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**collective**

## **Current State and Future of Toronto's Retail Main Streets Interim Report Key Findings**

June 18, 2019

# Agenda



1. **Introductions**
2. **Study Purpose**
3. **Study Process**
4. **Key Findings**
5. **Potential Interventions**
6. **Discussion**

# Study Purpose



- 1. Describe current state and changes impacting independent businesses on main streets**
- 2. Identify the critical factors contributing to success & decline**
- 3. Document value added to City by healthy independent main street business community**
- 4. Address City's social equity and inclusiveness objectives**
- 5. Recommend actions to better support main street independent businesses**

# Study Process



Tasks	Timeline	Deliverable
Research Phase	January to early June	<b>Interim Report (June 7)</b>
<b>Research Findings Discussion</b>	<b>June to Early July</b>	Priorities for Next Phase
Intervention Development	July to September	Draft Action Plan
Action Plan Discussion	September to October	Revised Action Plan
Refinement and Finalization	November	Final Report (Dec 1)

# Key Findings



## 1. Independent Business predominates in Toronto's Retail and Consumer Services

- 84% establishments and 67% sector employment in 2018
- 74% establishments and 32% employment in 2018 for Retail Stores (excluding services)

## 2. Main Streets are key Locations for Independent Businesses

- Share in most main streets above City-wide average (75-80% independent typical)

## 3. Toronto Residents prefer to shop in local independent businesses

- Over 90% prefer independent businesses for specialty food, personal services and restaurants, and bars
- Over 60% prefer independent businesses for 16 of the 25 product/service types included in survey
- 45% are doing **more** shopping in local independent businesses than 2 years ago
- 69% are doing **less** shopping at malls than 2 years ago

# Main Street Independent Businesses Important to the City – Strengths:



## 1. Support City-Building Goals – Walkable Streets and Neighbourhoods

- 30% customers live within 10 minute walk (800 m.)
- 85% residents think it's important to be able to walk or bike to shopping districts
- 29% independent business owners live nearby
- Support animated, pedestrian-friendly streets throughout the city

***“Local Business makes this a neighbourhood. I bought my house based on walkability to groceries, dry cleaning, the library, etc. MAIN STREETS are ESSENTIAL.”***

*(- On-line Residents' Survey response)*

# Main Street Independent Businesses Important to the City – Strengths:



## 2. Support Economic Development Goals

- Major Employer (647,843 jobs in Independent Retail & Consumer Services - 42% of total jobs in city (includes office-based professional services in office towers))
- Higher local economic development impact than chains (local supply chain)
- Incubate new concepts in products, services and business models
- Differentiate and diversify City's shopping & dining experiences: authentic products and experiences (added bonus = tourism)

***“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.”***

*(-On-line Residents' Survey Response)*

# Main Street Independent Businesses Important to the City – Strengths:



### 3. Support Social Inclusion and Equity Goals

- Offer newcomers economic opportunity

### 4. Support Societal and Civic Engagement Goals

- Business owners strongly motivated by desire to contribute to community (69%) and enrich others lives (55%)
- Secondary research documented positive relationships between rate of independent business ownership, voter turn-out and community associations
- Self-employment and family-run business a life style of choice for many (44% motivated by “being my own boss”, 65% by “doing what I love”)

***“Local Businesses in my ‘hood are participants / 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 constant contact during our daily lives.”***

*(- On-line Residents' Survey Response)*



# Neighbourhood Investment Important to both Businesses and Residents



- **34% businesses chose location because it was an attractive area**
  - 11% specifically mentioned BIA support
- **80% of residents think it's important for a shopping district to be clean & inviting**

# Critical Success Factors



## 1. Predictable and Stable Costs

## 2. Transparent and Efficient Regulatory Framework

- Can figure out what I need to do and how to do it
- Regulations are consistently interpreted and applied
- No sudden changes to requirements
- Time involvement is minimized (both timeline and number of hours required)

## 3. Competitive Business Environment (compared to other locations and business models)

## 4. Efficient Good Quality Public Infrastructure and Public Services

# Weaknesses



## 1. Low access to Expert and Administrative Supports

- No HR or Marketing department (for e.g.)
- Professional service providers often prefer larger clients and contracts

## 2. Low Access to Financing

- Higher average risk of failure makes private sector loans more expensive and harder to get

## 3. Generally takes longer to build up business

- Can't leverage national "brand" awareness to attract customers
- Need to build customer base more gradually

# Opportunities



- 1. Global consumer trend favouring unique independent retailers and service providers**
- 2. Investing in independent business growth has significant local economic impact**
  - San Francisco Study estimated that increasing independent merchant market share by 10% would yield \$200 million in local economic activity

# Threats



- **Recent decrease in micro independent businesses** (0-5 employees) that aligns with feedback from some entrepreneurship support services

***“Small businesses are dwindling in Toronto.***

***We need to get people excited about entrepreneurship”***

*(- business interview on the Danforth)*

- **Study took place during period of economic prosperity**
  - Economic downturn will have major impact since sticky fixed costs (especially rent and taxes) don't decrease when sales decrease
- **Potential growth in On-line shopping** (Canada currently a low adopter)

# Neighbourhood Specific Threats



- **Wide variability across the City in property sales values, rents and assessment**
  - Some main streets experiencing extremely sharp rent increases
  - Anticipation of high and mid-rise redevelopment driving up assessment in some areas
  - Property ownership passing from owner-occupiers to developers and institutional investors
- **Some evidence that chains are preferred tenants in new developments**
- **Major safety concerns in inner city main streets**
- **Low level of engagement in Neighbourhood Improvement Areas**

# Major Challenges to Business Success



1. **Cost of Staff** – recent increases
2. **Rent** – recent increases; lack of security in commercial leases
3. **Property Tax** – recent increases
4. **Confusing Regulatory Framework** and Inefficient, Unclear Processes

***“There’s no road-map to understand City requirements.”***

***The City changed some of the regulations this year, but we were  
Never told why or what we needed to do. I had to go in 3 times to  
Do the paperwork”***

*(- two business owners in Kensington and Albion/Islington)*

# Potential Areas for Intervention – for all Small Business



## 1. Increase Awareness about Importance of Main Street Small Business to Toronto's Economy and Quality of Life

- Consider impact of changes to regulations, policies and costs and look for ways to mitigate negative effects
- Recognize importance of cost predictability and stability
- Recognize importance of clear, transparent regulations and processes easily understood and negotiated by lay persons

## 2. Assist Small Business to Help Themselves

- Consider options for a "Navigator" Service to help individual small businesses with issues such as:
  - Figuring out what they need to do step-by-step,
  - Accessing professional service providers willing to work with small business



# Potential Areas for Intervention – Specific Pain Points



1. Address impact of assessment based on redevelopment potential through **Property Tax Policy Discussions and Reform**
2. Further consider **Impact of Redevelopment** on independent businesses.
3. Further consider approaches for better supporting main street businesses experiencing **Neighbourhood Safety Issues**
4. Further consider additional supports for **Immigrant-Owned** start up and operating small businesses
5. Undertake more **Neighbourhood Specific Community Economic Development Programs** that integrate main street businesses in neighbourhood improvement areas.

# Discussion

