation roadmap with reliable timelines. Negotiating the building permit process required to fit out and open a new business was singled out as being particularly frustrating and time-consuming.
3. Limited access to specialized knowledge and limited “back-of-house” staff resources – many professional service providers prefer larger, ongoing contracts versus independent businesses’ small scale and often once-only projects.

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<sup>1</sup> Staffing cost increases were also a major concern but were not a focus of the study since they are largely outside of the City's jurisdiction.

4. Redevelopment pressures – extremely disruptive to displaced independent businesses who must find the time and resources needed to search and evaluate new locations, fit them out and move. This is further exacerbated by the fact that small independent businesses often want to locate in their local community. In addition, customers may be lost if the new location is less convenient. Rebuilding a customer base can take time, resulting in reduced revenues in the new location. Once the new development is completed, a number of factors related to how the real estate and financing sectors operate often result in national chains becoming tenants in the new space (refer to Appendix 20 of the Toronto Retail Main Streets Study for a more detailed discussion).

Independent businesses owned by newcomers and members of equity-seeking groups report experiencing these barriers to a greater extent than other businesses (see Section 6.10 of the Toronto Retail Main Streets Study Report for more information).

The report recommended a six-pronged action plan for better supporting independent main street business success. Many of the recommendations are being implemented as part of the City's COVID-19 business recovery initiatives and through a recent expansion of main street support programs that was made possible by FedDev Ontario's \$18 million contribution for a Toronto Main Street Recovery and Rebuild Initiative that was announced in July 2021. City Council approved utilizing these funds for six main street recovery programs on October 1, 2021 ([City of Toronto Agenda Item EC24.3 Status of Supports for the Retail Sector](#)).

These City-wide economic development initiatives provide a strong foundation for supporting independent business activity in the Danforth Planning Area. Also, all the commercial frontage in the Planning Area falls within the jurisdiction of one of the three Business Improvement Areas (BIA) that are active in the area. They can be strong partners in implementing area-specific initiatives.

### **3.2 Potential of Development Incentives and Negotiations**

Redevelopment projects along the Danforth should be encouraged to support independent business retention, location and formation in accordance with the objectives for the area's planned character. In doing so, it should be emphasized that chain stores also contribute to the retail vitality of shopping districts and that this recommended policy does not seek to prevent their location. However, corporate chains have several

advantages over independent businesses in accessing space in new developments. Barriers to independent business location include:

1. **Affordability and structure of leases:** Independent businesses may have less flexibility than corporate chains to pay premium rents for strategic locations. They are less sophisticated in their knowledge of leasing practices and conditions.
2. **Upfront costs and processes required to fit out the space:** Newly constructed space typically is turned over to tenants as concrete shells. The tenants are responsible for fitting out and furnishing the space to meet their needs. This is both a significant upfront cost and requires access to professional services to design and source appropriate fittings and navigate the City building permit requirements and process as well as the tenant/landlord lease negotiation process.
3. **Displacement of current independent business tenants:** Existing tenants will need to vacate their premises during the construction period. The amount of notice and any compensation received is determined by the specifications in their current lease or through subsequent lease amendments. Even if they are able to move back when the new development is completed, they will need to relocate for many months and potentially for several years, while the new development is under construction.
4. **Recruitment of new independent business tenants:** Corporate chains often are preferred as tenants in new developments, both because their higher credit ratings help the developer secure financing for the project and because they usually are more convenient to identify and recruit. Recruiting independent businesses requires more legwork and research and the perception may be that it entails a higher degree of risk for the developer and property owner.
5. **New business and social enterprise formation and incubation:** New businesses and social enterprises may need advice, mentorship, access to professional services and financing, and shared equipment and facilities to increase their chances of success. A variety of support services are offered in Toronto to serve these needs.

Today many prospective businesses begin operations on-line, testing their concept and developing a list of potential customers while working out of their homes. Some continue to operate completely on-line in the long term. Others reach a point where they need to expand into bricks-and-mortar locations. Helping start-up businesses and social enterprises locate in main street locations can be facilitated by offering short leases and low upfront investment requirements (for example, by providing some or all of the requirements for fitting out



the space). Low initial rents with small escalation clauses and/or revenue sharing agreements also can provide start-up support. Other models include marketplaces, stores-within-stores and other shared space models and partnerships that sometimes rent by the hour or the day.

