

From: "Johnston, Sadhu" <Sadhu.Johnston@vancouver.ca>

To: "Direct to Mayor and Council - DL"

CC: "City Manager's Correspondence Group - DL"
"Kelley, Gil" <Gil.Kelley@vancouver.ca>

Date: 11/15/2019 4:30:26 PM

Subject: Memo - Retail/Commercial District Small Business Study: Project Update

Attachments: PDS - Retail Study - Update MEMO to Council - 2019-11-15.pdf

Dear Mayor and Council,

Please see the attached memo from Gil Kelley, GM of Planning, Urban Design and Sustainability. A brief summary is as follows –

- Earlier in 2019, the City commissioned a Retail/Commercial Small Business Study to assess the state of small independent business in the city, measure change in six representative neighbourhood shopping districts and develop a methodology for maintaining a dashboard to track change on an ongoing basis.
- Initial results suggest that while there has not been a significant increase in chain businesses replacing independent businesses in most study areas, vacant storefronts have become more prominent in many of the study areas. The study also identified several key challenges facing small independent businesses.
- This memo provides Council with an update on the initial findings from the study and outlines next steps in research and potential policy development to support retail/commercial districts and the small businesses within them.

Should you have any questions, please contact Gil Kelley at 604.873.7456 or Gil.Kelley@vancouver.ca.

Best,
Sadhu

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Pronouns: he, him, his



The City of Vancouver acknowledges that it is situated on the unceded traditional territories of the Musqueam, Squamish, and Tsleil-Waututh peoples.

MEMORANDUM

November 15, 2019

TO: Mayor and Council

CC: Patricia Barnes, Vancouver BIA Partnership
Sadhu Johnston, City Manager
Paul Mochrie, Deputy City Manager
Katrina Leckovic, City Clerk
Patrice Impey, General Manager, Finance, Risk & Supply Chain Management
Jessie Adcock, General Manager, Development, Buildings & Licensing
Cheryl Nelms, Acting General Manager, Engineering
Adam Palmer, Chief Constable, Vancouver Police
Lynda Graves, Manager, Administration Services, City Manager's Office
Susan Haid, Deputy Director - Long Range and Strategic Planning
Chris Robertson, Assistant Director, City-Wide & Regional Planning
Matthew Bourke, Senior Planner, City-Wide & Regional Planning
Peter Vaisbord, Planner, City-Wide and Regional Planning

FROM: Gil Kelley, General Manager, Planning, Urban Design & Sustainability

SUBJECT: Retail/Commercial District Small Business Study: Project Update

PURPOSE:

The purpose of this memorandum is to update Council on the Retail/Commercial District Small Business Study (the Study) and to outline next steps in research and potential policy development to support retail/commercial districts and the small businesses within them.

BACKGROUND:

Need for Retail/Commercial District Small Business Study

The Study was conceived in response to public and business community concern regarding closures of independent small businesses and storefront vacancies. At issue was the perceived impact on neighbourhood character and diversity, shopping area vibrancy and resilience.

In 2018 the City was approached by the Vancouver BIA Partnership (Partnership), representing the members of 22 business improvement areas (BIAs). There was agreed need for data and

analysis to better understand small business trends prior to undertaking policy work or other initiatives.

An RFP was issued in Fall 2018, and work commenced in January 2019. The approach and methods for the study have been developed in close collaboration with BIA leadership.

STUDY GOALS AND METHODOLOGY

Goals

The goals of the Retail/Commercial District Small Business Study were to:

1. Gauge the health and viability of independent small businesses by studying business change in six representative neighbourhood BIA shopping districts;
2. Recommend a methodology /indicators for regular data tracking potentially city-wide; and
3. Identify priority areas for future work

Methodology

1. Study Areas

The Study focused on street-oriented retail commercial businesses in neighbourhood shopping areas. Six representative BIA areas were selected in consultation with BIA leadership: Collingwood, Commercial Drive, Hastings North, Marpole, South Granville and West Broadway, providing geographic balance across the city as well as a mix of areas evidencing apparent change or stability.

2. Data Collection and Analysis

The project methodology had two phases:

1. Quantitative data collection and analysis of change in each Study area
2. Qualitative data/input on business challenges and the reasons for those challenges in each study area separately through
 - a. Facilitated roundtables
 - b. Paper and online surveys
 - c. One-one-one interviews

3. Key Definition: Chains vs. Independents

The following Statistics Canada definition was adopted for the purposes of the Study:

A 'chain' is an organization operating four or more outlets in the same industry class under the same legal ownership at any time during the survey year.

Therefore, for the purposes of this study, a small independent business is one that operates three or fewer outlets.

