

RETAIL IN REVIEW

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Determining the relationship between new commercial buildings in Vancouver and the businesses that occupy them over time



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This project was conducted under the mentorship of City staff. The opinions and recommendations in this report, and any errors, are those of the author, and do not necessarily reflect the views of the City of Vancouver or The University of British Columbia.

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Executive Summary

Project Overview

This research seeks to analyze the relationship between new commercial buildings and the businesses that occupy them over time to confirm the extent to which new development increases the presence of chain stores in retail commercial districts.

Knowing that the City of Vancouver will evolve and the built environment will change, how can we better understand if commercial space in new development favours a certain type of business? How can we mitigate the potential impacts of redevelopment on independent businesses specifically?

Methodology

A sample of recently redeveloped properties and a sample of older properties were observed across three different time periods over seven or eight years. Using Google Street View Archives and city data sources, the business type, vacancy, typology and longevity of businesses were recorded in each of the 200 units. The data was then analyzed and validated using Chi-Square testing.

Key Findings

The following key findings were identified from the statistical analysis:

1. The age of a building may be linked to the type of retail business that occupies it, but only for the first three or four years after redevelopment
2. Chain businesses get a head-start in occupying new commercial space
3. Chain businesses remain longer in the same commercial unit compared to independent businesses

Inventory of Policy and Regulatory Tools

There are a range of tools available to municipal governments that address the displacement of small independent businesses included in this report. Each tool was categorized based on the type of intervention it addressed: financial/tax incentives, physical form, occupancy type, relocation, or rate of change.

Next Steps

The City can explore future policy considerations and additional methods of addressing this topic, such as:

- Seeking to provide fair access to new commercial space by working with financial institutions to relax commercial loan requirements
- Exploring affordable commercial spaces as an exchange for density bonusing on new development
- Facilitating the acquisition and purchasing of buildings by not for profit or public organizations; or the procurement of master leases on targeted retail spaces
- Performing more in-depth analysis using the city-wide retail inventory currently under development
- Incorporating neighbourhood demographics into analysis to understand localized trends and potential impact on residents
- Using citywide data to determine a healthy rate of change for new development in a particular area
- Considering the effects of COVID-19 in relation to the research findings to support independent businesses as they financially recover



Yutaka Seki, 2017

INTRODUCTION

Project Purpose

Diverse shopping areas are essential to creating complete, walkable communities. Small, independent businesses are an important aspect of the strength and success of these shopping areas but as cities grow and develop, so do the conditions that support their vitality. Recent City engagement with businesses and BIA representatives identified a concern that new development, perceived as less affordable than older building stock, has contributed to a displacement of independent businesses compared to chains.

Knowing that the City of Vancouver will evolve and the built environment will change, how can we better understand if commercial space in new development favours a certain type of business? How can we mitigate the potential impacts of redevelopment on independent businesses specifically?

Commercial rent prices (and thus affordability) are not reliably available data. Further,

engagement results suggest there may be other factors connecting new development to the reduced presence of independents (e.g., pre-leasing requirements for commercial loans). As such, the focus of analysis is on the year of construction (i.e., building age).

The purpose of this study is to analyze how building age may affect changes in business occupant type (i.e., chain stores or independent businesses) in ground-level commercial spaces over time.

Through scholarship review and statistical analysis, this report delivers:

- Findings from analysis on different retail businesses (i.e. chain vs. independent) that occupy commercial buildings over time and the longevity of occupants
- An inventory of policy and regulatory tools available to municipal governments to support small and independent retail businesses in occupying new commercial space.

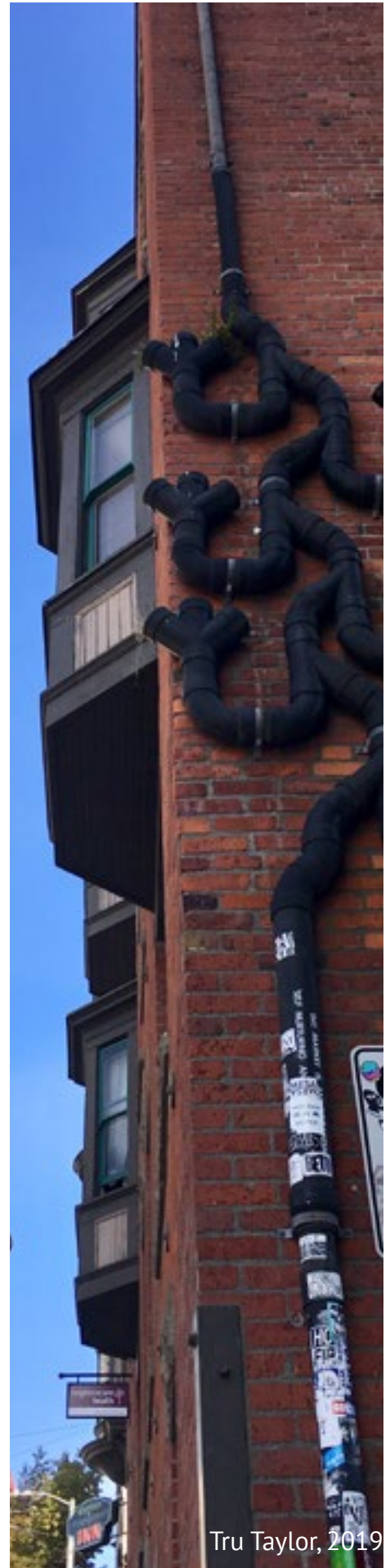
Overview of Research Approach

The approach used is a combination of literature review and analysis to examine independent business occupancy in commercial buildings over time. The statistical analysis was conducted on a sample of buildings within the City of Vancouver that have been redeveloped roughly 10-12 years ago in addition to a control sample of buildings that have not been recently redeveloped.

Datasets from BC Assessment, City of Vancouver business licenses and Vancouver's *Retail-Commercial District Small Business Study (Draft)* were used to identify the addresses of development that meet the study criteria. For each address, Google and Google Street View helped determine the building typology, number of units and business type of retail occupiers at different points in time. City of Vancouver business license data was used to confirm occupancies. By comparing building characteristics (e.g., age, typology) and business type (e.g., chain, independent), we are able to examine patterns in the change of retail mix over time and may understand how to better support healthy retail commercial districts. The Methodology section in this report provides a more comprehensive review of the analysis approach.

A thorough scan of other local policies, programs and regulations was conducted to inform how other municipalities track, regulate and support small and independent businesses. The inventory of tools is described and categorized in the Key Findings section of this report.

The results of this research will provide foundational data and insight for future City programs and policy aimed at better supporting the viability of small and independent businesses.



Tru Taylor, 2019

This section provides context for the purpose of this research and discusses the importance of independent businesses as well as the nature of possible threats they may face. These threats include global shifts in consumer behavior, affordability of retail space, vacancy rates and rate of change through redevelopment.

BACKGROUND

Policy and Planning Context

Greenest City Action Plan and Climate Emergency Response

The City of Vancouver’s Greenest City Action Plan and Climate Emergency Response both prioritize the planning of complete communities to encourage and support increased walking, cycling and improved transit services. Complete communities rely on the proximity of where people live, work, shop and access essential goods and services. “Big Move #1” of the Climate Emergency Response focuses on maintaining and strengthening the City of Vancouver’s walkability by setting a target of 90% of the population living within an easy walk or roll of their daily needs by 2030 (City of Vancouver, 2020). Ground level retail, specifically in neighbourhood areas, plays an important role in providing goods and services within a convenient distance from where people live in order to minimize the need to drive.



Retail-Commercial District Small Business Study

The City of Vancouver has recently conducted a study (still draft) on the rate of change throughout six Vancouver Business Improvement Areas between 2012 and 2019. Preliminary findings from the draft show that although there is observed displacement of independent businesses in some areas, there was not a universal trend of chains replacing independents. However, the total number of independent businesses has decreased across all study areas over time while the total number of chain businesses have increased. There was also a significant increase in the number of vacancies, raising the question of whether those vacancies, if filled, are more likely to be tenanted by independents or chains (Urban Systems et al., 2020). *Retail in Review* supports this larger study and examines the mix of business types, including vacancies, over time in buildings that have been recently redeveloped compared to those that are older and more established in the neighbourhood.

RETAIL-COMMERCIAL DISTRICT SMALL BUSINESS STUDY

Change and Drivers of Change in Vancouver's Local Shopping Areas



Creative Commons, 2018

Literature and Municipal Study Review

Importance of Independent Retail Businesses

Independent retail businesses are beneficial for achieving sustainability goals, strengthening the social fabric of neighbourhoods and supporting local economic growth. As active symbols of neighbourhood identity, history and culture, they are central to placemaking and the local shopping street (Regan, 2017; Zukin, 2016). Compared to chains, independent businesses serve local needs and contribute to the social and economic reproduction of individuals living in the community (Regan, 2017). In British Columbia, independents support a local supply chain, often hiring employees who reside nearby and spend up to 31.4% of their revenue on B.C. products and services. They spur neighbourhood economic activity as “local multipliers” for economic growth, recirculating up to \$63 of every \$100 in revenue in the local economy, which is 4.6 times more than multinational chains (LOCO BC, 2019). If located on the ground floor, they also act to enhance safety and convenience, providing public surveillance of activities and interactions on the street (King, 2013). Having a healthy independent business sector is closely tied to other municipal policy priorities around climate action and reducing climate emissions by providing goods and services within walking distance to residences (LaVecchia & Mitchell, 2016).

Global Influences on Local Landscape

Increased access to technology and changing consumer behavior has encouraged the growth of e-commerce and development of online business platforms. This has put pressure globally on all businesses to adapt to online markets, but chains are more likely to have the resources and capacity to maintain both digital and in-store operations (Three Sixty Collective, 2019). As the landscape of retail changes, so does consumer behavior. Selling goods online typically allows businesses to sell at a cheaper price and increases competition from global online retailers. A 2015 Canadian online retail study showed that two out of every three dollars spent online by Canadians goes to a retailer in the United States. This type of “cross border shopping” accounts for a 32% reduction in the amount of money circulating in the local economy (LOCO BC, 2015). While the nature of buying retail goods may be changing, demand for service retail has not been affected by the move online. Overall, consumer trends among physical storefronts have shifted from product sales and “personal ownership” business models to experiential retail and service commerce (Chow, Laura et al., 2020).

Global capital flows of international investment have also had a major impact on local land valuation and affordability (Zukin, 2016), discussed further in the next section.

Impact of Property Value on Affordability and Redevelopment

“Local shopping streets have many ‘authors,’ for they are created by a combination of cultural, market and state regulatory forces. If they are too microscopically planned or repressively regulated by the state, they will lose their economic value to merchants and lose the cultural value that attracts customers. Today, however, the threat more often comes from the market” (Zukin, 2016, page 201) .

A property’s market value has direct impact on the rent that businesses pay when leasing commercial retail space. Most commercial leases are structured as ‘triple-net’, which includes ‘base rent’ (lease rate per square foot of each commercial unit) plus a portion of the maintenance, insurance and property taxes. Property taxes are based in part on the assessed value of the property in question. BC Assessment, the provincial assessment authority, calculates property value based on the “highest and best” potential use of a building, with the expectation that the site will be used to generate maximum revenue (Urban Systems et al., 2020; Regan, 2017). For example, if a single storey commercial building is located in an area zoned for mixed-use, then it would be assessed and taxed on the potential property value of a mixed-use development rather than the existing value of a single storey commercial building. In this way, property owners are incentivized to redevelop (or sell to a developer) to address the burden of paying additional taxes as a result of high property taxes on an “underdeveloped” site (Urban Systems et al., 2020). As property assessments based on potential value rise, the increasing tax portion of property owner’s costs is transferred to business tenants under the terms of their lease.

The City of Vancouver’s *Retail-Commercial District Small Business Study (Draft)* found that assessed property values have increased substantially in the past eight years, particularly in areas with recent community plans where zoned development potential has been increased. (Urban Systems et al., 2020). This is one way in which commercial spaces can become unaffordable to tenants and threaten the stability of independent businesses that may not have the resources to withstand tax increases. Similarly, high rents in redeveloped buildings may also displace businesses or create a barrier to entry for new entrepreneurs (LaVecchia & Mitchell, 2016). Another factor of affordability is the financing and pre-leasing of commercial spaces in redeveloped buildings, which chains are more likely to afford. In a 2017 study on the rate of change along Vancouver’s Main Street, Regan found that new development is contributing to an overall increase in chain businesses and a decrease in independent storefronts in redeveloped areas (Regan, 2017). Proven chains are seen as more dependable and are typically anchor tenants that can help attract a greater retail mix. If a property has set up a pre-lease agreement or secured a chain tenant prior to development, banks and other lenders provide lower interest rates and more flexible terms (LaVecchia & Mitchell, 2016). This also benefits developers as it gives them financial assurance without needing to search for and procure suitable independent businesses (Three Sixty Collective, 2019).

The physical form of new development is another element that impacts independent occupancy. New projects tend to include larger commercial spaces opposed to older buildings with smaller units. These larger spaces are designed for chains and are not as suitable or affordable for independent businesses that are more successful in smaller floor plates typically between 1,000 to 2,000 square feet (LaVecchia & Mitchell, 2016; Urban Systems et al., 2020; Chow, Laura et al., 2020). Flexible and convertible spaces can also be more conducive for small businesses as they allow for the dividing or combining of units based on what the tenant requires (Form Real Estate Advisors, 2019). An appropriate mix of unit sizes is important for attracting a diversity of business types.

