

Solution Brief

Supporting Main Street Recovery through Small-Business-Friendly Policy

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Image source: AtaliaPhotos

BRING BACK MAIN STREET

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September 2020

BRING BACK MAIN STREET

Bring Back Main Street is a nationally-coordinated research and advocacy campaign about finding the best solutions to ensure our main streets recover from COVID-19 and emerge from the crisis more resilient than ever. We're working with a growing coalition of partners on this project, including: main street business leaders, academic research partners, industry and professional associations, BIAs/BIDs across Canada, government stakeholders and municipal recovery working groups, corporate endorsers, developers, industry and professional associations, and advocacy groups across Canada.

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1. INTRODUCTION

Just as COVID-19 has shone a light on the many social and economic disparities in our communities, so has it amplified underlying issues that were impacting main street business viability and vitality. This brief focuses on the role governments in Canada can play in supporting main street business sustainability and driving growth in recovery.

The audience is policymakers from all three orders of government as well as the broader collective of main street stakeholders who influence policy development. As a variety of disciplines have a role in supporting main street viability and vitality, an interdisciplinary approach is taken, geared to practitioners in economic development, finance, urban planning and design, as well as legislators and regulators.

Section 2 summarizes research into the general and location-specific requirements that businesses in the retail sector need in order to succeed,¹ and considers how COVID-19 has impacted each business success requirement. Section 3 then presents retail policy solutions related to the following five topics:

1. Regulatory compliance,
2. Landlord-tenant relations and commercial vacancies,
3. Property tax and assessment policy,
4. Redevelopment pressures on main streets
5. Access to financing.

For each topic, the brief summarizes the issues main street businesses were experiencing pre-pandemic and the impact COVID-19 has had on those issues. It then offers a suite of potential solutions for policymakers. Section 4 then offers a summary list of the solutions.

An underlying theme throughout the brief is the high level of uncertainty associated with the future. Governments around the globe are taking different approaches to managing the pandemic and re-opening their economies. There is little consensus as to the best approach. In this fluid environment it is essential that governments undertake and support research to better understand the impact of COVID-19 on main streets and the effectiveness of recovery responses. It also is essential that it remain closely in touch with the front-line – businesses and other community partners.



Image source: AtaliaPhotos

¹ This analysis is based on a major [2019 study of Toronto Retail Main Streets](#), as well as other studies and articles about retail and main street business environments across Canada, the US and in Europe.

2. KEY REQUIREMENTS FOR RETAIL BUSINESS SUCCESS

Effective policy to support business sustainability and recovery needs to be grounded in an understanding of the conditions businesses require in order to succeed.

Based on past research conducted by Three Sixty Collective as well as surveys conducted by other organizations such as the Canadian Federation of Independent Business², we have identified six broad requirements for main street retail business success. Note that retail is used in a very definition to include retail, food services, consumer services, recreation, entertainment, and cultural retail and services. Three are general requirements and three are more location specific. The needs of minority and newcomer-owned businesses and start-up businesses also are considered separately.

General Requirements

1. Predictable and stable costs
2. Sufficient cash reserves / access to financing
3. Transparent and efficient regulatory framework

Location Specific Requirements

1. Cost-competitive business location
2. Public infrastructure and services
3. Sufficient market support in the local area

General Requirements

Predictable and Stable Costs

Profitable and sustainable businesses need to generate sufficient revenue to cover their costs. This is an ongoing balancing act since change is constantly occurring in the cost of the various business inputs as well as in the factors impacting revenues. If the change is gradual and predictable, businesses have a greater opportunity to adjust other aspects of their business so that they remain profitable. Sudden, large and unpredictable changes are more difficult to accommodate without reducing business profitability and ultimately threatening business sustainability.

For main street businesses, COVID-19 introduced unprecedented shock waves into the system. During the lockdown period, non-essential businesses were required to close and/or change their operating model with little advance notice. Revenues plummeted. Canadian sales levels began to improve in May 2020, but remain below pre-pandemic levels for many categories of main street businesses on a year-to-date basis. There has been significant shifts in consumer spending across different categories. The new safety provisions associated with business operation have increased costs for almost all types of business, further straining the balance between cost and revenues.

² Summarized in 2019 study of [Toronto Main Streets](#)

Looking to the future, it is becoming increasingly apparent that the “new normal” will look much different than the pre-pandemic world for quite some time. Main street businesses may need to continue to deal with reduced revenues and increased costs for the rest of 2020, probably into 2021 and even beyond.

Sufficient Cash Reserves and Access to Financing

Most businesses need to incur significant upfront costs in order to generate revenue. They almost always require a cash reserve to cover periods of negative cash flow (when costs exceed revenues). During prolonged shortfalls, financing can help supplement cash reserves, but the interest payments add to future fixed costs that the business must cover.