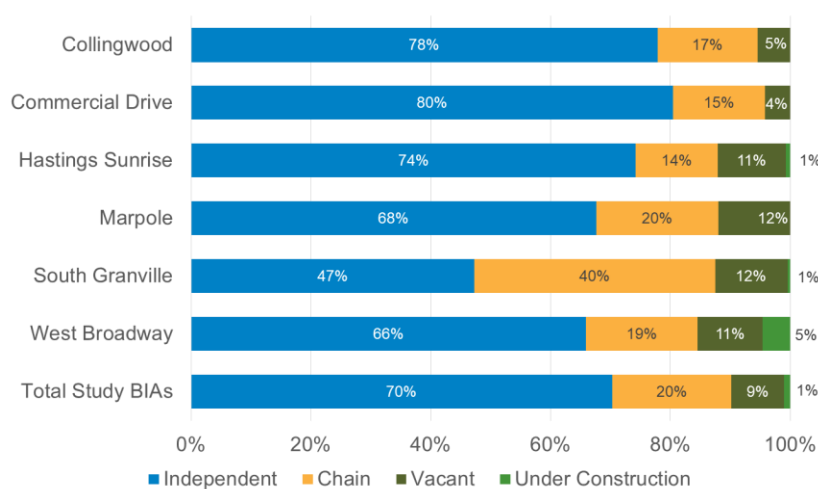
INITIAL DATA

Current Snapshot

Overall, initial data from the study indicate that approximately 70% of storefronts in the six study areas were occupied by independent businesses, 20% were occupied by chain businesses, 9% of storefronts were vacant and 1% were in the development process.

However, initial data also indicate that the current status of storefronts vary significantly by area. For example, the proportion of independents in South Granville was 47% compared to Commercial Drive at 80%.

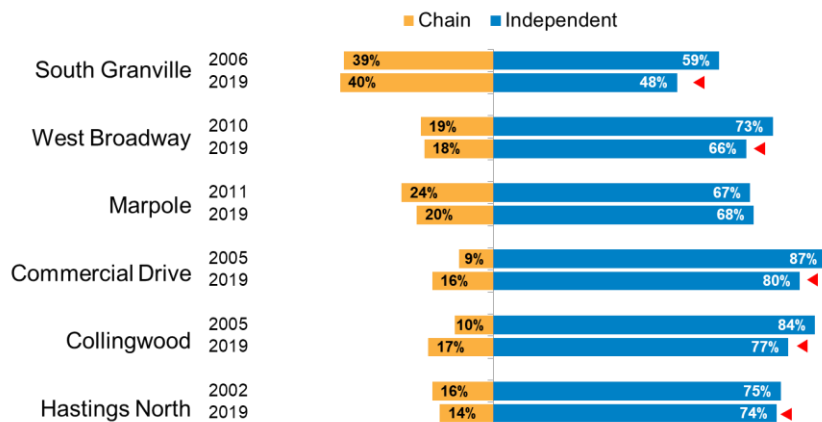
Figure 1: Current Status of Storefronts by Study Area (Spring 2019)



Change Over Time: Independents vs Chains

There is no consistent pattern of change among the six Study areas. The percentage of chains was relatively stable, but the percentage of independents decreased in five of the six areas, most notably South Granville (-11%). By contrast, the percentage of independents in Marpole marginally increased (Figure 2).

Figure 2: Change Over Time: Independents vs Chains



Change Over Time: Property Ownership

On average between 2012 and 2019 there has been a general decrease in properties owned by individuals (-6%) and occupier business ownership (-16%), compared with properties owned by development companies (+71%). The general change in property ownership could be an early indicator of future redevelopment of existing storefronts (Figure 3).