Reasons for Vacancy

Vacant storefronts impact the vibrancy of a City and can contribute to public unease over the rate of change through development (Jaffe & Quirk, n.d.). While some vacancy is healthy for a commercial precinct, the percentage of vacant storefronts on a linear street should remain below 10%. However, in four out of the six Vancouver neighbourhoods examined in the *Retail-Commercial District Small Business Study (Draft)*, the vacancy rate surpassed 10%. (Urban Systems et al., 2020). Vacancies are often also due to barriers of access for independent business. These barriers include large commercial spaces that are not suitable for small independent retailers, unaffordable lease prices or unfavourable lease terms that require long term commitment.

Large format retail units, specifically purpose built or big box stores, can lead to vacancy when the original tenant leaves and that space is not suitable for any other business (Chow, Laura et al., 2020). Vacancy can also be a result of planning strategies that regulate the specific businesses occupying commercial spaces in an effort to maintain a particular neighbourhood character to attract desired residents (Zukin, 2016). The market can act in the same way. When leases are so high in particular areas that buildings stay vacant because they are unaffordable to businesses, this results in “high end blight” (Regan, 2017). Property owners may also stall occupancy by holding out for tenants that are able to commit to higher or longer-term leases, typically targeting chains. This may happen more often in properties owned by international corporations, rather than those owned by individuals or business owners, where the primary motive of corporations is investing in the rising value of real estate rather than collecting rent (Mudede, 2015). In Vancouver, the number of developer or corporate owned properties has increased in select neighbourhoods between 2012 and 2019 while owner-occupied spaces has decreased over the same amount of time (Urban Systems et al., 2020).

A 2018 study of mixed-use developments in Seattle found that vacancy, specifically in newer commercial units, was the result of gaps among what the city wants to provide, what private developers prioritize and what small businesses need (Lee, 2018). A business may be attracted to smaller square footage but may also require close proximity to other destinations to sustain



Yutaka Seki, 2017

steady foot traffic. Whereas a developer may be incentivized to build larger retail spaces which are not desirable to smaller businesses, or the building is in a newly developed area that does not have the existing population to support additional retail (Lee, 2018). The City may plan for more retail in specific districts or corridors through zoning changes, but the market demand may not be enough to support new businesses there or may be driving demand from elsewhere. A similar imbalance currently exists in Vancouver's Point Grey Village, where the loss of Safeway grocery store as the retail corridor anchor, and the growth of commercial development at the nearby University, have significantly reduced the necessary foot traffic to sustain business. The older single-family neighbourhood does not have the existing density to support local retail and the high land value has elevated property taxes to levels that are driving long-time independent business tenants out of business or out of the area (Kurucz, 2020).

Rate of Change in Commercial Infrastructure

“Presenting commercial gentrification merely as a form of economic progress and a natural dynamic in the rise and fall of city districts is problematic. It does not consider the question of what happens when the process of replacement continues to such an extent that the ingredients that made the city successful in the first place are lost.”
(Ferm, 2016, page 406)

By influencing neighbourhood changes, plans and zoning bylaws have the most direct impact on local shopping streets. Planning tools determine the form of development permissible in particular areas, which influences the types of businesses that may be suitable to occupy them (Zukin, 2016). Seen in Toronto and Vancouver, neighbourhood planning policies such as historical preservation, traffic controls, low density zoning designations, and environment protection often accelerate changes in the local commercial landscape. In the Vancouver neighbourhood of Kitsilano for example, these “down zoning” policies resulted in lower densities and higher perceived quality of life (Ley & Dobson, 2008). The increased desirability created more demand and attracted a new demographic that could afford to live in the area, which in turn supported businesses that could cater to high-

income consumers. Alternatively, neighbourhood plans may explicitly or implicitly discourage commercial redevelopment, seen in parts of the Downtown Eastside, Grandview-Woodland and West End. Redevelopment and demographic change have been minimized in the Downtown Eastside through policy constraints as well as social housing obligations that removed properties from the private market entirely. In this way, the permanent removal of land from the private market is one long-term method to safeguard against heightened rates of change and potential business displacement (Ley & Dobson, 2008).

Although most existing literature suggests that changes in socio-demographic or consumer-based characteristics (i.e. household size, income, age) are the main drivers of independent business displacement (Meltzer & Capperis, 2017), some scholars such as Ferm argue that it is the financial gains from redevelopment, and the speed of transition, that is more likely the cause of displacement (Ferm, 2016). The displacement that occurs may be a result of “commercial upgrading” to support higher market businesses or development to mixed residential use. Ferm goes on to critique current policies aimed at preventing small business displacement through the provision of affordable commercial spaces in mixed use development. Because mixed-use typologies rely on the residential component as the financial driver, the design of the development is based around the needs of the residents rather than of the businesses. This may result in unsuitable spaces for future small businesses. Their findings also show that the adoption of “affordable workspace” policies by local authorities is inherently reliant on private-led development to secure social benefits through planning. Therefore, these policies are subject to a growth-dependent model that by nature, increases the pace of redevelopment, further exacerbating displacement. By introducing these policies, the impact on surrounding land values may do more to speed up redevelopment processes while ultimately failing to prevent the loss of existing business locations (Ferm, 2016). The literature does not indicate specific rates of change in percentage of building turnover per year, although it does discuss ways to support independent businesses occupying new spaces after redevelopment.

Older buildings typically provide flexible, more affordable space desirable for independent retailers. Monitoring and maintaining the age diversity of buildings within a particular neighbourhood is essential to supporting a healthy mix of business types. A 2014 study conducted by the National Trust for Historic Preservation found that established commercial areas with a mix of older, smaller building stock performed better than districts with a majority of larger, newer developments. This was determined by statistically assessing the relationship between the age and size of buildings and 40 economic, social, cultural and environmental performance metrics (National Trust for Historic Preservation, 2014). This supports the concept that regulating or influencing the pace of redevelopment is important for protecting older buildings that greatly contribute to local economies and livable communities (Powe et al., 2016). In order to keep a consistent age-diversity of buildings, cities should promote incremental or

granular change opposed to rapid change through large area redevelopment or major capital investment (King, 2013).

Building adaptation is one way in which municipalities can moderate redevelopment by transforming, altering or rehabilitating an existing commercial property with the goal of achieving and maintaining its 'highest and best use' at a given point in time (Wilkinson et al., 2014). Douglas defines adaptation as any work done to a building to change its capacity, function or performance or any intervention to adjust, reuse or upgrade a building to suit new conditions or requirement (Douglas, 2006). If financially feasible, targeted adaptation offers an extended life cycle for older building stock and may better stagger the timing of redevelopment in a given neighbourhood. Municipal programs or incentives are often necessary to ensure that the property can be re-purposed without speculative lease increases for current tenants. In strong real estate markets (such as Vancouver), tax or grant incentives given to property owners may be insignificant for building adaptation projects. Instead, height and density transfers can allow developers to build a taller building on a site in a different neighbourhood if they protect the older existing building (Shiple et al., 2006). The City of Vancouver currently provides the option of transferable density for the preservation of heritage properties designated in the Vancouver Heritage Register (City of Vancouver, 2013).



This section outlines the process of data collection and analysis. It discusses limitations with the chosen analysis method (Google Street Archives) and constraints with the study sample. It aims to define key vocabulary, data sources and observed variables as part of the sample population.

METHODOLOGY

Overview

Preceding retail studies and local anecdotal information have supported the theory that new development in Vancouver favours chains disproportionately compared to independents. Factors such as affordability of rent and pre-leasing agreements are known to affect this trend as well. Due to the limited data available on lease arrangements, pre-leasing history, business revenue and rent prices, we focus on whether new development disproportionately supports chains over independents. The analysis confirms whether a “friendliness” exists for a particular business type and if it does, how long it persists.

The primary methodology used in this research was a comparison of Google Street View Archives on 71 Vancouver properties throughout time. Through this method, the following data features were collected for each property at three points in time over seven or eight years:

- Building typology of each development
- Vacancy status: if the unit was leased or not
- Occupancy status: the name of the business occupying each unit
- Longevity: length of time that a business remained in a unit

A seven or eight year timeline was chosen as a balance between observing enough time to note change as buildings aged, and being constrained by Google Street View as a key data source (discussed below).

These observations were corroborated using City of Vancouver business license data. The type of each specific business (i.e. independent or chain) was recorded based on the number of locations listed on each business' website or from other information found online.

This information informed a comparative analysis of business type and building age to evaluate:

- Retail business types occupying units of recently redeveloped buildings and older, more established buildings
- Longevity of different business types occupying units of recently redeveloped buildings and older buildings
- Vacancy rates within units of recently redeveloped buildings and older buildings

Definitions

Commercial retail unit (CRU): Space within a commercial building that may be leased by businesses to provide or distribute goods and services for the use and consumption of the purchaser (Wallenburg, 2019). The area of a CRU may vary from small (800 to 1,500 sq. ft), medium (1,500 to 4,000 sq. ft) to large format (15,000 sq. ft and above) (Chow, Laura et al., 2020). For the purpose of this study, the sample was limited to ground floor and street-facing CRUs. Data was not collected on CRU size.

Chain business: A centrally owned and operated organization operating in 4 or more locations in the same industry. Compared to independent businesses, chains typically have more standardized products, branding and appearance across all locations (Urban Systems et al., 2020).

Independent business: A centrally owned and operated organization with 3 or fewer locations in the same industry (Urban Systems et al., 2020). For the purpose of this study, not for profit organizations were also categorized as “independent”, as they face similar challenges for leasing commercial space.

Chain-friendly: A building that generally attracts and retains chain businesses at a proportionally higher percentage than independent businesses. This may be caused by a number of factors including building location, CRU sizes, pre-leasing agreements, tenant incentives (especially if a chain is the anchor tenant).

Independent-friendly: A building that generally attracts and retains independent businesses at a proportionally higher percentage than chain businesses over a period of time. Building age, CRU size, cost of rent and location may contribute to this.

Rate of neighbourhood commercial change: The speed at which commercial buildings are redeveloped or newly constructed in a particular area. Although neighbourhoods may experience changes in population and socio-economic characteristics, this research focuses on physical change of building composition.

Data Sources

SOURCE	PURPOSE
2019 BC Assessment Data	Identifying year of development and neighbourhood in order to generate a sample of recently redeveloped properties and of older properties.
2019 (and older) CMI Data	Cross-referencing with BC Assessment data to determine samples. This data was also used to determine the name of a business occupying a retail space in a given time period if it was not apparent on Google Street View.
Google Street View Archives	Recording the typology, number of units, name of business occupying each unit and perceived vacancy status for each property
Google Web Search	Determining the type of business (i.e. independent or chain) occupying each unit
City of Vancouver Business Licenses	Determining the type of business (i.e. independent or chain) occupying each unit

Limitations

Google Street View Archive

Availability of data on Google Street View Archive was the primary limitation to data collection and analysis. The oldest archived “views” were from 2007 and 2009, which constrained the sample of redeveloped properties to those redeveloped in 2008 or later. This was important to ensure that the first observed time period for the sample was one year or less after redevelopment. It was also difficult to keep the time periods consistent across all properties as data for a desired year may not be available in a particular neighbourhood or street section. To account for this, the time periods were three to four years apart and relative to each property’s year of development.

Another restriction was the image quality of certain years on Google Street View Archives. Particularly in older street views, it was sometimes difficult to determine the name of businesses occupying a particular building because of poor image resolution or because another object was blocking the view (i.e. bus, landscaping, exterior construction). This resulted in several “Unknown” tenants that were later corrected using City of Vancouver business license data.

Neighbourhood Distribution of Sample

The available data from both CMI and BC Assessment produced a non-representative geographic distribution of properties throughout Vancouver neighbourhoods. Consequently, there is a potential for geographic bias in the study sample. The data first included all new 2008 and 2009 developments that were present in both the CMI and BC Assessment datasets. Adding to this sample, 2010 and 2011 developments from underrepresented neighbourhoods were included. The random sample is mostly a function of what areas experienced the most development between these time periods, but the unequal distribution was partially rectified by adding more developments from other neighbourhoods.