Interviews conducted previously by Three Sixty Collective have indicated that many small business owners are very focused on day-to-day operations and do not undertake long range financial planning or risk assessment.³ In the absence of an overall picture of their financial situation, many are ill-equipped to plan for or adapt to major shocks such as the circumstances with COVID-19. In addition, as discussed in Section 3.5 below, main street small businesses tend to have difficulty accessing conventional financing. This further reduces their ability to sustain operations through temporary periods of negative cash flow.

Transparent and Efficient Regulatory Framework

Canada’s regulatory framework governing main street businesses is complex and difficult to navigate. In previous research, Three Sixty Collective inventoried about two dozen different pieces of legislation and regulatory requirements relevant to main street small businesses.⁴ There are specific requirements

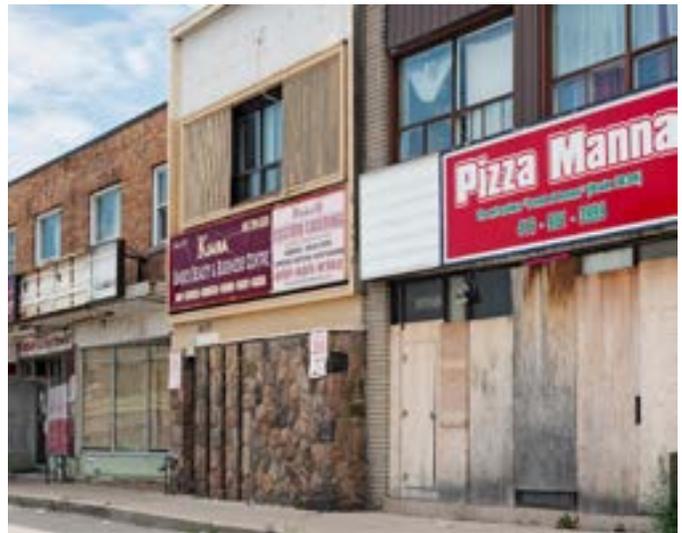


Image source: Unsplash

for different types of activity (e.g. food handling, dry cleaning, selling second-hand goods) and different sizes of business. These exist at all three orders of government, with over a dozen different agencies and government offices administering the requirements. There is considerable variability in regulations and requirements for similar types of business among the provinces and individual municipalities.

In our experience, small businesses do not complain about “over-regulation” as much as unclear or contradictory information from government regulatory bodies, and inefficient or unclear processes. Businesses cite frustrations such as repeatedly having to fill out different forms with the same information or discovering a new requirement during the approval process. This delays their timelines and increases their costs beyond what was anticipated, increasing pressures on cash flow. As is further discussed in Section 3.1 below, COVID-19 has added several new layers to the already complex regulatory framework. The exact nature of the different layers is still a moving target with some being streamlined and others being added.

³ Ibid.
⁴ Ibid.

Location Specific Requirements

Cost-Competitive Business Location

Location is key to the success of most main street businesses. In general, businesses balance the sales they can achieve in different locations against the cost of occupying the space. Accessible and visible ground floor locations both result in higher sales and command higher rents. Most retail and consumer service businesses typical of main streets can afford to pay up to 10 to 15 per cent of sales on occupancy costs, variable depending on the type of business (shoe store versus restaurant, for example). COVID-19 has significantly disrupted the balance between potential revenue and occupancy cost for some main streets as traffic, target markets, distance travelled, mode of transportation, etc. may have altered the dynamic of the main street economics. The associated issues and potential policy solutions are further discussed in Section 3.2 below,

Public Infrastructure and Services

Main street businesses require efficient, good quality public infrastructure and services such as road and transit access, sidewalks, bicycle lanes, parking, solid waste collection, policing and fire protection, and social services. Whereas many of these services are partially privatized in shopping centre and indoor mall environments, main street businesses are much more dependent on the level of service provided by the public sector. Typically, these main street businesses suffer significant disruption when services are interrupted by factors such as road and sidewalk construction or changes in service levels for solid waste collection and snow clearing.

The municipal pandemic response has resulted in some abrupt changes to main street infrastructure and services. For example, solid waste collection has largely been maintained

and some sidewalk and bike lane infrastructure expanded. Yet, transit ridership has fallen substantially and, in some places, service levels have been reduced, and social services have struggled to cope with the increased hardships faced by street-involved populations – an issue that is visible on many main streets.