Figure 3: Change Over Time: Property Ownership - Aggregate of all Study Areas

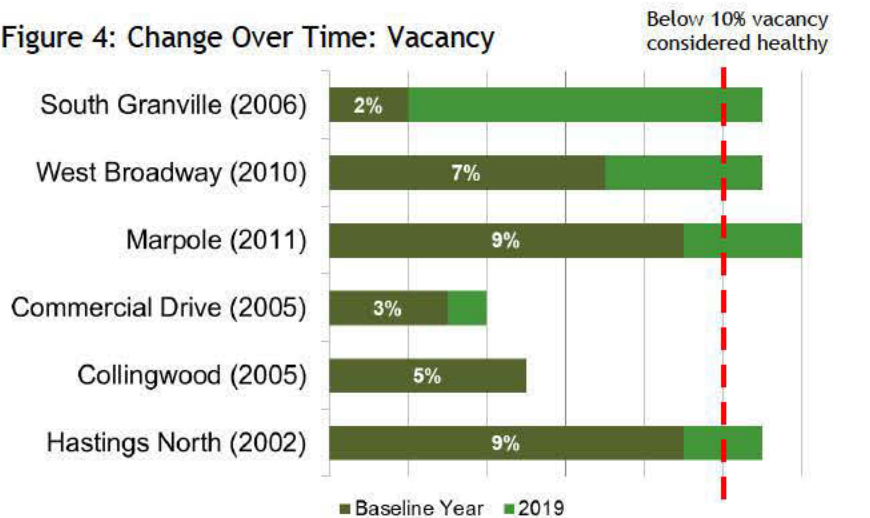
	2012	2019	% Change
Bank	7	3	-57%
Business	95	67	-29%
Developer	68	116	71%
Gov't	0	2	200%
Holding Company	275	301	9%
Individual	301	284	-6%
Non-Profit	7	7	0%
Numbered Corp	54	76	41%
Owner-occupied	64	54	-16%
Union / Utility / Other	34	12	-65%

Change Over Time: Vacancy

The consulting team retained for this study has advised that a 10% storefront vacancy rate is generally considered the threshold level below which a retail/commercial district is considered 'healthy'. In the respective baseline years, all of the six Study areas were within the 'healthy' range, the lowest being South Granville (2% vacancy) and highest being Marpole and Hastings North (both 9% vacancy).

In 2019, four of six areas had vacancy rates above 10%. Notably, vacancies in South Granville increased from 2% to 11% (+9%), mirroring the decrease in independents (see Figure 2 above). By contrast, two areas (Commercial Drive and Collingwood) were stable with vacancy rates of 4% and 5% respectively (Figure 4).

Figure 4: Change Over Time: Vacancy



Business Challenges

Engagement with businesses, property owners and industry professionals provided a fairly consistent snapshot of business challenges in the respective areas. Although the importance or significance of issues varied by area, top issues identified include:

1. **Affordability: Property Taxes & Assessments**
 - Increasing assessment values and rising property taxes top the list of business concerns in many areas. Businesses report this burden against the back drop of other tax increases and rising base rents, all of which drive up the costs of doing business.
2. **Public Realm: Safety, Place-making & Quality**
 - Businesses are generally concerned with the ambiance and interest of the street given vacant storefronts and business turnover in some areas. Maintenance of public spaces and improving real and perceived safety are key issues for many businesses.
3. **Parking, Streets/Access, Transit**
 - The continued availability of on street parking was deemed to be very important for many businesses. Improved transit and walking routes were also considered to be important in many areas.
4. **Permitting & Licensing: Time, Complexity**
 - The complexity and time needed to process permits and licenses were cited as key business concerns.
5. **Labour costs / employee recruitment and retention**
 - The cost and availability of local labour was a top concern for businesses given low unemployment rates and high costs of living.
6. **Leasing Issues: Triple Net, Demolition Clauses**
 - The practice of triple net lease agreements (where tenants pay the costs associated with the operation, repair, and maintenance of the building such as property tax) was a concern for businesses. Demolition clauses were also raised as a concern given the pace of redevelopment in some areas.
7. **Changing Neighbourhood Demographics**
 - Businesses noted the importance of population density in supporting the viability of neighbourhood shopping areas.

NEXT STEPS

Integration of Key Business Challenges into the Employment Lands and Economy Review and City-wide Plan Policy Processes

The City launched the Employment Lands and Economy Review (The Review) in January 2019. The Review is providing the City with an opportunity to take stock of the local economy through comprehensive engagement, research and data analysis and consideration of related initiatives; providing foundational information for the City-wide plan process approved by

Council in summer 2019. On November 27, 2019, staff will be bringing forward a project update report to Council identifying key learnings to date. The key challenges facing small independent businesses in neighbourhood shopping areas are highlighted in the project update report and will inform future policy work through the second phase of the Review and the City-wide plan processes.

Expansion of Data Collection and Ongoing Monitoring

Going forward, staff will continue to work closely with the BIAs to expand data collection work to include additional study areas; providing a more robust baseline of information to identify trends. Information collected will be compiled into a dashboard for ongoing monitoring.

CONCLUSION

This memorandum provides Council with an update on the initial data from the Retail/Commercial District Small Business Study, and next steps in terms of additional research and integration of key concerns into the Employment Lands and Economy Review and City-wide Plan policy processes. Through future phases of work, staff will continue to engage with businesses to develop a deeper understanding of key challenges and identify recommendations.

If you have any questions, please contact me or Chris Robertson, Assistant Director of Planning, at 604-873-7684 or chris.robertson@vancouver.ca.

Regards,



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