Defining the Population of Study

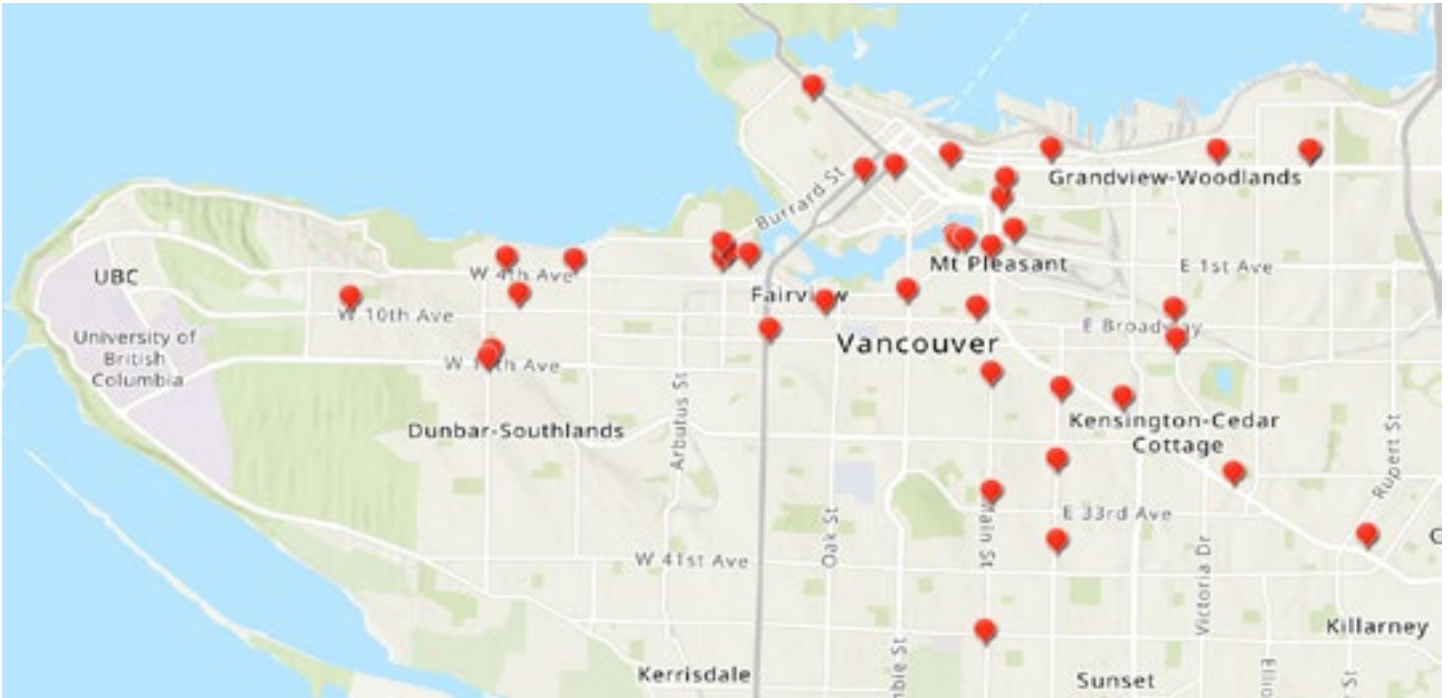
Sample Properties

The target population of the study is all street-facing retail units located on the ground floor of buildings within the City of Vancouver.

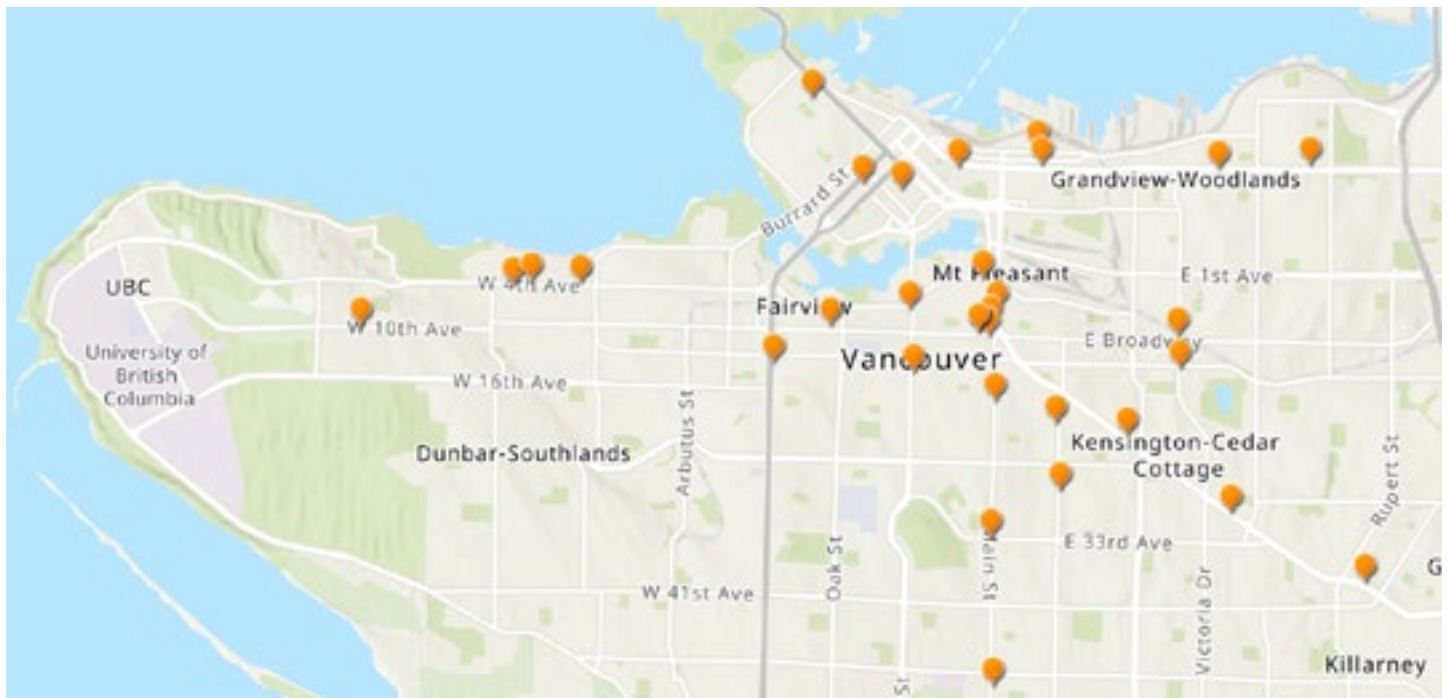
A random sample of 71 properties (40 redeveloped and 32 older) was recorded from a combination of City of Vancouver business licenses and BC Assessment data:

- *Redeveloped properties (40)*: Commercial properties that were redeveloped between 2008 and 2011. The sample of 40 properties represents approximately 30% of all properties developed between 2008 and 2011 in the City. It was important that the sample of redeveloped properties fall within these four years in order to show roughly seven or eight years of change from the moment of redevelopment to present day. The sample size and geographic distribution was further constrained by the availability of data from CMI, BC Assessment and Google Street View Archives, where the oldest street views were from 2007.
- *Older properties (32)*: Commercial properties that were not recently redeveloped and are therefore more established in the neighbourhood. The date of construction for this sample ranged from 1901 to 1998. Each older property was adjacent or in close proximity to a redeveloped property so that the neighbourhood distribution was generally consistent.

Distribution of Redeveloped Sample: 40 Properties



Distribution of Older Sample: 32 Properties

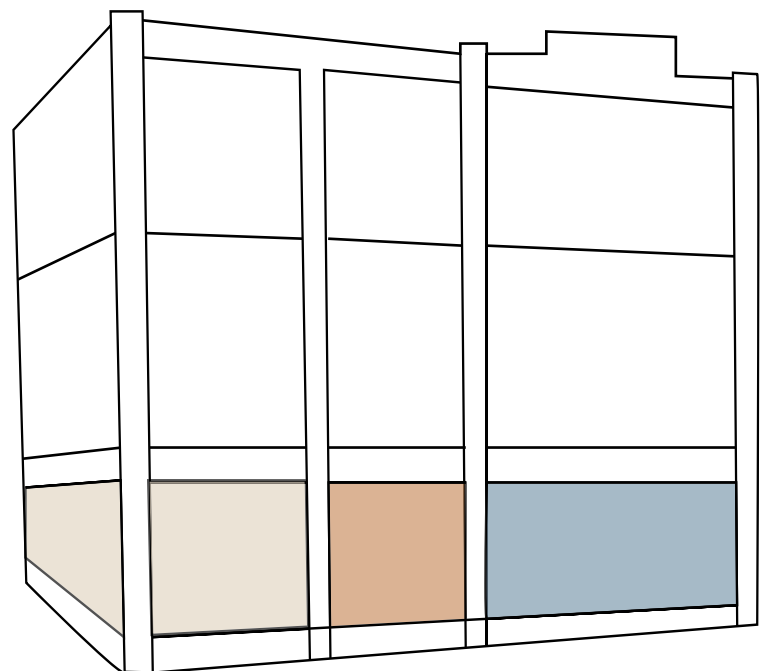
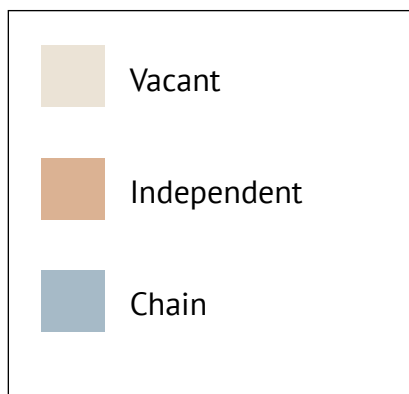


72 properties

Units and Occupancy

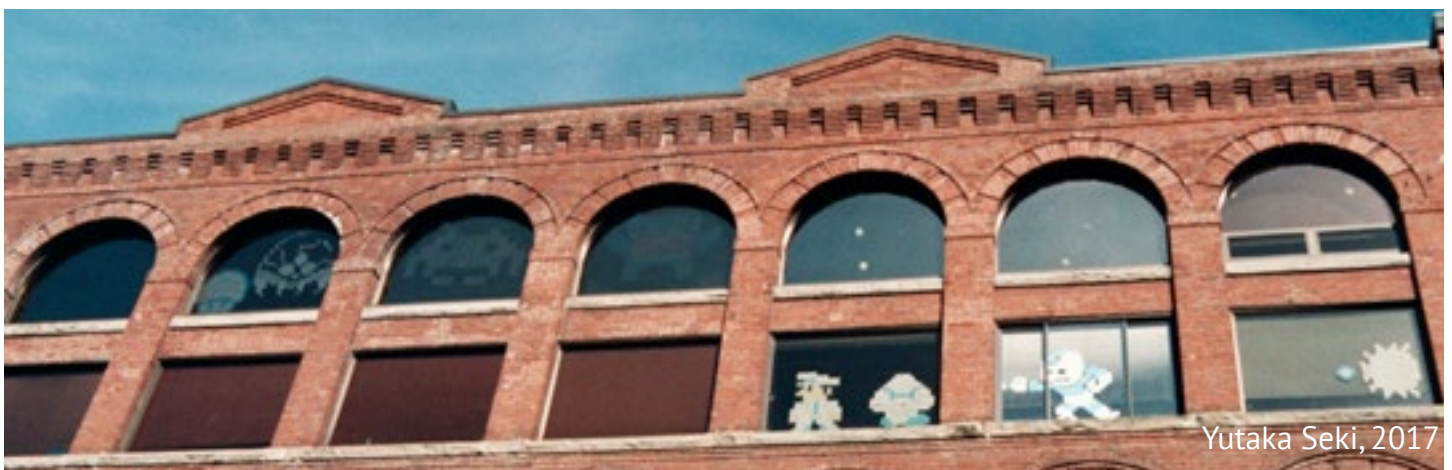
Statistics Canada defines a building unit as a part of a building that has its own entrance and its own identifier (or occupier). A total of 200 ground floor retail units from each property were included in the study. The number of units in each building ranged from 1 to 10 units.

The type of business occupying each unit was identified based on the number of locations listed on a business' website or from other information found online. A unit was categorized as vacant during a given time period if it was visually not occupied on Google Street View Archives, or if a "For Lease" sign was visible. For the purpose of this research, vacancy rates were calculated for each time period as a percentage of all ground floor CRUs in the redeveloped building sample and older building sample.