Sufficient Market Support in the Local Area

Main streets' economic vitality requires sufficient levels of activity from residents and/or a mix of other visitors (daytime, weekend and/or evening, including employees, tourists, students, theatre attendees, etc.) in the local area to support a critical mass of local-serving retail and consumer services. Walking distance (within approximately 800 meters) is a key threshold that is aligned with main streets' traditional role as urban pedestrian-oriented shopping districts. Main streets in rural and suburban areas with low population densities will be more reliant on people driving from greater distances. A residential population has become especially important to main street sustainability during COVID-19, as people are working from home and shopping locally to a greater extent.⁵

Start-ups and Businesses owned by Equity-Seeking Groups

Main streets traditionally have provided accessible locations for start-up and first-generation immigrant business owners. Several studies have shown that these groups share the same general requirements and challenges as mainstream businesses, but encounter additional barriers:⁶

⁵ See for example, see the [Bring Back Main Street Block Studies](#)
⁶ Studies include: [Current State and Future of Toronto's Retail Main Streets, 2020](#), [Immigrant Entrepreneurship: Barriers and Facilitators to Growth, 2017](#), [Black-led Businesses in Toronto, 2020](#), [The State of Women's Entrepreneurship in Canada, 2020](#).



Image source: Unsplash

- Start-up main street businesses are more challenged in finding affordable locations, accessing financing, and in coping with the time pressures associated with business operation;
- Newcomer-owned businesses face language barriers and differences in business culture in addition to more challenges navigating the regulatory framework, finding investors and securing financing;
- Businesses owned by other equity-seeking groups such as women and racialized groups also report difficulties in accessing financing from conventional sources.

3. RETAIL POLICY SOLUTIONS

1. Regulatory Framework

Canada’s regulatory environment for small main street businesses is complex. These types of businesses tend not have the in-house administrative or professional resources to

appropriately address the multitude of requirements or to keep up to date with changes. Most are very focused on their day-to-day front-line operations.

Nor is it easy for small businesses to retain external experts to assist them with legal and regulatory compliance and good practices. They find it intimidating and time-consuming to source services and they perceive that hiring experts is expensive. Also, many professional support service providers (e.g., broker, lawyer, engineer) prefer to work with larger clients, as there’s often more overhead associated with working on small contracts without a likelihood of repeat business.

The pandemic has added new layers to the already complex regulatory framework. Emergency orders and re-opening protocols cover a wide range of business requirements and conditions. Changes have had to be made swiftly with little advance notice, and businesses have struggled to keep up.

Potential Solutions for Policymakers

The public health situation will likely continue to evolve at a fast pace for the foreseeable future as the rate of contagion in the community changes and the world learns more about how COVID-19 is spread and can be treated. This will require continued rapid regulatory response. The negative impact on business can be reduced by keeping the regulations as clear and simple as possible, making information about them easy to find, communicating broadly and often and helping businesses adapt and comply. Three specific solutions are offered.

Solution #1: Simplify Regulations and Communications

For all three orders of government, consider the reality of the small business operator in developing regulations and supports and in communications. For example:

- Use simple, layperson's language;
- Make information easy to find (e.g. "one-stop" websites integrating related requirements and regulations for all orders of government);⁷
- Enable businesses to be quickly directed to the relevant information specific to their sector, location and/or situation (e.g. through user-friendly drop-down menus on websites);
- Streamline processes as much as possible, eliminating duplication and making all the requirements, steps and timelines clear at the beginning;
- Anticipate questions and provide FAQs on websites and in call centres; and
- Provide well-informed staff support to help businesses interpret and apply the requirement to their specific situations.

There are other important tactics governments and public institutions can employ. Communicate widely through many channels. Build linkages with industry, neighbourhood-based and ethno-centric associations. Equip and enable industry or sectoral associations to provide their members with accurate information and assistance. Enable multi-lingual translations and staff support. Finally, provide opportunities for feedback from business and associations, meaningfully analyzing comments received and adapting requirements, processes and communications as needed.

While difficult in a fast-moving pandemic environment, provide as much advance notice as feasible when regulatory changes or public health guidance is being introduced. Where possible, provide businesses with advance information about what the requirements will be before the implementation date is determined.

Solution #2: Assist Main Street Businesses in Adapting Operations to COVID-19

Governments can support businesses in sourcing materials, expertise and labour needed to implement new regulatory and public health requirements. Personal Protection Equipment (PPE) and materials for installing protective screens, barriers and other equipment have been in short supply at various stages of the pandemic, and this situation may well continue. For example, an emerging challenge from some restaurants in September 2020 is assistance to source patio heaters. Strategies for supporting businesses in accessing the supplies and services they need to operate safely will vary with the specific context.

⁷ Examples include the Canadian Business Resilience Network's support for business [resources](#), and the City of Edmonton's COVID-19 support for businesses [webpage](#).