The following table summarizes a few examples of developments including provision for independent businesses. In the first set (Cases 1 through 4) the development approval process was used to secure support for independent business location and formation. In the second set (Cases 2, 5 and 6) the development approval process set limits on the maximum unit size with the objective of making them affordable to independent businesses. In the third set (Cases 7 through 10) developer partnerships outside of the development approval process were used.

### Examples of Development Precedents Supporting Independent Business

Examples of Development Approvals Requiring Support for Small Business Activities

No.	Development Project	Support for Small Business
1	<b>200 Dundas St. East</b> (Toronto & East York Community Council, September 10, 2013 (TE26.12))	<ul style="list-style-type: none"> <li>- Conveyed 1,300 square metres of community space to the City (Section 37 Agreement).</li> <li>- City Council approved leasing the space at below-market rent to a non-profit organization for Indigenous Centre for Innovation and Entrepreneurship (March 19, 2018; Ex32.11)</li> <li>- 2<sup>nd</sup> and 3<sup>rd</sup> floor space will be used for incubator and meeting room space. Ground floor will be retail and/or restaurant.</li> <li>- Currently under construction (2023 opening expected).</li> </ul>

No.	Development Project	Support for Small Business
2	<b>571-597 Bloor Street West – Mirvish Village</b>  (Toronto & Est York Community Council, April 4, 2017; TE23.6)	<ul style="list-style-type: none"> <li>- Space is to be leased to the City at a nominal rate that has a minimal value of \$1 million for community and/or cultural purposes (Section 37 benefit). The City has the option of turning the space over to a not-for-profit organization or agency to implement programming. Small business support would be an eligible activity.</li> </ul>
3	<b>Unilever Precinct Plan</b>  (City Council June 26, 2018; PG30.5)	<ul style="list-style-type: none"> <li>- 1,400 square metres of space is to be leased to the City for 25 years at a nominal rate for use as an affordable business incubator. \$613,291 is to be provided towards the fit-out of the space.</li> <li>- The City has the option of subleasing the workspace to qualified not-for-profit partners or a post-secondary institution that will operate the space and deliver the small business incubation programming.</li> </ul>

No.	Development Project	Support for Small Business
<b>4</b>	<b>315-325 Spadina Avenue</b>  (City Council May 5, 2021; TE24.7)	<ul style="list-style-type: none"> <li>- Owner will be responsible for fit-out costs for the initial leases on retail units or will provide fit-out allowances to commercial tenants to a maximum of \$50 per square foot.</li> <li>- Owner will establish initial commercial base rents comparable to existing rents (\$35 per square foot plus CPI increases).</li> <li>- Owner will offer new commercial units to existing tenants (date of enacting zoning by-law) before seeking new tenants.</li> <li>- If vacancies remain after existing tenants have considered offers to lease the space, owner will establish tenant recruitment and leasing principles in consultation with a community working group.</li> <li>- Owner will not lease commercial space to chain stores (defined as having 11 or more locations and two or more of the following features: standardized merchandising, standardized façade, standardized décor and colour scheme, uniform apparel, standardized signage, a trademark or a service mark).</li> </ul>

### Examples of Development Approvals Including Limits on Retail Unit Sizes

No.	Development Project	Support for Small Business
2	<b>571-597 Bloor Street West – Mirvish Village</b>  (Toronto & Est York Community Council, April 4, 2017; TE23.6)	<ul style="list-style-type: none"> <li>- Provide at least 10 micro-retail spaces with a maximum interior floor space of 40 square metres.</li> <li>- Commercial uses in Markham St. heritage houses permitted up to a maximum size of 300 square metres.</li> <li>- Provide public marketspace of 1,500 square metres.</li> </ul>
5	<b>103-111 Ossington Avenue</b>	<ul style="list-style-type: none"> <li>- Maximum retail unit size of 500 square metres (LPAT decision, June 12, 2014).</li> </ul>
6	<b>Unilever Precinct Plan</b>  (City Council June 26, 2018; PG30.5)	<ul style="list-style-type: none"> <li>- Provide a minimum of 40 retail units with less than 50 square metres of floor space within the development (2% of total retail commercial space).</li> </ul>

Examples of Developer Partnerships and other Initiatives Supporting Small Business (Toronto and other jurisdictions)