200 total units

Example of Business Occupancy by Unit

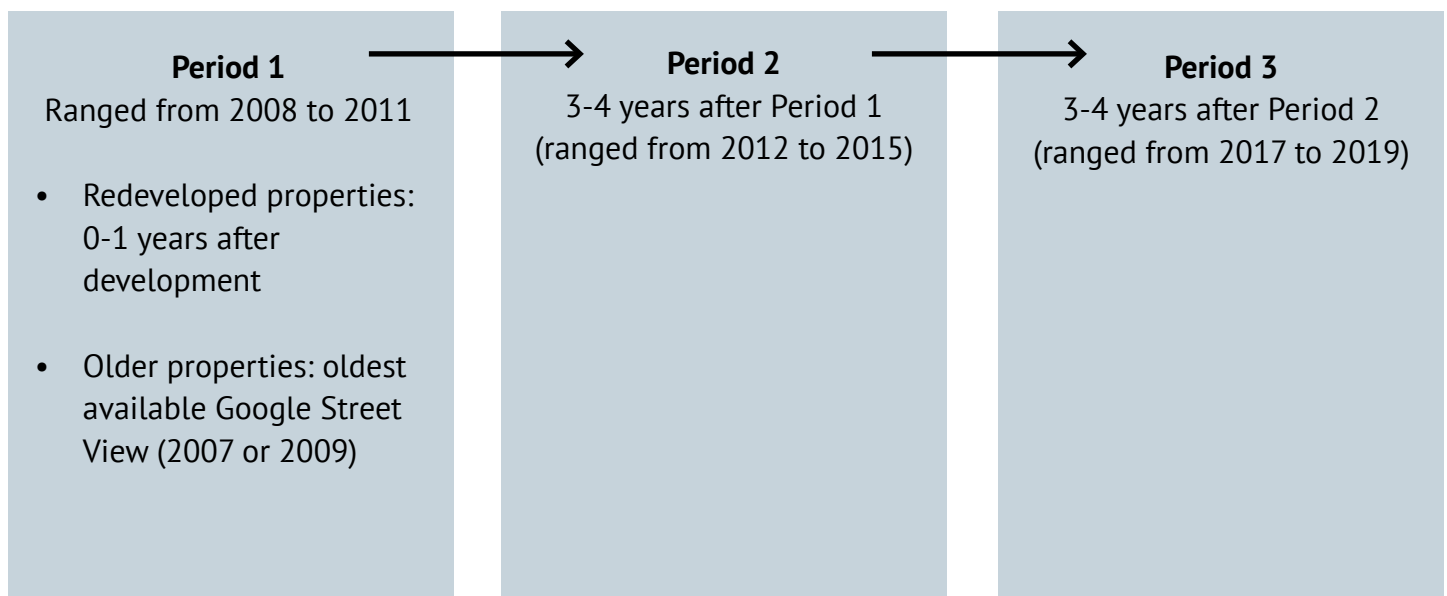
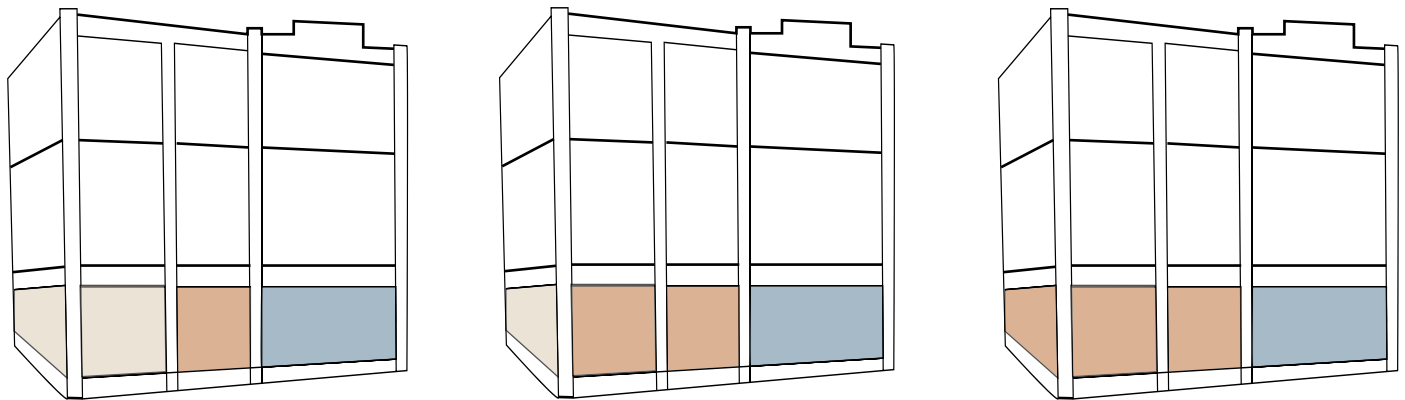


Yutaka Seki, 2017

Time Periods of Study

The analysis included observations for each unit across three roughly equal time periods spanning a total of seven or eight years. For redeveloped properties, the year for each time period was relative to the year each property was developed. For example, if a property was redeveloped in 2011, observations in Period 1 were from 2011 or 2012, depending on the data available. If a property was redeveloped in 2008, Period 1 was 2008 or 2009. This caused a small amount of variance between the year used for each time period but kept the interval between time periods consistent at three to four years. For older properties the periods of observation were selected to roughly match that of redeveloped buildings; Period 1 was constrained by the data available on Google Street View, where the oldest “views” were from either 2007 or 2009.

The overall range between Period 1 and Period 3 was seven or eight years, resulting in 600 total observations across all three time periods.



600 total observations across three time periods

Longevity

The longevity of individual businesses, or the number of years a business survives in a particular Commercial Retail Unit (CRU), indicates the strength of a local shopping street and economic stability. Shops that turn over quickly may suggest economic and social marginalization (Zukin, 2016).

By recording the businesses occupying each CRU at every time period, the study was able to determine patterns of business longevity. The measure of longevity corresponds to the period of observation. Thus, it was not possible to determine the exact length of time that a business occupied a space because observations were not continuous. For example, if a business was present in 2010 (Period 1), but not in 2014 (Period 2), we can assume that the business vacated the space sometime between 2010 and 2014 but do not know the specific year.

Neighbourhood Distribution

Table 1 shows the amount of older and redeveloped properties located in each Vancouver neighbourhood. Because the study was constrained by a specific period of redevelopment (2008-2011) and by the amount of data available on each property, there were not enough redeveloped properties to select a geographically representative sample.

	Older	Redeveloped	Total
Downtown	4	5	9
Dunbar-Southlands	0	2	2
Fairview	3	5	8
Grandview-Woodland	3	3	6
Hasting-Sunrise	1	2	3
Kensington-Cedar	3	3	6
Kitsilano	3	5	8
Mount Pleasant	9	8	17
Renfrew-Collingwood	2	2	4
Riley Park	2	3	5
Sunset	1	1	2
West Point Grey	1	1	2
Grand Total	32	40	72

Table 1: Neighbourhood Distribution of Sample Properties

Building Typologies

Each property was categorized by one of four building typologies. Typology descriptions were created based on the building footprint, number of residential storeys, number of total storeys, and number of ground floor CRUs.

Typology (1): Small Commercial

- 1 storey commercial use only
- 1-3 small CRUs

Redeveloped



Older



N/A





Typology (2): Large Commercial

- maximum of 4 storeys of commercial use only
- 2+ CRUs
- or built for a specific occupier

Redeveloped



Older





Typology (3): Small Mixed Use

- maximum of 2 full storeys of residential
- 1-3 smaller CRUs on ground floor

Redeveloped



Older





Typology (4): Large Mixed Use

- more than 2 storeys of residential
- 3+ CRUs on ground floor

Redeveloped



Kingsway, Google Street View Archives (2019)

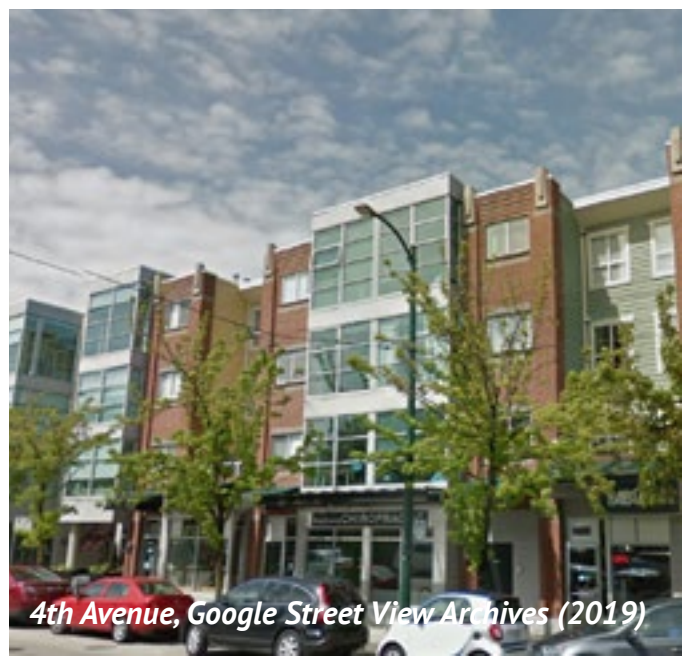
Older



Robson Street, Google Street View Archives (2019)



West Pender, Google Street View Archives (2019)



4th Avenue, Google Street View Archives (2019)



In the sample of older buildings, 50% were categorized as small mixed use (Typology 3) while the smallest percentage of older buildings (14%) were categorized as large mixed use (Typology 4). Both small and large commercial-only properties (Typologies 1 and 2) were equally present in older buildings (19%).

The majority of redeveloped buildings were classified as large mixed use (68%) while a very small percentage were found to be small commercial (3%). Larger commercial-only buildings and small mixed-use developments each made up 15% of the sample typologies.

Older Building Typologies

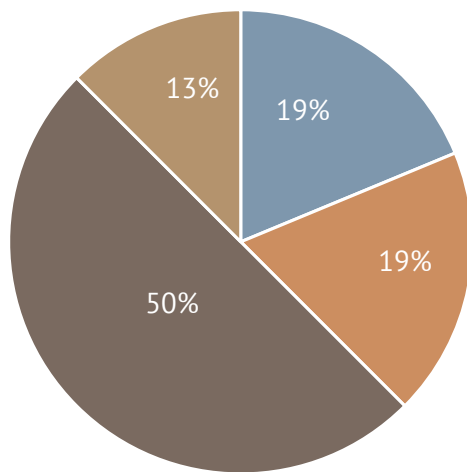


Figure 1: Typologies of Older Buildings

Redeveloped Building Typologies

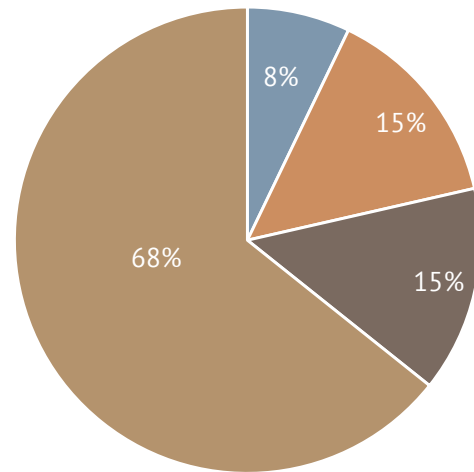
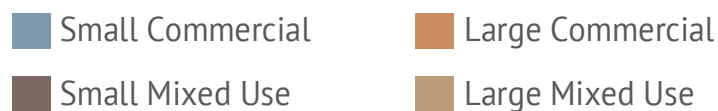


Figure 2: Typologies of Older Buildings



This section discusses the results of the quantitative and statistical analysis, which focuses on business type distribution across property samples, longevity of business types, and vacancy rates in redeveloped and older buildings. It also includes an inventory of policy and regulatory tools that are currently used by the City of Vancouver and other municipalities to support independent businesses.

KEY FINDINGS

Analysis

Business Type

Figure 3 shows the overall breakdown of business types for 200 CRUs in both redeveloped and older buildings. During each time period, there were more than twice as many independent retail businesses than chains occupying the sample properties. From Period 1 to Period 2, there was a significant increase in both independent and chain businesses due to occupied units that were previously vacant in Period 1 (27%). The distribution of business types remains fairly consistent between Period 2 and Period 3 with a 2% increase in independents and a 2% decrease in chain businesses.

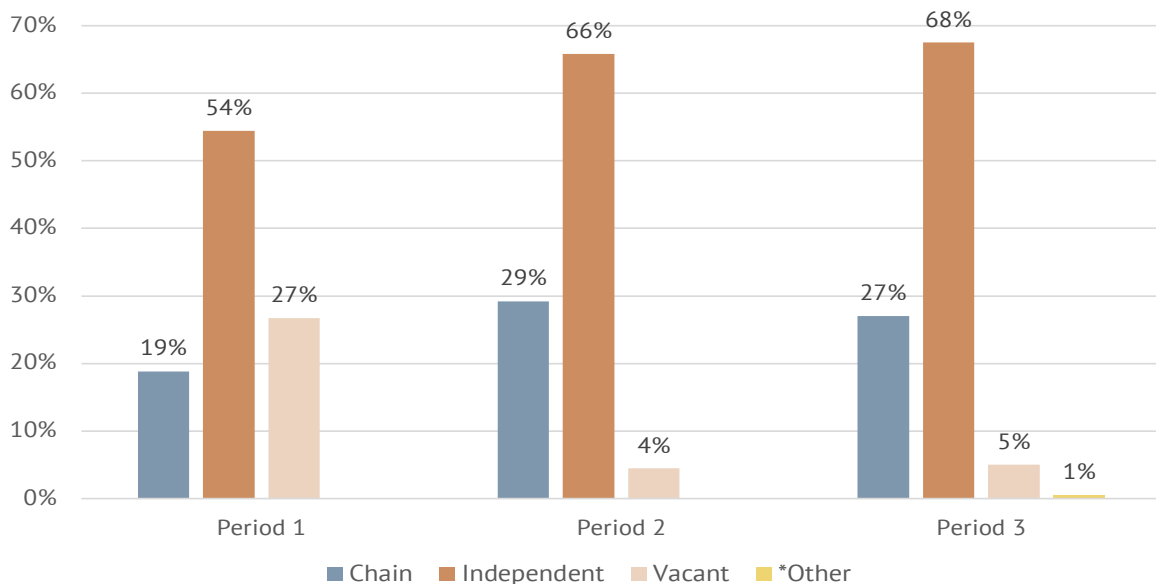


Figure 3: Business Type Distribution by Time Period

*Other: Vancouver Coastal Health

CHAIN VS. INDEPENDENT CITYWIDE

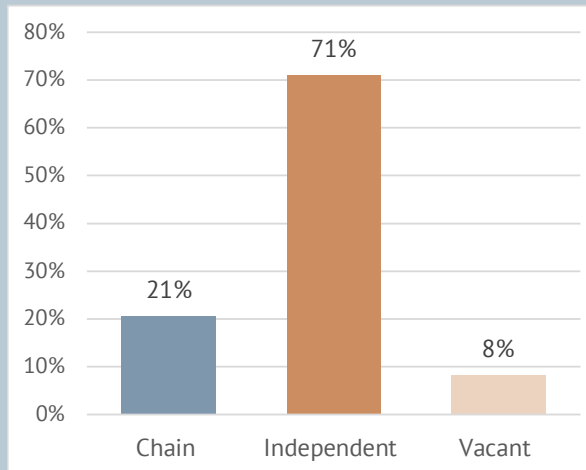


Figure 4: 2020 Business Type Distribution

Recent data from Vancouver’s city-wide retail inventory (under development) indicates that of all 6,304 commercial retail units recorded so far in 2020, 21% are chain businesses, 71% are independent and 8% are currently vacant.