Policymakers can help by anticipating potential shortages and developing tools such as:

- Local listings of goods and service suppliers (e.g. companies experienced in installing plexiglass screens);
- Central purchasing and distribution of materials in short supply; and
- Templated design solutions for small business to use.

Strategies can be developed and implemented directly by local governments or organized through community partners (e.g. BIA, BID, BRZ, SDCs)

Solution #3: Offer Financial Assistance to Mitigate the Costs of COVID-19 Recovery

The costs of providing a safe environment for employees and customers can be a significant barrier for businesses, especially if renovation or new equipment is required (e.g. to improve ventilation in older buildings, increase booth or fixed table spacing in restaurants, etc.). Some provincial and municipal governments have offered small business COVID-19 recovery grants. For example, the governments of Alberta and Nova Scotia have both provided up to \$5000 grant support to small businesses forced to close or restrict operations to support their re-opening, with funding amount depended their pre-pandemic average monthly sales.⁸

As COVID-19 continues to impact business costs and revenues in future months, there are a number of options that governments, utilities and other public agencies can consider to mitigate financial pressures on businesses and avoid widespread closures, including:

- New or extended grant and loan programs;
- Waiving or reducing fees charged for inspections, utility hook-ups and processing



applications for registrations, permits, licenses, etc – without lengthening the processing and approvals timeframe;

- Temporarily reducing utility rates and extending current deadlines where support is still necessary (e.g. where provinces and municipalities introduced reductions in Spring 2020, such as Ontario's suspension of billing residential and small business customers at peak and mid-peak usage rates until the end of October 2020); and
- Reductions to solid waste collection fees normally charged to businesses, especially where volume-related charges are increasing because of COVID-related solid waste (e.g. with disposable masks and other PPE, paper towels, restrictions on customer-supplied containers and bags, etc.).

⁸ For more information, see the [Alberta SME Relaunch Grant](#) and the Nova Scotia [Small Business Reopening Grant](#).

2. Landlord-Tenant Relations and Commercial Vacancies

The dynamics of the real estate industry have an enormous impact on the main street business environment. Analysis prepared through the Bring Back Main Street initiative highlights the role that locally-based landlords have traditionally played on main streets.⁹ Properties often have been owned by the same family for several generations, with owners deeply invested in the community and understanding of the history of the street. They often have long-standing informal relations with their small business tenants.

Brokers from across Canada report that these dynamics are increasingly disrupted when a property is sold – especially if the buyer is an investment or development company. Their focus is to maximize return on investment, which may involve changing the use of the property, redeveloping the property, or substituting a “known brand” chain outlet for a local business. At the end of their lease, stable businesses operating in the same location for decades may suddenly be faced with dramatic rent increases or be informed that a different tenant has been secured and that they need to vacate. In these circumstances, commercial tenants have little legal recourse unless they previously negotiated “option to renew” clauses in their lease. Provincial legislation governing tenancy arrangements generally offers considerably less protection for commercial tenants than for residential tenants.

As a consequence, the terms of the commercial lease are critically important to business sustainability. Securing more favourable leasing terms for small businesses is challenging, however, as legal provisions and their implications are difficult for laypersons to understand (e.g. rent escalation clauses, options to renew, net leases versus gross leases, percentage rents, conditions related to

vacating before the end of the lease, which party is responsible for property tax payment, renovations, maintenance, etc.). Yet small businesses tend to sign leases without seeking legal advice or utilizing brokers to represent their interests.¹⁰

Most current leases and mortgages on main street were negotiated well before COVID-19, when the economy in most regions of country was strong. Many main street businesses now face significantly diminished revenues and increased costs associated with operating during the pandemic – with commercial property often their most substantial fixed cost.

Extensive negotiations have been taking place between property owners and tenants, as well as between lending institutions and property owners, to change agreement terms and/or arrange short-term relief and payment deferrals. Where landlord-tenant relationships are open and both parties are invested in the long-term health of the neighbourhood, it seems that mutually satisfactory adjustments often can be made. There is some early evidence that future leases may become even more complex as both landlords and tenants seek to mitigate their risk (e.g. through percentage of sales clauses versus fixed rents). In general, large corporations (both landlords and tenants) are better equipped to negotiate than small businesses since they have better access to experts as well as more leverage.

Federal and provincial policymakers have taken some important steps to address the acute challenge with commercial tenancies.