No.	Development Project	Support for Small Business
7	<b>Regent Park Redevelopment</b>	<ul style="list-style-type: none"> <li>- Daniels Corporation partnered with Toronto Community Housing to lease community commercial space to businesses, social enterprises or agencies providing a product or service that meets the community's needs and has a social impact benefit.</li> <li>- Tenants selected after inviting Expressions of interest.</li> <li>- Prospective businesses are supported by Ryerson's microbusiness mentorship program.</li> </ul> <p>Spaces are provided rent-free at first and build to market rents over 5 years.</p>
8	<b>Kensington Market Community Land Trust (KMCLT)</b> <a href="https://www.fokm.ca/kensington-market-land-trust">https://www.fokm.ca/kensington-market-land-trust</a>	<ul style="list-style-type: none"> <li>- City Council authorized the Housing Secretariat to provide \$3 million to KMCLT to acquire, renovate and operate property at 54-56 Kensington Ave. as affordable rental housing with at-grade retail space for a minimum of 99 years (April 7 &amp; 8, 2021; MM31.19). The source of funds was the Section 37 Reserve Fund for community benefits.</li> </ul>

No.	Development Project	Support for Small Business
9	<b>Community Impact Real Estate Society (CIRES) – Vancouver</b> <a href="https://www.communityimpactrealestate.ca">https://www.communityimpactrealestate.ca</a>	<ul style="list-style-type: none"> <li>- Social Enterprise commercial property company formed in 2017 by BC Housing, City of Vancouver and Vancity Community Foundation.</li> <li>- Manages commercial spaces in Vancouver's BC Housing projects; leases 100,000 square feet of commercial property from BC Housing and subleases to businesses, social enterprises and non-profit organizations. Portfolio includes 52 commercial units in 24 buildings.</li> <li>- Prospective tenants apply, stating their business model, goods and services sold, and social impact contributions they will provide.</li> <li>- Tenants sign a social benefit covenant describing the social value they will create and annual reporting requirements.</li> </ul> <p>About 40% of tenants are businesses paying market rents and 60% are social enterprises or non-profit organizations paying below market rents.</p>
10	<b>Trinity Groves (Dallas)</b> <a href="https://www.trinitygroves.com/">https://www.trinitygroves.com/</a>	<ul style="list-style-type: none"> <li>- A completely private sector restaurant incubator. The developer offers space to restaurateurs to launch new concepts, maintaining a share of ownership and contributing up-front costs and advice.</li> <li>- Opened in 2013/2014 and created a unique restaurant destination with over a dozen unique restaurants plus some specialty food retailers, art gallery and barbershop.</li> </ul>

It is important to note that the City's ability to guarantee follow-through and implementation of the negotiated support for independent businesses is limited unless floor space is secured (as in Cases 1 through 4).

Requiring that some micro-retail units be provided or capping the unit size may help to reduce the cost of a retail unit. However, it does not preclude that a corporate chain will lease it. Also, the eventual property

owner/manager may structure the leases in such a way that smaller units pay much higher rents per square foot than larger units.

Case #4 is interesting in that it addresses both rent affordability and the upfront costs of outfitting space. It also asks that the owner offer the new commercial units to existing tenants before putting them on the open market, develop tenant recruitment principles in consultation with community stakeholders and not lease to chains (as defined by the San Francisco “Formula Retail” By-law). As far as we are aware, the City’s ability to enforce conditions such as these is untested. Nonetheless, they are interesting approaches to discuss with developers. They also are aligned with “ESG” (Environmental, Sustainable & Governance) Strategies that are increasingly being included in corporate investment and business plans.<sup>2</sup> Developers may be more open to including independent businesses in their projects and helping them outfit their spaces than they have been in the past, especially if these objectives are included in Official Plans and policy statements and raised in development approval discussions. They may also be willing to assist displaced businesses in relocating.

In Case #8, the City provided a contribution to a Community Land Trust (more information is provided in the following discussion of programs). Although the prime objective is to retain affordable housing units, the property includes ground floor retail. The Kensington Market Community Land Trust’s mission statement includes maintaining the eclectic mixed use and multi-cultural mix of residents and businesses that characterizes the area.

### **3.3 Other Relevant Programs**

As the Danforth continues to evolve and intensify in the future, the City may wish to consider introducing additional programs and initiatives to support the location and activity of independent businesses. A variety of programs supporting small business incubation and main street independent business strength already are offered by Toronto Economic Development & Culture or were discussed in the Toronto Retail Main Street Study

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<sup>2</sup> ESG is an evolving strategy whereby companies include non-financial reporting to demonstrate how they are contributing to longer term societal goals as well as the bottom line. See [Aligning nonfinancial reporting with your ESG strategy to communicate long-term value](#), for example, for more information.

(Appendix 23 summarizes the Best Practices Review). These provide a solid foundation for Danforth-specific action. The Broadview/ Danforth, Greektown and Danforth Mosaic BIAs all are strong organizations which could act as partners in developing and implementing initiatives.