This reflects the same trend seen in our study sample over time (Figure 3) as the proportion of independent businesses continues to increase citywide.

Further analysis was conducted to compare businesses type by property development status (older vs. redeveloped). Figure 5 shows that older properties have a significantly higher percentage of independent business occupiers (between 74% and 82%) than chains (between 14% and 20%) in each time period studied. By contrast, the percentage of chains in redeveloped buildings is proportionally higher (ranging from 22% to 35%).

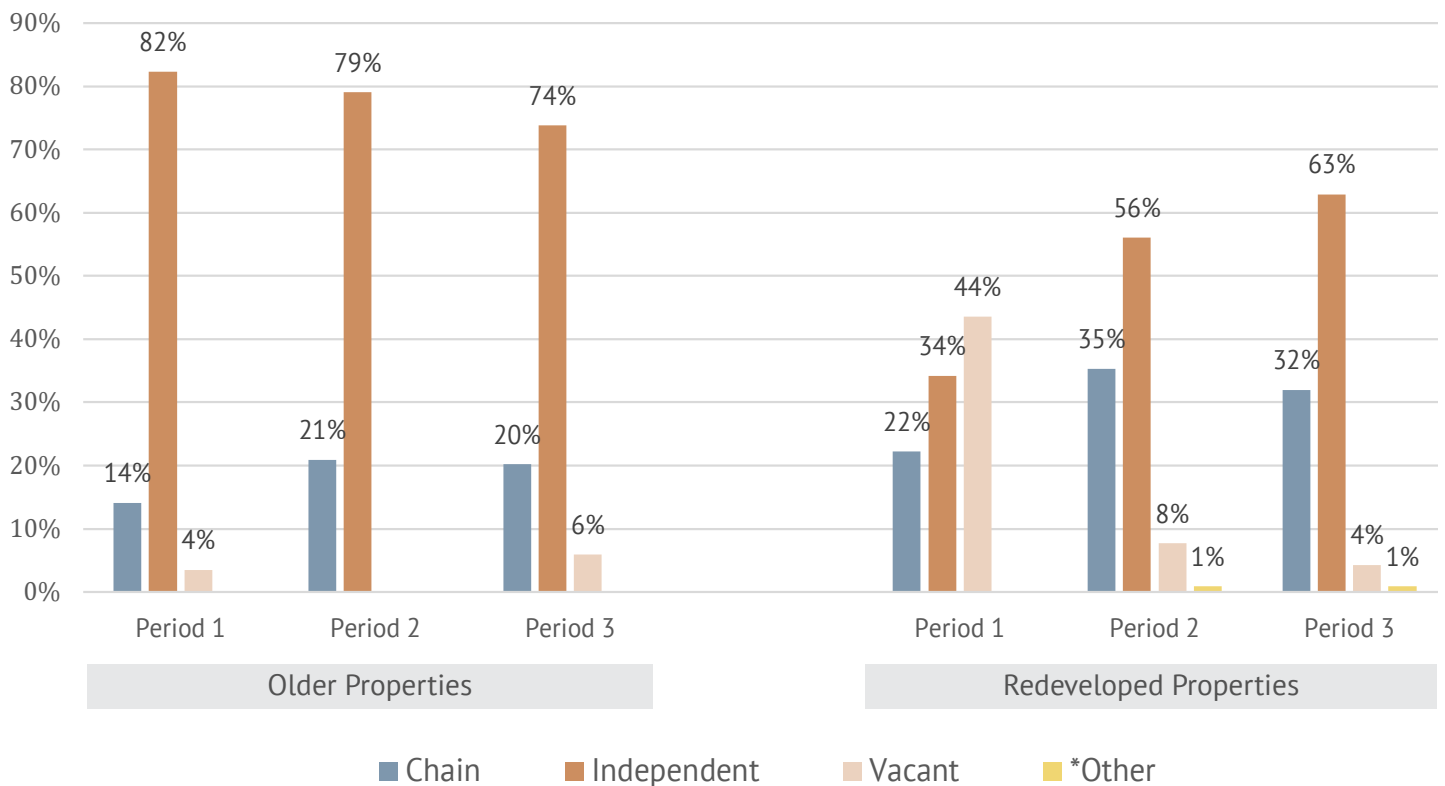


Figure 5: Business Type Distribution Over time by Building Status

*Other: Vancouver Coastal Health

The percentage of independents occupying older buildings have gradually decreased over time while independents in redeveloped buildings have consistently increased. As a result, the difference between independent occupiers in older buildings compared to those in redeveloped buildings has become smaller over time, going from a 48% difference in Period 1 to an 11% difference in Period 3.

One reason for this is the large percentage of vacancies in redeveloped buildings from Period 1 (0-1 years after redevelopment) that were later occupied in Period 2. This suggests that redeveloped buildings may not be independent-friendly at the moment of development, but independent occupancy gradually “normalizes” over time to reflect similar percentages seen in older buildings.

Independent occupiers decreased in older buildings over time and increased in redeveloped buildings. Chains demonstrated a significant increase in both building samples from Period 1 to Period 2 and stabilized afterwards.

However, since this is a small sample of all commercial units in Vancouver, these observed differences could be a result of the particular sample taken. To confirm whether these observations represent the “population” of retail businesses in Vancouver, the next section uses Chi-Square tests, a tool of statistical inference.

Chi-Square Tests

A Chi-Square test is a statistical tool for determining whether there is a significant relationship between categorical variables. It answers the question - do the values of one variable depend on the values of another variable? In this study, Chi-Square tests confirmed the strength of relationship between business type and development status (i.e. redeveloped and older). This is done by comparing the distribution that was observed to the distribution that is expected if there is no relationship between the two categorical variables (i.e. if there is no relationship between building status and business type). A P-value sets a threshold for significance and if less than .05, indicates that there is a significant relationship between the two variables (Frost, 2020).

In Period 1, the observed frequency of chain businesses in older buildings is less than the expected value ($12 < 21$). However, chain business in re-developed buildings occur more frequently than expected if the variables were not related ($26 > 17$). The reverse is true for independent businesses. The observed frequency of independents is more than the expected value in older buildings ($70 > 61$) and less in redeveloped buildings ($40 < 49$). With a P-value less than .05, the sample indicates that there is a statistically significant association between business type and development status in Period 1.

Period 1

OBSERVED			
	Chain	Independent	Total
Older	12	70	82
Redeveloped	26	40	66
Total	38	110	148
EXPECTED			
	Chain	Independent	Total
Older	21	61	82
Redeveloped	17	49	66
Total	38	110	148
CHI SQUARE			
	Chain	Independent	Total
Older	3.89	1.35	
Redeveloped	4.84	1.67	
Total			11.75

Table 2: Chi-Square Test between Business Type and Building Status in Period 1

P-VALUE 0.00061

Period 2

OBSERVED			
	Chain	Independent	Total
Older	18	68	86
Redeveloped	41	65	106
Total	59	133	192
EXPECTED			
	Chain	Independent	Total
Older	26	60	86
Redeveloped	33	73	106
Total	59	133	192
CHI SQUARE			
	Chain	Independent	Total
Older	2.69	1.19	
Redeveloped	2.18	0.97	
Total			7.03

Table 3: Chi-Square Test between Business Type and Building Status in Period 2

P-VALUE 0.008

Period 3

OBSERVED			
	Chain	Independent	Total
Older	17	62	79
Redeveloped	37	73	110
Total	54	135	189
EXPECTED			
	Chain	Independent	Total
Older	23	56	79
Redeveloped	31	79	110
Total	54	135	189
CHI SQUARE			
	Chain	Independent	Total
Older	1.38	0.55	
Redeveloped	0.99	0.40	
Total			3.31

Table 4: Chi-Square Test between Business Type and Building Status in Period 3

P-VALUE	0.069
---------	-------

The same difference in distributions occurs in Period 2. The P-Value is again less than .05, so a statistically significant association between business type and developed is also present in Period 2. With this sample, we can then infer that redeveloped buildings are more friendly to chains than independents in the first four years after development.

In Period 3, the P-Value is greater than .05 and therefore signifies that there is no longer a statistically significant difference in the observed distribution and expected distribution. Although there is a difference present, it is too small to claim that there is a significant relationship between the two variables of business type and development status. The small difference that does exist could also be a function of the sample; a larger data set could be used to confirm whether a relationship exists between development status and business type after eight years.

This test provides evidence that by Period 3, business type occupancy is no longer dependent on a building's age. Therefore, we are unable to claim that redeveloped buildings are more supportive to chains than independents at this point in a new building's life cycle.

These findings indicate that chains occupy new buildings at a higher frequency than expected compared to independent businesses, but after seven to eight years, independent businesses are observed with similar frequency regardless of development status.

Longevity

An analysis of each commercial unit's occupancy over time indicates how long individual businesses were leasing particular spaces. Although it was not possible to determine the exact length of time that a business remained in a space, if a business was present in two observed time periods, then the business was categorized as "Medium Term", lasting for only three or four years. Likewise, if a particular business occupied a unit in all three observed time periods, then it was categorized as "Long Term", lasting for approximately seven or eight years.

Figure 6 shows that in redeveloped buildings, the proportion of chain businesses that occupied the same unit for longer than seven years is 6% greater than that of independents (22% compared to 16%). Although almost equal proportions of chains and independents occupied the same unit for only 3 or 4 years, chains in redeveloped buildings are more likely to remain in the same space longer term.

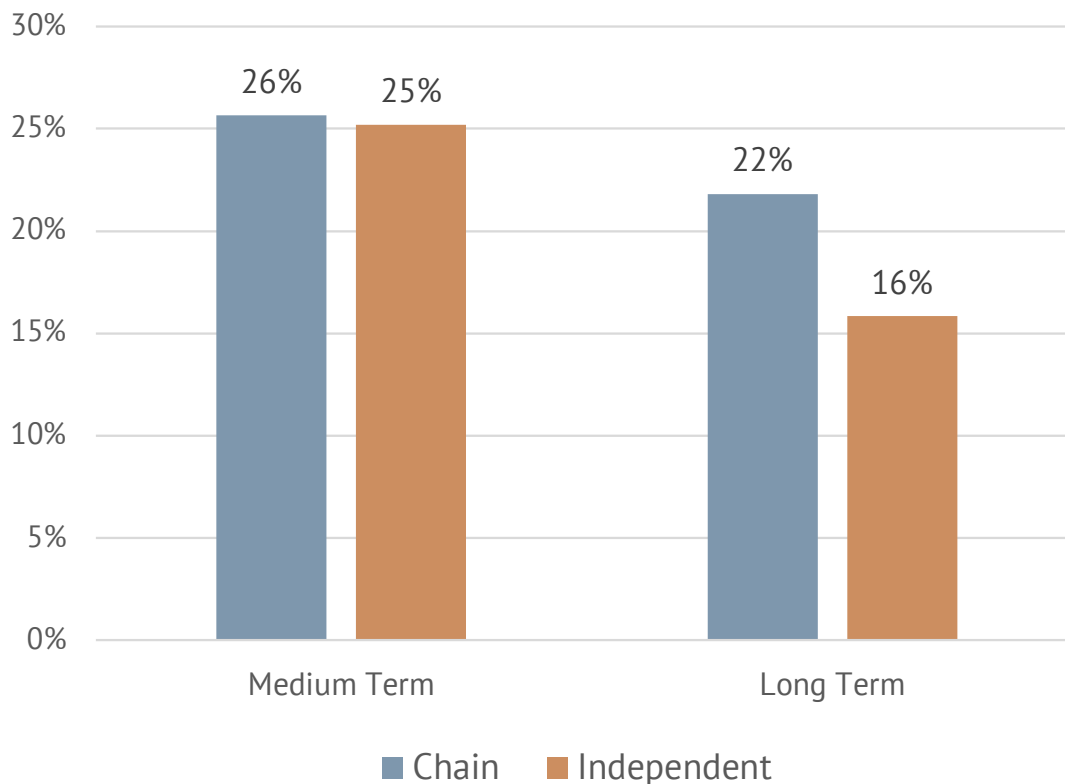


Figure 6: Longevity in Redeveloped Buildings by Business Type

Chains in redeveloped buildings are more likely to remain in the same unit for a longer period of time compared to independent businesses.

In contrast, there is not much difference in longevity between independent businesses and chain businesses in older buildings. Figure 7 indicates that there is only a 1% difference between the proportion of chains and the proportion of independents that occupied the same commercial space either medium or long term. This also shows a higher frequency of long-term businesses overall in older buildings compared to redeveloped (in Figure 6).