⁹ See Bring Back Main Street [Memo #12: A Snapshot of Main Street Commercial Real Estate](#) by Glenn Miller, August 2020

¹⁰ This was a finding of business interviews and survey responses for 2019 [study of Toronto Retail Main Streets](#)

In the spring, the governments jointly introduced the Canada Emergency Commercial Rent Assistance (CECRA) program, which provides financial assistance to property owners to temporarily reduce commercial rents.¹¹ The CECRA program has helped in some cases, but has not been reaching most small businesses needing rent relief to stay open or re-open for a variety of reasons.¹² Notable challenges include the ineligibility of some categories of tenants, and the application model where, in some cases, landlords are not strongly motivated to assist their current tenants to stay. Some provincial governments also implemented temporary bans on commercial evictions, though they were to wind-down at the end of the summer or in the fall.¹³ Assistance (CECRA) program, which provides financial assistance to property owners to temporarily reduce commercial rents.¹³

Potential Solutions for Policymakers

Solution #4: Support Small Business in Accessing Legal and Realty Advice and Negotiations Support

Policymakers can introduce programs to assist small businesses in accessing realty planning information and professional services, including lawyers and brokers to provide advice or to directly represent them in negotiations. Tools could include:

- Including commercial lease information in small business start-up programs;
- Organizing workshops to provide instruction on commercial leases and landlord negotiations, with experts to answer questions and offer one-on-one consultation sessions following workshops;
- Build rosters of local brokers and legal/paralegal advisors willing to accept small business clients;

- Partner with legal companies and/or Law Societies and Law Schools to provide pro bono or subsidized legal advice to small businesses;
- Provide direct grants to subsidize the cost of legal advice to businesses meeting specified conditions.

Government can provide these supports directly and/or facilitate their delivery through community partners such as local business improvement organizations (BIA, BID, BRZ, SDCs) and industry associations.

Solution #5: Extend and Redesign Commercial Rent Assistance Programs in Consultation with the Business Community

As the impact of the pandemic continues into Fall 2020, further financial support will be needed to mitigate the ongoing disconnect between the substantially reduced revenues that can be earned from occupying floor space and pre-COVID negotiated leases and property values. As has been recommended by the Canadian Business Resilience Network, the business community as well as property owners should be consulted on the design of new commercial assistance programs.¹⁴ Potential solutions include:

- Extending provincial moratoriums on commercial tenant evictions for non-payment of rent during the pandemic until business conditions approach pre-COVID levels; and

¹¹ Administered by Canada Mortgage and Housing Corporation (CMHC) and delivered by MCAP and First Canadian Title (FCT), the program reduces rents for eligible small business tenants by 75 per cent. Landlords apply to the program, receiving a subsidy to cover 50 per cent of the rent for eligible tenants provided that landlord forgives an additional 25 per cent, for the period from April now extended through September.

¹² More detail in, for example, [Memo #6: How to Make CECRA Work for Main Street](#)

¹³ See for example the Government Ontario's [ban on commercial evictions](#)
¹⁴ The Canadian Business Resilience Network is an initiative of the Canadian Chamber of Commerce, in partnership with the Government of Canada. See [here](#) more information

- Redesigning and extending the CECRA program, with simplified eligibility criteria and processes and permit tenants to apply.¹⁵

Addressing Vacant Main Street Floor Space

Despite best efforts, however, it seems likely that COVID-19 will result in increased commercial vacancies along many main streets. When vacancy on a block or in a district pushes above about 10 per cent of the ground floor space, it begins to have a dampening impact on the overall continuity, critical mass and animation of the area, detracting from its appeal as a shopping district and impacting nearby businesses. The surrounding neighbourhood also suffers a loss of local shopping opportunities and decreased attractiveness and activity.

Some provinces and municipalities inadvertently incentivize vacant floor space through tax policy. For example, they may permit the owners of properties with vacant space to apply for tax rebates. Although well-intentioned, these measures can discourage owners from allowing groups or businesses unable to pay market rents to use the space. Instead, it remains vacant.

Solution #6: Support the Animation of Vacant Storefronts along Main Streets

Local governments can support the animation of vacant storefronts, either acting directly or in partnership with local business improvement organizations (BIA, BID, BRZ, SDCs) and other community organizations and neighbourhood associations. Strategies can include:

- Working with landlords to “animate” vacant storefronts and display windows, perhaps by facilitating alliances with local schools or artists and supplying materials;
- Reviewing how vacant floor space is treated

by tax policy. Is less tax paid on vacant floor space for a municipality and should that be altered? Can enabling vacant commercial space to be used by non-profit or cultural organizations be encouraged by tax policy?

- Enforcing property standard by-laws where necessary to address derelict properties;
- Facilitating business recruitment and “pop-up” programs to support new entrepreneurs and innovative retail concepts in vacant commercial floor space;
- Avoiding store closures and new vacancies by promoting and facilitating “co-location” arrangements, where a tenant sub-leases some of their space to another business to create one stronger leased location (e.g. “pop-up” corners; wall or shelf space or tables rented by the day to an artist, craftsperson or other business; or longer-term dedication of a portion of the floor space to another sub-tenant).
- Facilitating retailers’ and brokers’ ability to identify and fill vacant main street spaces by hosting district “open houses” and organizing or facilitating on-line market profiles and real estate listings; and
- Leasing main street floor space for municipal or community purposes or to support community hubs, cultural organizations and entrepreneurship development programs, which attract people to the main street can act as “anchors” by generating more sales for neighbouring businesses (e.g. more space for library and recreation programming, child care, etc.).