The following discussion focuses on some more recent and emerging initiatives that warrant further investigation:

1. Property Tax Subclasses,
2. Community Land Trusts, and
3. Cultural District Designation and Legacy Business Designation.



## 1. Property Tax Subclasses:

### **Small Business Property Subclass**

The provincial government approved legislation authorizing municipalities to reduce the property tax rate for small businesses in May 2021. Municipalities were given considerable latitude in how they used the new “Small Business Property Subclass” (SBPTS) and defined eligible small businesses. Property tax reductions can be as high as 35% on the municipal portion, and municipalities can apply to the Province to match the reduction on the provincial portion of property tax.

Toronto City Council approved the requisite by-law and process to implement the subclass in the 2022 tax year at its meeting on November 9, 2021 (EX27.7). It opted to reduce the tax rate by 15% for eligible properties. To help fund the introduction of the tax subclass, it also discontinued the residual commercial property tax class and graduated tax rate that lowered the amount of tax on the first \$1 million of assessment. The net result will see an estimated tax rate reduction of between 9.2 and 14.7% for eligible small businesses if the Province agrees to match the reduction. Commercial properties not included in the subclass will see their property tax rates increase by 0.49% (including the Provincial tax rate reduction).

Businesses in the Danforth Planning Area will be included in the Small Business Property Tax Subclass if they are located in properties with lot sizes of 7,500 square feet or less that also have a commercial CVA of \$7 million or less. Commercial condominiums (as classified by MPAC) must have a GFA of 2,500 square feet or less.

Independent businesses along the Danforth that are eligible for the subclass should receive a property tax reduction that will assist with them with the affordability of space. However, any independent businesses in properties that don't meet the eligibility criteria will experience a tax increase.

A caveat is that the type of lease determines whether the property owner or the tenant is responsible for paying property tax. Gross leases and some net leases lump rent and other expenses like property tax together into one payment. In these cases, tenants may not see the benefit of the reduced property taxes unless the owner agrees to pass the benefit through in the form of a reduction in the gross rent.

The prevalence of gross leases along the Danforth is not known. When the 2022 tax bills are issued, the Danforth BIAs and other stakeholders can help to increase awareness about the reduction and identify the extent to which the reduction is not being passed through to tenants. The Chief Financial Officer was requested to report back on the feasibility of developing a mechanism for ensuring that the reduction is passed through to tenants.

The Chief Financial Officer also was requested to monitor the impact of the subclass against the objective of benefiting as many small businesses as reasonably and feasibly possible and report back before the 2023 tax year on the feasibility of implementing a more targeted approach to defining eligible small businesses. Such an approach probably would have to be application-based.

The applicability and impact of the property tax subclass on Danforth businesses should be monitored. The information collected and advocacy may be able to influence modifications to the City's implementation of the subclass in the future. Property owners and developers may be able to influence the applicability of the subclass to their independent business tenants through their property development and leasing decisions, depending on whether and how the City's policies change.

### **Creative Co-location Facilities Property Tax Subclass**

The Creative Co-Location Facilities Property Tax Subclass supports the sustainability and growth of creative enterprises and live music venues in Toronto. These activities are synergistic with vibrant retail activity. Space used by self-employed persons and small enterprises producing cultural goods and services (as defined by the Canadian Framework for Cultural Standards) is eligible for inclusion.

Eligible properties can be owned by either not-for-profit or for-profit organizations if they are live-music venues or have creative enterprise tenants who are charged a below market rent. Eligibility criteria also include the scale of operation and amount of public programming or services provided.

Properties must apply to be designated Creative Co-location Facilities. Once approved, their property tax is reduced by up to 50% (variability in reduction depends on the specific type and amount of activity undertaken).

Properties in the Creative Co-location Facilities Subclass are not eligible for inclusion in the Small Business Subclass.

The availability of the Subclass provides an incentive for property owners to lease space to activities meeting the eligibility criteria.

## 2. Community Land Trusts

Mechanisms to maintain community control over real estate are receiving increased interest in Canada and Toronto.