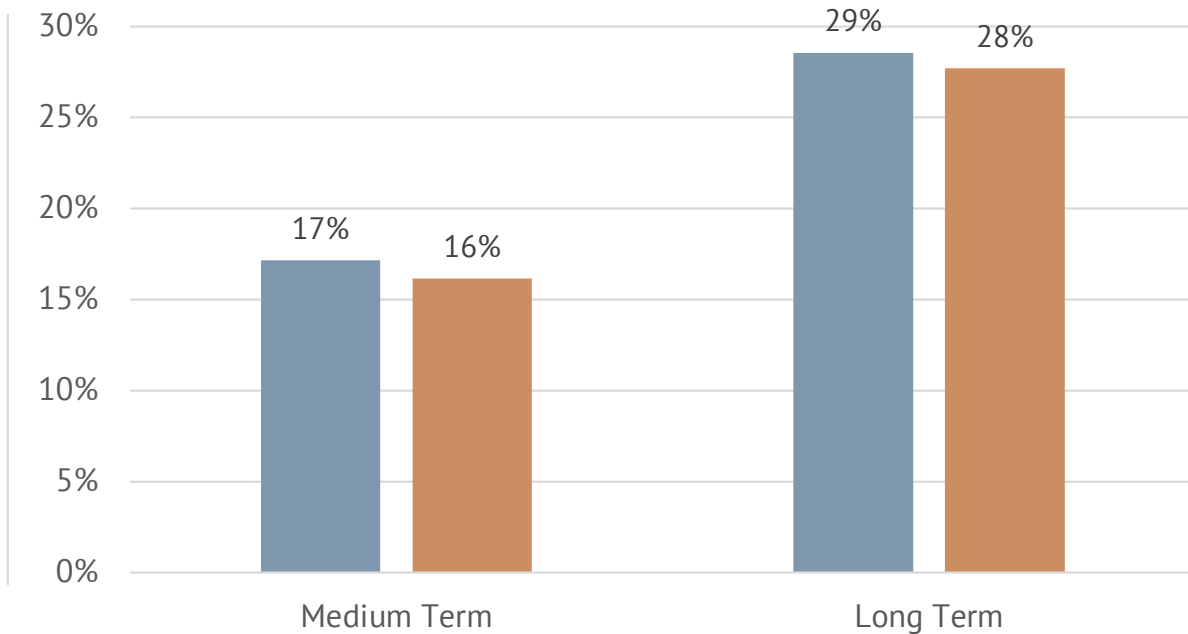


Figure 7: Longevity in Older Buildings by Business Type

There is very little difference in longevity between the proportion of independents and the proportion of chains that occupied older buildings medium and long term.

Having observed the likelihood of different business types operating in the same unit for a length of time, we can now analyze what happens to units when they do turnover from one business to another. In the following charts, “Lost Occupants” signifies that a business type was present in one time period of observation but not in the following period. “New Occupants” refers to the business type that replaced that which was lost. This may include vacant spaces if a CRU became empty and was not immediately filled.

Figure 8 indicates that of all businesses in redeveloped buildings that were lost over the period of study, 72% were independent and 28% were chains. Out of the businesses that replaced them, 69% were independent, 19% were chains and 13% remained vacant.

The proportional difference between lost independent occupants and new independent occupants suggests that although independents have a higher turnover than chains in redeveloped buildings, they also have a higher rate of occupancy when spaces become empty.

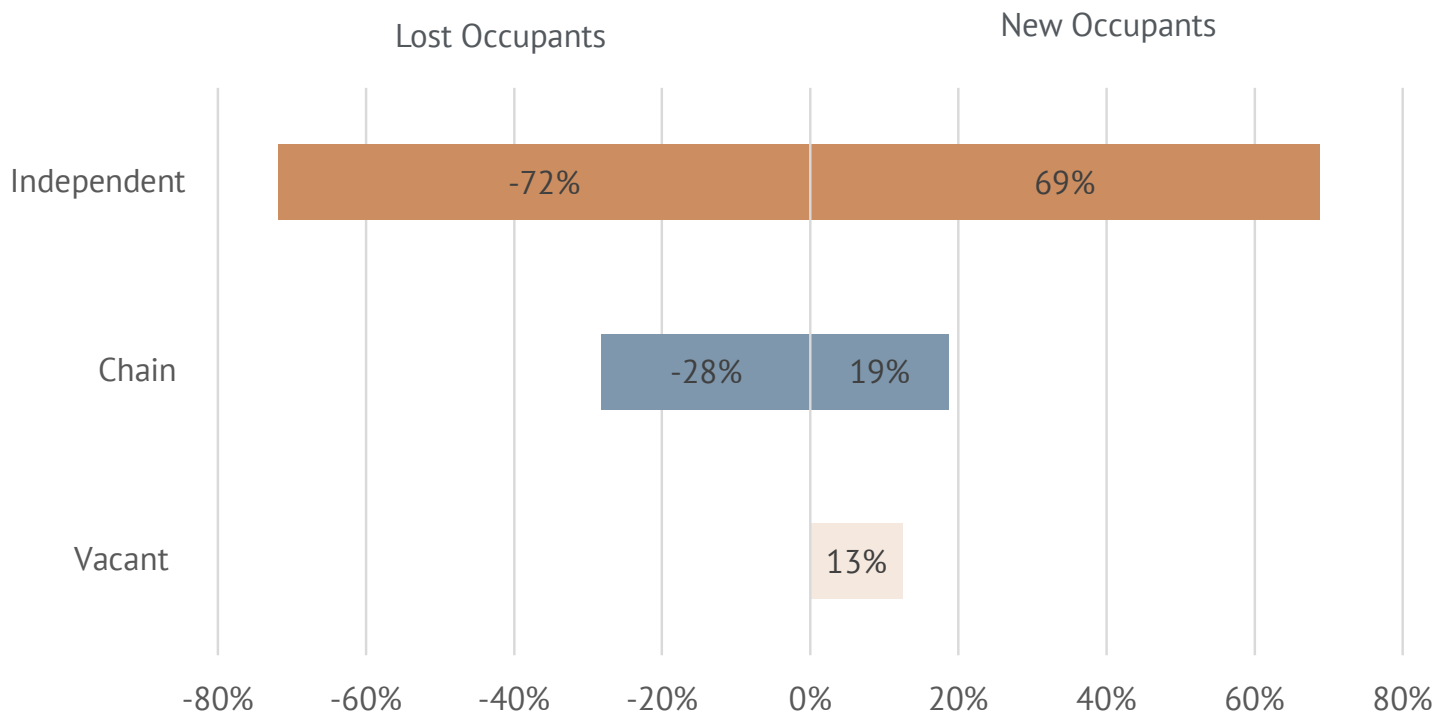
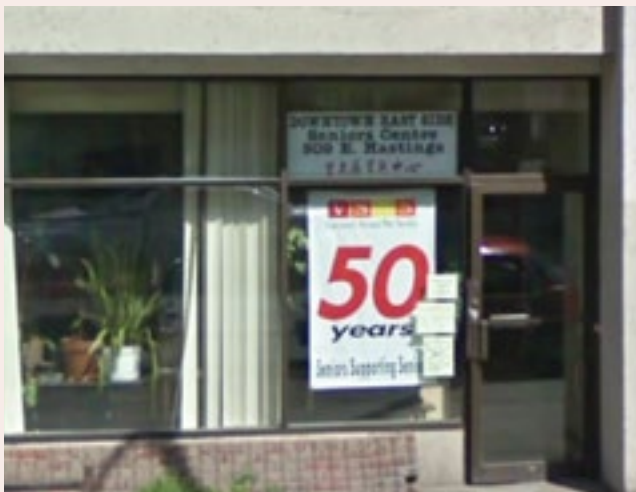


Figure 8: Lost vs. New Occupants by Business Type in Redeveloped Buildings



*East Hastings Street,
Google Street View Archives (2019, 2009)*

However, this pattern of replacement does not appear in older buildings. In comparing the percentage of occupants lost to those that replaced them (Figure 9), 94% of lost occupants were independents compared to the 72% that occupied the spaces afterwards.

Meanwhile, chains accounted for 6% of total occupants lost but 19% of the businesses that replaced them. This difference in ratio suggests that as independents move out of units in older buildings, they are being replaced by chains. The comparison of lost occupants also shows that chains do not vacate units in older buildings as frequently as independent businesses overall. This is consistent with the trends showing overall business type distribution in each time period (Figure 3) as the proportion of chains slowly increases over time.

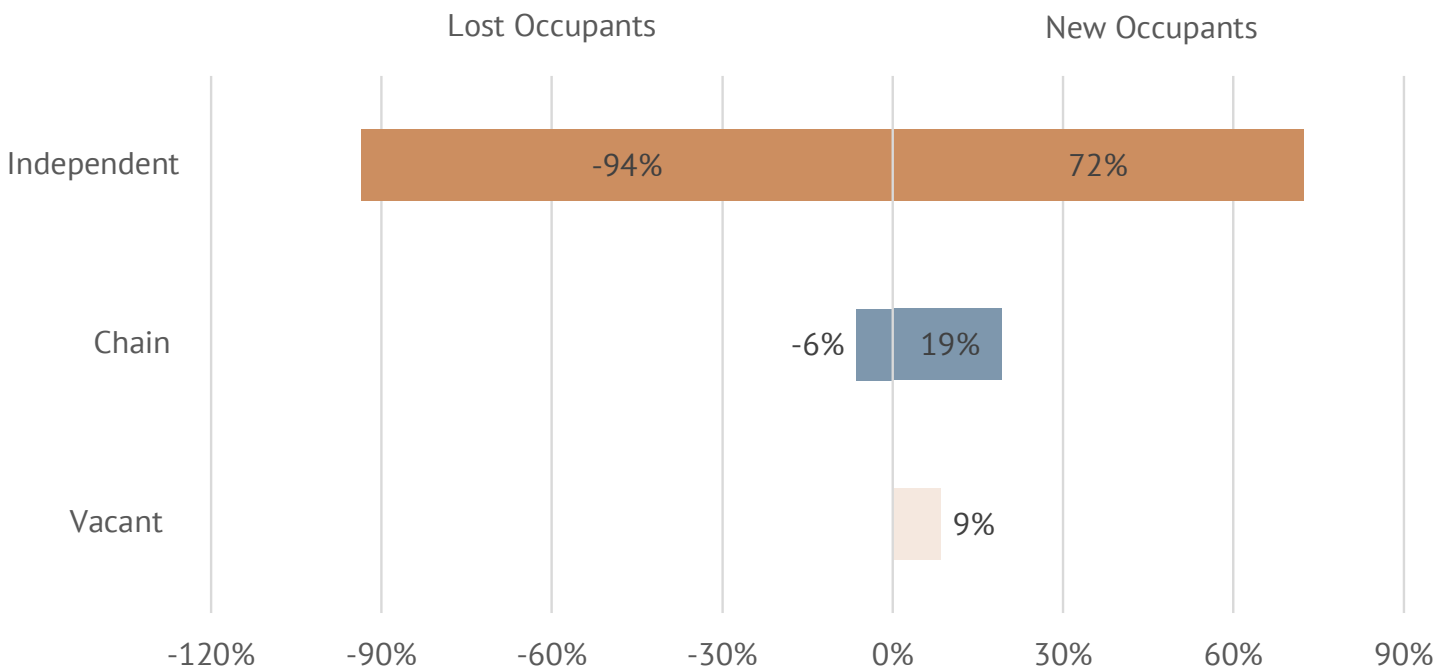


Figure 9: Lost vs. New Occupants by Business Type in Older Buildings

In older buildings, chains were less likely to leave the commercial spaces they occupy and more likely to become new occupants than independent businesses.

Vacancy

Vacancy rates over time are often economic indicators of certain market conditions or constraints. By analyzing vacancy within the study sample, we are able to determine whether those conditions have disproportionately impacted independent businesses compared to chains.

Figure 10 shows the number of vacant units in older buildings in one time period and the type of business (if any) that occupy those units in the next period. All vacant units in older buildings from Period 1 were filled by independent businesses in Period 2, which resulted in no vacancies among the sample group. There were 5 vacant units present in Period 3.

Overall, this does not indicate a significant trend in vacancies or the type of businesses that fill them in older buildings.

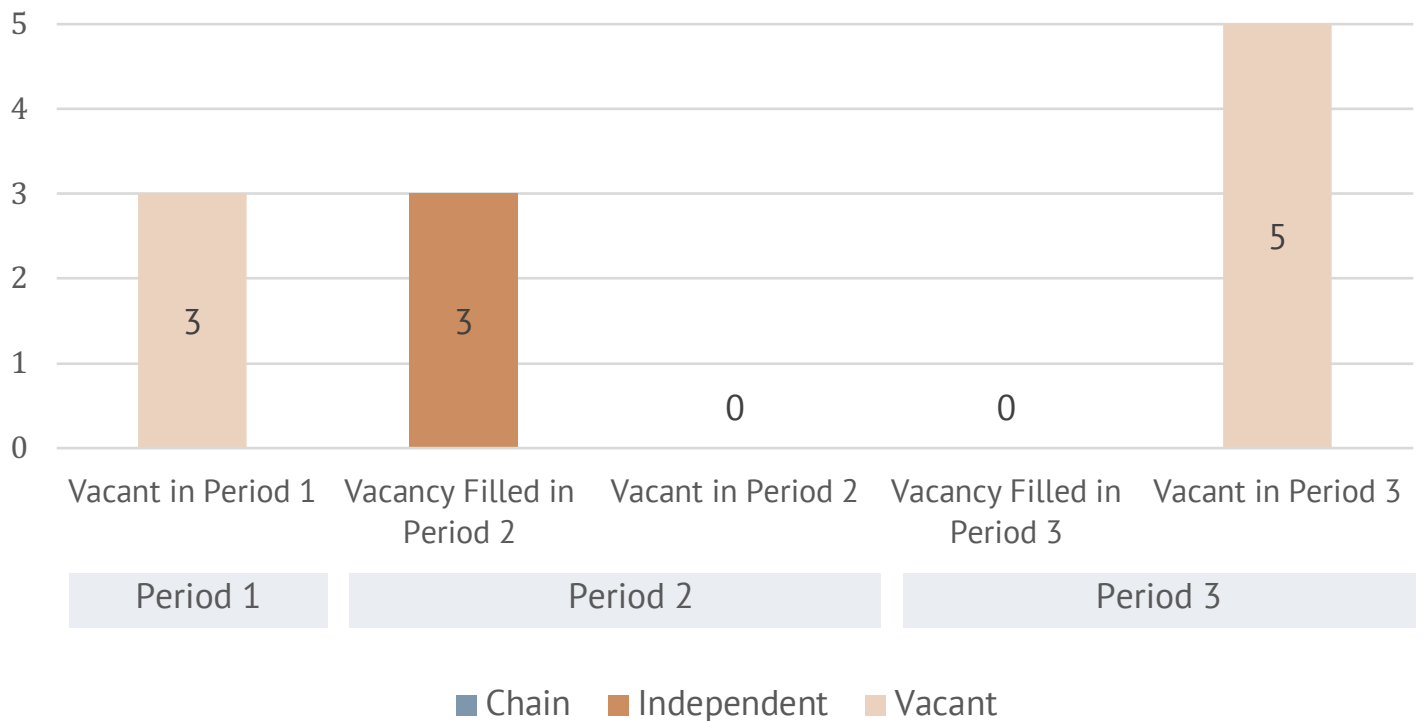


Figure 10: Vacancies in Older Buildings Over Time

For the redeveloped building sample, these findings will focus primarily on vacancies in the first year after a building has been redeveloped and the type of businesses that fill those vacant units in Period 2. We can assume that when a unit is vacant in the first year after redevelopment, then it was not pre-leased to a tenant. By analyzing how this particular set of vacancies was filled, the effect of pre-leasing can be removed, and the effect of the 'newness' of the building can be better isolated.