¹⁵ Many business stakeholders have offered specific policy design recommendations for redesigned or new commercial rental assistance programs. For example, see the Canadian Federation of Independent Businesses’ [brief on CECRA](#)

Solution #7: Explore the Establishment of Land Banks and Other Community Ownership Models to Lease Space to Small and Independent Businesses

In some cases, more direct and comprehensive action by municipalities and communities may be required to manage a main street as a community asset.

“Land banking” is quite common in the United States, with the National Land Bank Network Act¹⁶ currently before Congress in the hopes of establishing an expanded infrastructure for dealing with the fallout of the pandemic. Land banking and land trust are two separate tools¹⁷. In Canada, municipalities’ ability to land bank and develop sites for economic development purposes is legislated by provinces, with different regimes across the country. A variety of strategies and legislative vehicles have been used to encourage the redevelopment of derelict properties and districts.

Governments can facilitate and support community-controlled “land banking”, “land trusts”, real estate development and property management. Non-profit organizations are formed to achieve a community-oriented social objective such as providing affordable housing or space for artists and cultural organizations or start-up businesses. In Toronto, the Centre for Social Innovation and Toronto Artscape Foundation are examples. The Parkdale Neighbourhood Land Trust is an interesting example of a community-led land trust.¹⁸ Its first project is the acquisition of a previously private rooming house to secure affordable rental housing.

Governments can also take direct action around their own large portfolios of real estate assets. Government property could be viewed through a community asset lens, in addition to uses related to governance and public service delivery. Ontario’s community hubs strategy¹⁹

and associated “surplus property transition initiative” is an example of a more coordinated and proactive approach to public property management and service delivery. For government-owned property on main streets, mandates could be established to manage assets in ways that support the health of the thoroughfare and neighbourhood – for example, by using the ground floor for a street-related active use or leasing ground floor space to a business or active use needed in the community. CreateTO, the City of Toronto’s real estate management arm, currently is considering this approach for a cluster of previously independently managed municipal properties along the Queen Street West main street.²⁰

3. Property Tax and Assessment Policy

The method of assessing commercial properties for tax purposes is regulated and administered provincially. The tax rate is set by municipalities and applied to the provincially determined assessments. The prevailing method for assessing property across the country is based on its market value – the highest price that a willing buyer and seller would negotiate for the property under its “highest and best use.”

Where neighbourhoods are undergoing significant redevelopment to higher density and more profitable uses, assessed values may begin to reflect the speculative, unrealized development potential of properties. Business tenants in these neighbourhoods may be faced with sudden jumps in property tax charges. This is a major affordability issue for many Toronto and Vancouver main street businesses, in particular. If other cities experience

¹⁶ [US National Land Bank Network Act of 2020](#)

¹⁷ **Municipal Land Banks:** Return vacant, abandoned, and tax foreclosed property to productive use efficiently and strategically, while reducing the harm of vacant properties. **Community Land Trusts:** Enable community control over land and create community assets, including permanently affordable housing.

¹⁸ See here: [Parkdale Neighbourhood Land Trust](#)

¹⁹ See Ontario [Community Hubs Overview](#)

²⁰ [See the Parkdale Hub](#)

increased intensification, it may become a more widespread issue.

Shifts in the distribution of a municipality's commercial assessment base may also occur when one district or economic sector experiences a change in value. For example, the Calgary office market significantly decreased in 2019 because of decline in the oil industry. This resulted in a decrease in office tower assessment, which shifted a greater share of Calgary's commercial tax base onto its main streets.

COVID-19 has exacerbated property tax affordability issues. In Spring 2020, many municipalities delayed the due dates for property tax payments and/or temporarily waived the penalties and interest normally charged on late payments to support their businesses and residents in coping with lost income and revenue. While payments have since become due, some municipalities are permitting property owners and tenants to apply for extensions.²¹ If business recovery continues to lag, municipalities may need to consider further concessions.

Over the longer term, if office vacancy rates increase causing their property values to decrease, the balance in municipalities' commercial assessment between office towers and main streets may shift. This may increase main street business taxes, as cities such as Calgary were already experiencing pre-COVID-19. It is too early to predict the extent to which this is likely to happen. There probably will be differences across the country depending on the nature of each regional economy and the types of commercial districts in each municipality – as main street, shopping centre, and office districts may be impacted differently.