- Maintaining affordable housing stock has been the prime motivator (as with, for example, The Parkdale Neighbourhood Land Trust<sup>3</sup>).
- Other not-for-profit organizations are focused on supporting the arts and culture, artists, creative enterprises and small business incubation (for example in Toronto, The Toronto Artscape Foundation and the Centre for Social Innovation).
- More recently, the Friends of Kensington Market organization has formed the Kensington Market Community Land Trust ([Kensington Market Community Land Trust](#)) and acquired their first property – a mixed use property at 54-56 Kensington Avenue (June 2021). As described above in Development Case #8, City Council provided funding to acquire the property. A GoFundMe campaign has been launched to raise additional funds. Maintaining affordable commercial space for the area's eclectic mix of independent businesses is among the stated objectives.
- Community members are exploring the community land trust model to help protect the “Little Jamaica” neighbourhood and main street (the Eglinton/Oakwood area) from gentrification as the Crosstown LRT nears completion ([Black Urbanism To](#)).

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<sup>3</sup> [Parkdale Neighbourhood Land Trust](#)

- A national network of community land trusts has formed to share information and knowledge directed at creating a healthy ecosystem of community-owned affordable housing and other real estate assets. ([Canadian Network of Community Land Trusts](#)).

In the United States, Community Equity Investment is a growing model. Organizations similar to REITs are formed that offer local community residents the opportunity to pool their money (by buying shares) to collectively purchase, revitalize and manage property. Several are operating that include commercial properties – for example the Market Creek Plaza in San Diego and the Community Investment Trust in Portland Oregon.<sup>4</sup>

### 3. Cultural District and Legacy Business Designations

Toronto has begun to explore the potential of “cultural district” designations to maintain and enhance resources that define an area's cultural identity. A preliminary report was adopted by Council on November 9 & 10, 2021 (EC25.3).

“Cultural District” designations offer a strategic approach to safeguard the living history of diverse communities and advance inclusive economic prosperity through community arts and cultural industries. They provide a combination of tools to support small businesses and the cultural and heritage spaces within areas that act as community hubs.

The report proposes that the purpose of developing a cultural districts program in Toronto be to offer a clear process for local cultural planning, a combination of supports, and a new methodology for communities to advance their priorities. It would not limit benefits to specific neighbourhoods or communities. Rather, it would strive to create an additional and coordinated program for creative place-keeping and place-making in partnership with communities. Independent business support could be a component since businesses often play a key role in defining a neighbourhood's cultural identity. The concept of “legacy businesses” is discussed.

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<sup>4</sup> For more information see, for example, [New Models for Community](#)

San Francisco's Legacy Business Registry is a best practice ([Legacy Business Registry](#)). Businesses meeting the eligibility criteria are nominated for the registry by a member of the Board of Supervisors or the Mayor. They then qualify for grants and advisory programs to support their sustainability.

The next steps are for staff to undertake broad public engagement and develop a program design and implementation plan for consideration by Council in the third quarter of 2022. Staff also were directed to work with the City Planning Division to identify Municipal and City Planning policies that would support cultural districts and be of benefit to communities and neighbourhoods, in particular Chuch-Wellesley, Little Jamaica, Downtown Chinatown, Geary Avenue and at least one community and neighbourhood in the former City of Etobicoke, North York or Scarborough.

## 5. Conclusions

The Danforth Retail Vibrancy Study concluded that Danforth Avenue was a strong, resilient main street with good connections to the surrounding neighbourhoods. The collective business community benefits from a good mix of strong support from the immediate neighbourhood plus significant draw from the broader region. The retail mix is complemented by other neighbourhood-serving amenities including houses of worship, day care centres, community centres, etc. Most businesses are small in terms of floor space and are independently owned and operated. Although COVID-19 has created major challenges for its business community, Danforth's resilient and diverse business mix and strong local community support should contribute to recovery.

The planning framework can support Danforth's continued retail vitality by encouraging residential intensification while maintaining pedestrian-oriented primarily-retail<sup>5</sup> activity along the Danforth frontage. More specifically:

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<sup>5</sup> Emphasizing again that the term "retail" refers to the cluster of activities associated with shopping and consumer services and includes stores and service shops, restaurants, entertainment, cultural and recreational uses and the many types of small offices that serve residents and typically locate in or on main streets.