Building age may not have an effect on the occupancy type. Rather it may be the ability (or lack thereof) of independent businesses to lease out new units when a property is redeveloped. In order to understand these potential barriers to occupancy that businesses may face at the time of redevelopment, we can analyze the 51 vacancies seen in Period 1 of redeveloped buildings (from Figure 11).

These vacancies are important because they signal that the unit was not pre-leased but was still recently developed.

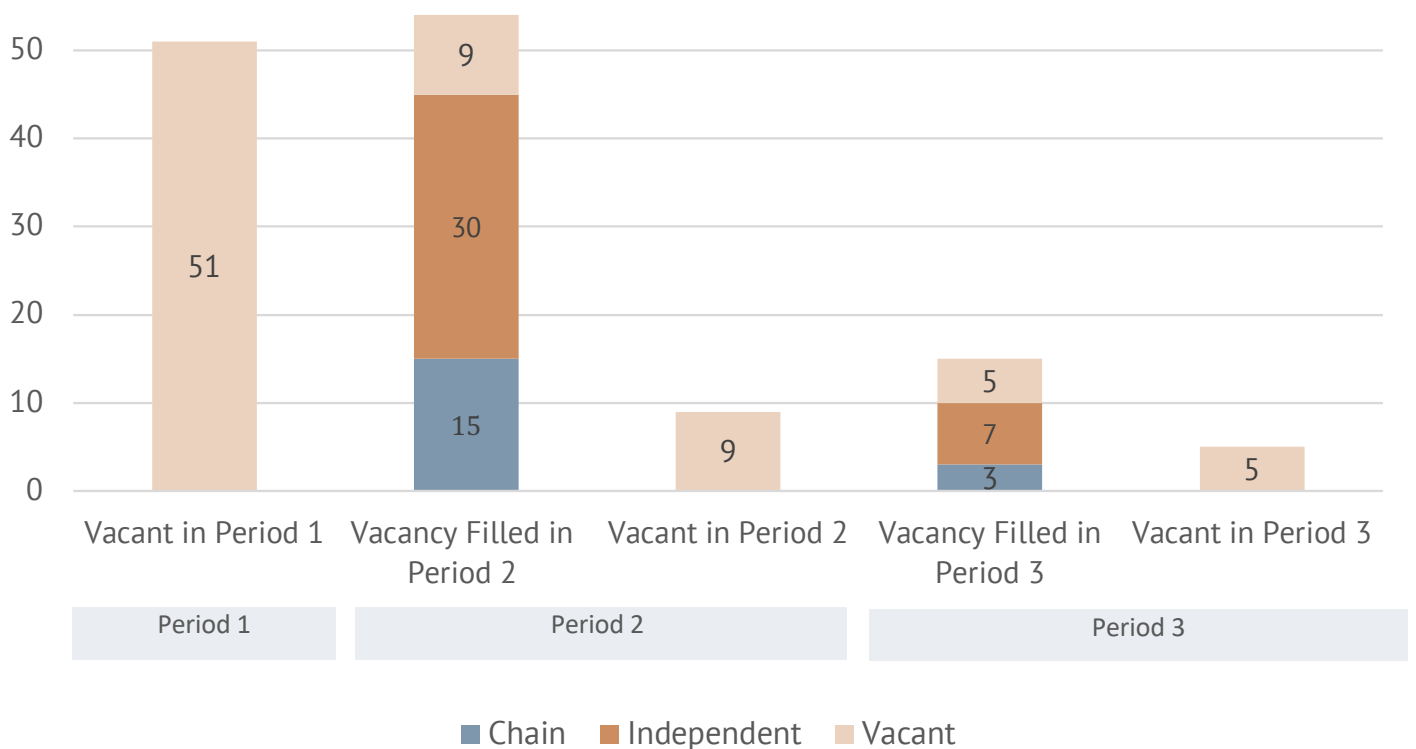


Figure 11: Vacancies in Redeveloped Buildings Over time

The distribution of business types within the 51 filled vacancies in redeveloped buildings (Figure 12) shows that 56% of vacant units were filled by independents and 28% were filled by chains. In comparing this ratio to the business type distribution among all redeveloped buildings in Period 2, the same percentage of independents is observed. Notably, the proportion of chain businesses is less in the sample of units that were not pre-leased compared to chains in all redeveloped buildings.

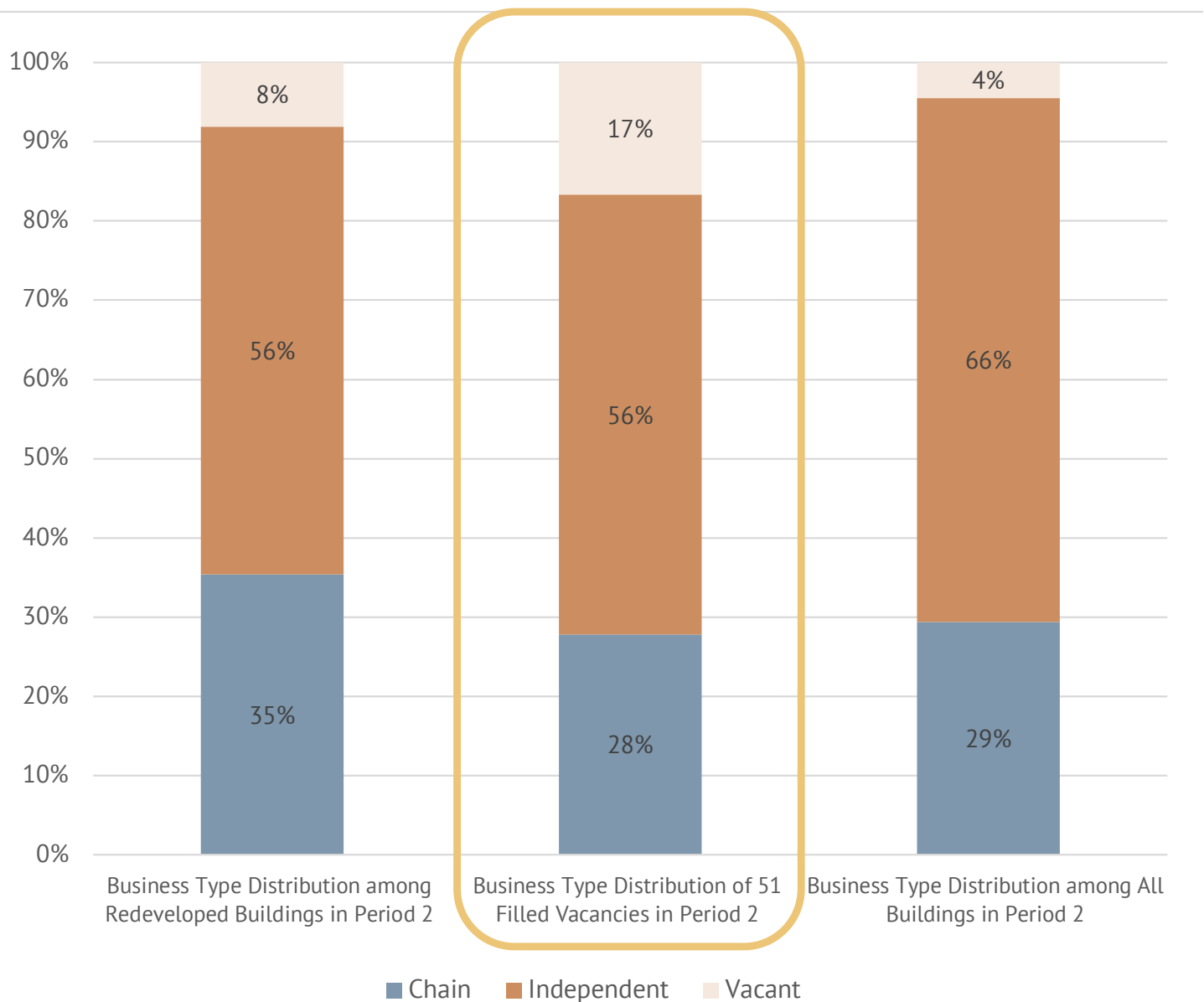


Figure 12: Comparisons of Business Type Distribution

The percentage of chains in the 51 filled vacancies is more reflective of the proportion of chains among all buildings (redeveloped and older) in Period 2. The percentage of independents is less than that found in all buildings which, along with the 17% vacancy rate, suggests that the sample of Period 1 vacant units has not completely “normalized” to the same ratio of business types seen in all buildings.

This suggests that chains have an initial competitive advantage over independents when leasing new commercial space at the moment of redevelopment or soon after. Once that initial period has passed (within one year or less), that advantage has substantially diminished. This may be associated with the pre-leasing practices identified in the literature, or other factors, such as a high initial lease price that is lowered as the unit remains empty.

Table 5 summarizes the results of a Chi-Square test comparing the business types that enter spaces in new development that were identified as vacant in Period 1 against the business type proportions for all sample units in Period 2. Of the 51 new units in redeveloped buildings that were vacant in Period 1, 45 were filled by chains or independent businesses (six remained vacant). These 45 occupancies were tested against the business type distribution of all buildings in Period 2 in order to examine patterns of occupancy without confounding variables (e.g., pre-leases, overpriced lease rates).

The Chi-Square test shows no statistically significant difference in the rate that chains and independents fill these newer spaces compared to all sample units. In other words, it indicates that vacancies in redeveloped buildings are filled by chains and independents at approximately the same proportional rate compared to units overall. This means that three or four years after redevelopment, independents have roughly the same chance of occupying new commercial space as chains. Therefore, this analysis shows that it is only during the initial occupancy (within one year or less of development) that chains enter commercial spaces at a proportionally higher rate than independents.

OBSERVED			
	Chain	Independent	Total
51 Filled Vacancies in Period 2	15	30	45
All CRUs in Period 2	59	133	192
Total	74	163	237
EXPECTED			
	Chain	Independent	Total
51 Filled Vacancies in Period 2	14	31	45
All CRUs in Period 2	60	132	192
Total	74	163	237
CHI SQUARE			
	Chain	Independent	Total
51 Filled Vacancies in Period 2	0.06	0.03	
All CRUs in Period 2	0.02	0.01	
Total			0.12