Potential Solutions for Policymakers

Solution #8: Explore Options for Mitigating COVID-Related Assessment Changes and Tax Shifts across Commercial Properties that Threaten the Sustainability of Main Streets

Local governments should work with provincial assessors to understand how 2021 assessed values are likely to change and the impact that will have on the distribution of taxes before setting their 2021 tax rates. Where significant increases in main street property assessments are anticipated, governments can explore options to mitigate the impact on businesses through strategies including:

- Capping assessment-related tax increases and decreases at a maximum percentage; and
- Defining an increased number of finer-tuned tax categories to be taxed at different rates. For example, in Toronto the first \$1 million of commercial assessment is taxed at a lower rate than the remainder.

In jurisdictions where commercial properties are reassessed each year, provincial governments should consider mitigating COVID-induced impacts by phasing in the

²¹ For example, the [City of Toronto Financial Assistance for Businesses](#)

change or using 2020 assessments for the 2021 tax year.

4. Redevelopment on Main Streets

Main streets experiencing redevelopment pressures often also experience a widespread transfer of property ownership to investment and development companies. Mixed use projects with residential apartments or condominiums on upper floors and retail at grade are a common form of redevelopment. These projects are often undertaken by residential developers with limited experience in designing functional retail spaces. The resulting ground floor units can be difficult to lease and often remain vacant for extended periods of time. Low ceiling heights, narrow column spacing, and insufficient unit depth are among the common issues.

Some developers favour national and regional chains when seeking tenants. This is driven both by perceived lower risk associated with leasing to a tenant with a proven business model and by greater convenience in identifying and working with chain tenants versus independent businesses. Although the impact of the pandemic on main street redevelopment pressures is still very unclear, there are no indications that these issues will change.

Potential Solutions for Policymakers

Solution #9: Utilize Municipal Planning Tools to Encourage Better Retail Ground Floor Units on Main Streets

Opportunities for local governments include:

- Publishing retail design manuals and regulating some critical structural elements such as minimum ground floor ceiling heights in zoning by-laws, as some cities have begun doing;²²
- Requiring the inclusion of sidewalk-oriented

retail space at grade, noting the important caveat that the amount of retail space provided needs to be in balance with market demand or the space will sit vacant; and

- Requiring that major development projects reserve floor space for small retailers (e.g. less than 500 square metres) or require that space be made available to not-for-profit organizations to use for small business incubation or other purposes that strengthen the small business ecosystem.

Solution #10: Encourage New Developments to Lease Space to Small Businesses and Civic Organizations

Federal and/or provincial tax credits or other incentives could be explored as a mechanism to motivate developers and property owners to recruit independent businesses as tenants instead of relying on national chains. Consideration could be given to extending the incentives to other community-oriented uses such non-profit organizations and arts and cultural venues.

In some cases, shipping containers, kiosks and vendor carts have been used in public spaces to animate the space, support small businesses (including farmers and artisans) and attract more people to nearby main streets.²³

5. Access to Financing

The main street small business sector has long been considered “high risk” by conventional lenders and is subject to limited credit at higher interest rates. As a result, small businesses starting out in the sector often are unable to secure bank loans and therefore self-finance, relying on savings, mortgaging homes and loans or equity investments by family members and friends. Businesses

22 Examples of Retail Design Manuals include [City of Toronto](#) and [NYC](#).
23 For example, Scadding Court Community Centre in Toronto operates a [business incubation program using shipping containers](#)

owned by first generation Canadians and recent immigrants rely on financing from within their own communities to a large extent.

The higher risk of business failure associated with the pandemic is increasing conventional lenders' reluctance to extend credit to small main street businesses. Yet COVID-19 impact surveys have revealed that many small businesses maintain small cash reserves, leaving them vulnerable to the sudden decrease in sales.²⁴

The federal government has recognized that conventional lending institutions are reluctant to extend financing to small businesses. The Government of Canada increased access to small business financing through the Canada Emergency Business Account (CEBA)²⁵ and Business Credit Availability Program (BCAP).²⁶

However, anecdotal reports as well as interviews conducted for the CUI Block Studies suggest that many main street small businesses are not applying for the loans despite having cash flow issues. Barriers include concerns about incurring more debt and lack of time to understand the regulations or navigate the applications and. Minority and newcomer-owned businesses seem to be especially reluctant to apply for the programs. New businesses that opened after March 1, 2020 are excluded from CEBA.

Potential Solutions for Policymakers

Solution #11: Extend and Expand Emergency Small Business Loans

As many businesses are continuing to struggle with revenue shortfalls and increased costs, further extensions to the current October 31, 2020 application deadline for CEBA may be needed. Governments should also consult further with the small business and financial services communities on solutions that:

- Address ongoing cashflow shortfalls and mounting business debt by making available additional loan financing (with forgivable portions);
- Increase start-up businesses' access to capital by de-risking the financial sector's investment, in order to facilitate the launch and growth of new main street businesses; and
- Identify and address the barriers that businesses owned by equity-seeking groups currently are experiencing in accessing conventional financing.