### **1. Maximize the availability and flexibility of space on the ground floor for retail uses:**

- Acknowledge that tenant requirements will evolve over time. Maximize flexibility and adaptability in designing structural elements.
- Maintain an unobstructed depth of at least 20 metres along as much of the retail frontage as possible in locating lobbies, amenity space, vertical circulation including elevator banks and other elements associated with upper floor uses.
- Provide contiguous retail frontage to enable a range of store unit sizes and permit the expansion of businesses into adjacent units. To maintain the pedestrian-oriented scale of the street frontage, limit the width of individual storefronts to a 25 metre maximum (approximately three retail bays). Guidelines for accommodating larger store units while maintaining an animated pedestrian-scale street frontage are included below.
- Ensure that the servicing needs (such as loading and solid waste management) of businesses are anticipated and addressed in a manner that is both functional and minimizes disruption to pedestrians and cyclists, residents and the “front-of-house” business ambiance.
- Re-enforce the fact that restaurant and other food services are an important and growing component of the business mix. They have specific servicing and infrastructure requirements, including exhaust and ventilation systems, cold storage, above average solid waste storage and collection and infrastructure to support patio dining. Encourage developers to anticipate these requirements and rough-in the needed elements during construction. This is less expensive and often more effective than later retrofits.

### **2. Support Pedestrian-oriented scale, amenity and connectivity to the neighbourhoods north and south of the Danforth.**

- Reinforce the pedestrian orientation of the retail ground floor with narrow storefronts, transparent windows and frequent entrances. The majority of the Danforth façade should be comprised of retail bays about 6 to 8 metres wide.
- Accommodate larger store units while maintaining an animated pedestrian-scale street frontage. In general, store widths on the Danforth street frontage should be less than 25 metres. Larger store units can be located on other levels of buildings or behind smaller retailers on deeper or corner lots.
- Include vertical articulation on the ground floor to reinforce retail bays generally less than 8 metres in width.

- Ideal retail blocks are shorter than about 100 metres. This enables people to cross the street at frequent intervals, provides stronger connections to neighbourhoods and enables more highly visible corner locations and visual interest. Blocks to the east of Jones Avenue are longer. Encourage the inclusion of north-south pedestrian connections and small parkettes and gathering places in these blocks.
- 3. Ensure strong retail visibility by using horizontal articulation to differentiate the retail floors from upper non-retail floors.**
- 4. Facilitate the location of small independent businesses along the Danforth**
  - Support the continued vitality and location of independent businesses along the Danforth in recognition of the important contribution they make to the area's character and economy.
  - Encourage development projects and landlords to support their retention, location and formation.
  - Support the development and implementation of innovative programs and initiatives that strengthen independent business vitality. Three innovative initiatives are briefly summarized in the body of the report. This topic warrants further exploration.

## Appendix A

### Retail Store Unit Sizes in Downtown Toronto Main Streets

Retail Unit Size Range (in square feet)	% of Total Retail Units
Less than 1,500	74.9%
1,500 to 3,000	15.4%
3,000 to 18,000	8.5%
18,000 to 80,000	1.0%
Over 80,000	0.1%

**Source: TOCORE Retail Analysis Appendix A:** 18 TOCORE Area main streets were analysed from the Centre for the Study of Commercial Activity (CSCA) 2014 retail strip database. In total, there were 5,092 retail units included in the analysis.



## Retail Unit Sizes reported by Independent Business Owners

### In Toronto Retail Main Streets Study On-line Survey

Retail Unit Size Range (in square feet)	% of Total Retail Units
Less than 500	8%
500 to 999	31%
1,000 to 2,499	42%
2,500 to 4,999	10%
5,000 to 10,000	4%
Over 10,000	5%

**Source:** Toronto Retail Main Street Study Appendix 6. Survey was undertaken in Spring 2019.

## Appendix B

### Examples of Four-Season Restaurant Patios



Aker Brygge, Oslo: patio area that functions as a “courtyard” that can transition between the seasons with investment in structure and heating system



Oslo: patio built as part of the building's ground level setback to provide protection but is enhanced with ambient lighting and heating



Sorenga, Oslo: patio structure is semi protected with canopy system and heating units



Oslo: Patio that is protected with semi-permanent structure, heating units built into the structure and extensive garden and plants to create an enhance atmosphere



Oslo: Patio structure that includes structure that houses a retractable roof, heating in the main street as well as extensive plant and lighting system to create better ambiance



Sorenga, Oslo: Permanent patio structure with sliding windows to allow for changes in weather for different seasons and built in heating units





Ascari Enoteca, Queen St. E., Toronto: semi-permanent patio with canopy and heating system



The Score, King St. E., Toronto with both semi enclosed patio/bar and outdoor dining options, heating units in the ceiling extend the patio season.

## Appendix C:

### Examples of Restaurant Patios in Courtyards



John St. Toronto: Courtyard allows for patio and social gathering to take place



King St. W., Toronto: Covered semi-permanent patios running between two developments



King St. W., Toronto: patio created in a court yard space between buildings