Solution #12: Assist Small Business in Applying for Emergency Financing

Local governments can help reduce the barriers by offering one-on-one assistance in completing applications.²⁷ They can also facilitate outreach and one-on-one assistance through business and neighbourhood associations, and undertake research and intelligence-gathering to gain a deeper understanding of the nature of the barriers and how they might be overcome.

Solution #13: Support New, Innovative, Community-Based Financial Models

More innovative and community-based financing models and vehicles may be necessary to support the main street business community, especially in lower income areas and among minority-owned and newcomer-owned businesses and start-ups. Ultimately, conventional private sector financial institutions are accountable to their

²⁴ An [April 2020 survey](#) by the Canadian Business Resilience Network found that almost half of the 12,600 businesses surveyed couldn't survive for longer than three months at current operating levels

²⁵ CEBA provides funding to financial institutions for interest-free loans of up to \$40,000 to eligible small businesses. The main eligibility requirement is that the business have non-deferrable expenses of at least \$40,000 in 2020. If loans are repaid by December 31, 2022, 25% will be forgiven. Currently the application deadline for CEBA is October 31, 2020.

²⁶ See [BDC Canada](#)

²⁷ For example, the City of Toronto started the [BusinessTO Support Centre](#) which answers questions and provides one-on-one support to businesses in completing applications.

shareholders and not to local community stakeholders. Their prime obligation is to maximize profit for their shareholders, not to build strong local communities and economies.

The Black Opportunity Fund, started in June 2020 by a coalition of Black executives and business leaders with the support of the Toronto Foundation, is an example. The Fund's goal is to offer Black businesses and organizations long-term stable capital.

Community-based credit unions are another model. For example, Vancity was formed by fourteen Vancouverites committed to investing in the long terms needs of their members and local community. Today it is Canada's largest credit union and has expanded beyond Vancouver to a number of other municipalities and First Nations in British Columbia.

4. SUMMARY

Thirteen potential policy directions have been discussed to support main street business sustainability through the remainder of the COVID-19 pandemic and to drive growth and prosperity in recovery. They are summarized below:

To Provide a Business-Friendly Regulatory Framework:

Solution #1: Simplify Regulations and Communications

Solution #2: Support Main Street Businesses in Adapting Operations to COVID-19

Solution #3: Waive Fees and Offer Grant and Loan Support to Address the Costs of Recovery

To Address Issues related to Landlord Relations and Commercial Vacancy:

Solution #4: Support Small Business in

Accessing Legal and Realty Advice and Negotiations Support

Solution #5: Extend and Redesign Commercial Rent Assistance Programs in Consultation with the Business Community

Solution #6: Support the Animation of Vacant Storefronts along Main Streets

Solution #7: Explore the Establishment of Land Banks and Other Community Ownership Models to Lease Space to Small and Independent Businesses

To Address Affordability Issues Associated with Property Tax:

Solution #8: Consider options for mitigating COVID-related assessment changes and tax shifts across commercial properties that threaten the sustainability of main streets.

To Address Redevelopment Issues on Main Streets:

Solution #9: Utilize Municipal Planning Tools to Encourage Better Retail Ground Floors on Main Streets

Solution #10: Encourage New Developments to Lease Space to Small Businesses and Civic Organizations

To Increase Small Businesses' Access to Financing:

Solution #11: Extend and Expand Emergency Small Business Loans

Solution #12: Assist Small Business in Applying for Emergency Financing

Solution #13: Support New, Innovative, Community-Based Financial Models

COMMON THREADS

Ground policy, programs and associated regulations and administrative processes on an understanding of how businesses operate



and what they require in order to succeed.

- View business as a partner in community building and economic health;
- Consult with business stakeholders when developing and implementing policies and programs; fine tune as necessary to address gaps and weaknesses.

2. Consider and address the added challenges impacting start-up businesses and businesses owned by equity-seeking groups, including first generation immigrants, Blacks, indigenous groups, LGBT persons and women.

- Include the community organizations representing these groups in consultation and in extending supports and outreach;
- Obtain more detailed feedback on the barriers and potential solutions through interviews and other research.
- Address, barriers, tailor programs and modify outreach strategies as may be required to better include these groups.

3. Bring business and community partners to the table to brainstorm innovative solutions to main street challenges illuminated by COVID-19.

4. Undertake and support research to better understand the impact of COVID-19 on main street and the effectiveness of recovery responses.



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