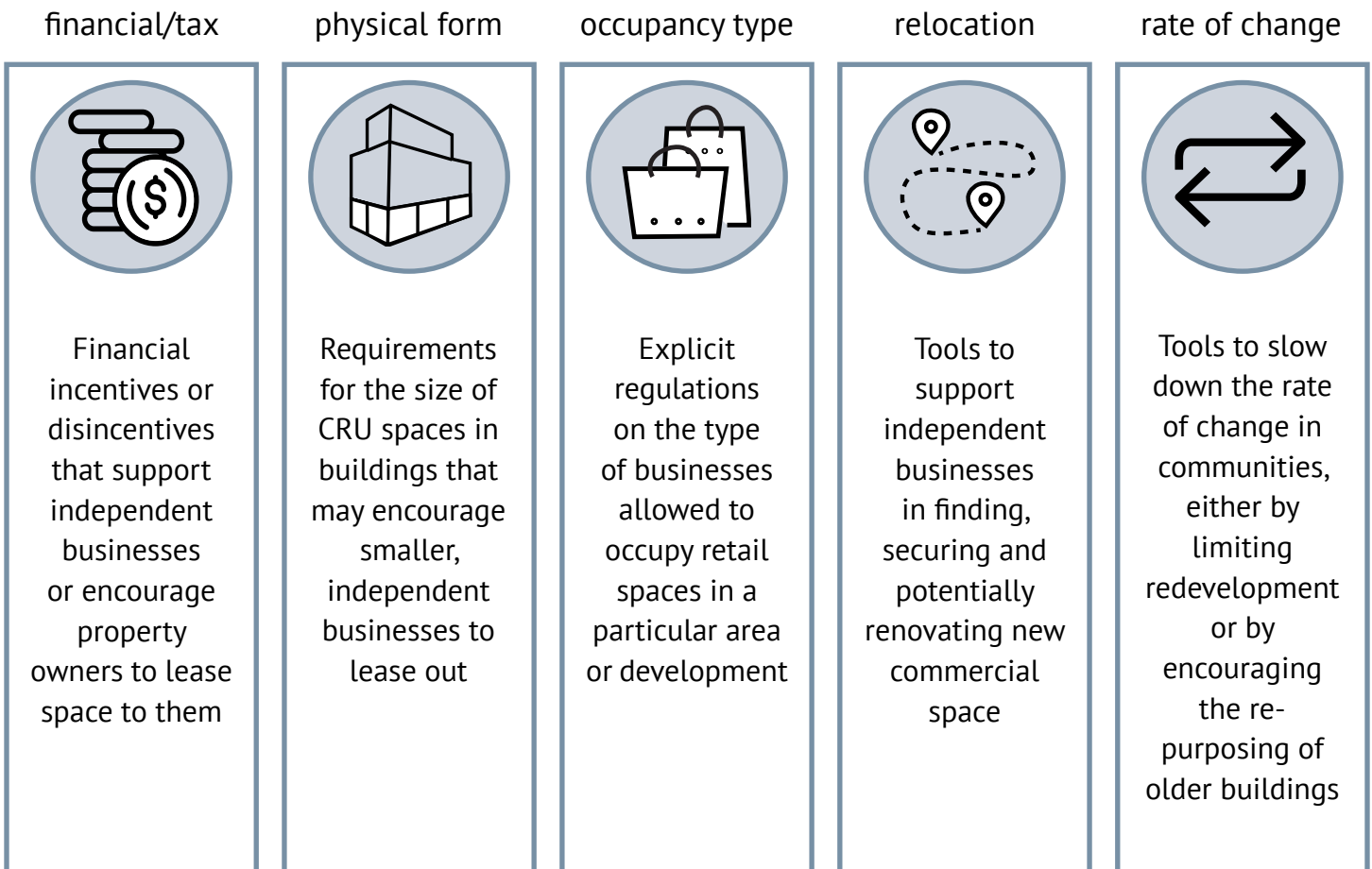
Table 5: Chi-Square Test between Business Types of 51 Filled Vacancies in New Units and of All CRUS in Period 2

P-VALUE	0.7344
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Vacancies in the redeveloped building sample show that initially after development, there are significant barriers for independent businesses leasing new spaces compared to chains.

Inventory of Policy and Regulatory Tools

The second piece of this research was collecting an inventory of policies and programs used by municipal governments to support the stability and viability of independent commercial businesses. Each tool is categorized by the type of intervention described. These categories include financial/tax, physical form, building usage and relocation.



Vancouver Existing Tools

- **Grandfather clause (occupancy type)**

Adopted in the Vancouver Charter of 1953, this clause allows non-conforming uses to operate in residential areas as long as they are not substantially altered or if use is not discontinued for more than 90 days (Shackles, 2015). This policy has allowed for many neighbourhood corner stores to continue operation, primarily in Vancouver's historic neighbourhoods such as Strathcona and Grandview Woodland (Hunter, 2019).

- **Split assessment rolls (financial/tax)**

Proposed in 2019, the “Commercial Sub-class” aims to reduce the impact of tax increases on businesses that occupy buildings with unrealized development potential. This would enable municipalities to set different tax rates on the assessed value of current use and assessed value of development potential so that the amount of property taxes a landowner passes on to a business tenant is closer to the tax based on the current use. (Director of Finance, 2017).

- **Small Business Commercial Renovation Centre (CRC) (relocation)**

The CRC assists small business owners with navigating regulatory and permitting processes for renovation and change of use, and with determining whether a space is suitable for their business (Vancouver, 2020).

- **[Bizmap website](#) (relocation)**

Bizmap provides demographics and market data for local businesses looking to relocate or expand so that they have access to information on each potential neighbourhood location (The Data, 2020).

- **Community Impact Real Estate Society (CIRES)**

CIRES is a social purpose real estate vehicle developed by the City of Vancouver, BC Housing and Vancity Community Foundation. The enterprise leases out ground floor retail space to provide affordable goods, services and social service support to residents occupying social housing above. There are currently 52 commercial units in 24 buildings that make up CIRES’ portfolio. The majority of units are leased at below market rates to other social enterprises and non-profit organizations. (Community Impact Real Estate Society, 2020)



Yutaka Seki, 2017

Regulatory Tools from Other Municipalities

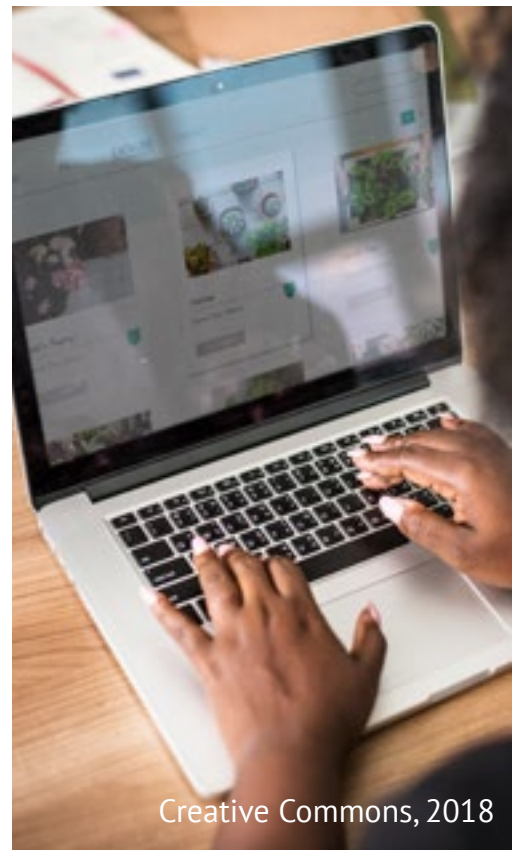
TOOL	MUNICIPALITY	TYPE OF REGULATORY TOOL	DESCRIPTION
<p>Site specific zoning bylaws</p> <p>(2490 Bloor Street W. and East Harbour Development)</p>	Toronto	physical form	Specific requirements for select new developments that reserve floor space for smaller retailers (i.e. 3 units under 500 sq. m and 40 units with less than 50 sq. m) (Three Sixty Collective, 2019)
Neighbourhood land trusts	Toronto and Anchorage	financial/tax rate of change	In Toronto, Parkdale neighbourhood land trust acquires land and leases it to non-profit partners who provide space to social enterprises and affordable housing. A land trust in Anchorage partners with small business owners to re-purpose vacant commercial buildings.
Site specific zoning bylaws + neighbourhood plans	Brooklyn, NYC	physical form financial/tax	Requires developers to set aside space for local businesses at 30% below-market rate if project includes more than 10,000 square feet (929 sq. m) of ground floor retail space and if it receives a City subsidy of \$2 million or more
Small Business Jobs Survival Act (proposed)	NYC	financial/tax	Establishes conditions for commercial lease renewal negotiations to support a fair environment in determining reasonable lease terms
Affordable Commercial Tenanting Program	Portland	occupancy type financial/tax	Below-market retail space reserved for businesses that are owned by underrepresented groups and that address certain neighborhood needs (3 locations are currently part of this program)

TOOL	MUNICIPALITY	TYPE OF REGULATORY TOOL	DESCRIPTION
Vital quartier polices	Paris	financial/tax occupancy type	City delegated the right to a community development corporation (SEMAEST) to buy, rehabilitate and hold retail space for subsidized rents targeting start-up businesses that are underrepresented in neighbourhoods or that could “diversify” local commerce
Adaptive Reuse Program	Phoenix	rate of change physical form financial/tax	Encourages local entrepreneurs through fee incentives and regulatory relief to renovate and occupy older existing properties (under 5,000 square feet (465 sq. m) and built prior to the year 2000).
Fines for vacant buildings (Ordinance 52-19)	San Francisco	financial/tax	Requires property owners to register vacant or abandoned commercial storefronts and submit annual registration fees (applies even if other units in the building are currently occupied)
Formula Retail Strategy (Section 303.1 of SF Planning Code)	San Francisco	occupancy type	Controls on specific districts where formula retail is not permitted (formula retail: “a type of retail sales activity or retail sales establishment which, along with eleven or more other retail sales establishments located globally, maintains two or more of the following features: a standardized array of merchandise, a standardized facade, a standardized decor and color scheme, a uniform apparel, standardized signage, a trademark or a service mark” (Policy Basis for Formula Retail (Chain Stores) SF Planning, n.d.)

TOOL	MUNICIPALITY	TYPE OF REGULATORY TOOL	DESCRIPTION
Legacy Business Registry	San Francisco	financial/tax	<p>Legacy Business owners (and property owners who lease with Legacy Business tenants) are eligible for grant money from the City's preservation fund.</p> <p>The registry is open to businesses that are 30 years or older, have been nominated by a member of the Board of Supervisors or Mayor and prove they have made a significant impact on the history or culture of their neighborhood.</p>

Other Supports

- **[Digital Main Street Programs \(Ontario\):](#)**
 - ShopHERE: provides independent small businesses with a streamlined process to sell products online
 - Future Proof: helps businesses identify new markets and pivot business model to digital space
 - Ontario Grants: \$2,500 in digital transformation grants for main street businesses
- **[BIA Innovation Fund \(Toronto, being developed\):](#)**
 - Grants to Toronto BIAs for innovative projects that combat local challenges. Examples include pop-up shop programs, creative retail recruitment strategies and asset monitoring systems



Creative Commons, 2018

Summary of Findings

1. Building age may be linked to business type for the first three or four years after development.

Redeveloped buildings may not be independent-friendly at the moment of development, but independent occupancy gradually “normalizes” over time to reflect similar rates of independents found in older buildings. Independent businesses in older buildings occupied more than three times as many CRUs compared to chains in each time period. In redeveloped buildings, the proportion of independent occupiers increased over each time period. Chains occupy new buildings at a higher frequency than expected compared to independent businesses, but after seven to eight years, independent businesses are observed with similar frequency regardless of development status.

2. Chains businesses get a head-start in leasing new commercial spaces.

In Period 1 of new development, chains occupied 22% of all CRUs compared to the 34% of units occupied by independents. The number of vacant CRUs in Period 1 suggest that a large portion of units in redeveloped buildings were not accessible to independents, either because of pre-leasing strategies or because of unaffordable lease rates. Vacancies were later filled by a greater proportion of independent businesses than chains, reflecting a more normal business type ratio. Once established, the longevity of chains means that CRUs in new developments are not likely to become available for some time. This means that the point of redevelopment is an important moment to influence the balance of chains and independents that occupy new commercial spaces.

3. Chain businesses remain in the same commercial unit longer than independents.

In redeveloped buildings, chain businesses remained in the same unit for a longer period of time compared to independents. In older buildings, chains and independents experienced almost the same length of occupancy. However, the percentage of chains that filled unoccupied units was greater than the percentage of chains that were lost. In other words, older buildings gained more chain occupants faster than they were losing them. Independents in older buildings were lost more frequently than those that filled unoccupied units. Although there are more independent businesses overall, these findings suggest there is a higher turnover among them.



Creative Commons, 2018

CONCLUSION

Next Steps

Based on key findings, policy interventions should target the accessibility of new commercial spaces and the longevity of independent businesses in redeveloped buildings. In determining appropriate policy and programming to address this topic, the City can:

- **Work to provide fair access to new commercial space.**

Developers are responding to requirements of financial institutions for pre-leasing arrangements. These spaces are thus not freely available for small business to bid on. The City could work with financial institutions to relax some of those financing requirements or explore a mechanism for holding new space for independents (e.g., an organization that holds the lease until construction is complete).

- **Explore affordable commercial spaces as an incentive of density bonusing for developers.**

A form of affordable leasing can help reduce the barriers of access for independent business and preserve small business vitality. An initiative like Portland's Affordable Commercial Tenanting Program allows mixed use development projects to access density bonusing in exchange for affordable retail space that is leased to "priority tenants". This type of program could also address the City's diversity, inclusion and equity goals as priority businesses are those typically underrepresented in the retail mix and that provide necessary services to the community. However, literature cautions that the adoption of policy for affordable commercial space may in fact increase the rate of neighbourhood redevelopment as it incentivizes growth in order to secure social benefit through planning.

- **Facilitate the acquisition and purchasing of buildings**

Most policy and planning interventions focus either on holding newly constructed space for independent retailers through discounts from market rates, or preserving the “long lasting” businesses in older buildings through subsidies or tax relief. However, the most reliable way to ensure the access and longevity of businesses in a competitive real estate market is to own the building they occupy. The City may delegate a semi-public organization to take on the role of property owner and manager (See Paris’ VitalQuartier policies in the inventory) to recruit and support independent business tenants. Another option instead of buying buildings, is to acquire master leases on targeted retail spaces.

- **Perform citywide data analysis.**

Occupancy and vacancy data for over 6,000 CRUs in the City is being collected and categorized for 2020. Next steps should include conducting quantitative analysis and statistical analysis on the larger dataset to corroborate this study’s findings. Citywide data can also correct for potential bias in this study by ensuring the geographic distribution of properties is representative of all Vancouver neighbourhoods.

- **Incorporate neighbourhood demographics into analysis.**

Demographic and financial characteristics of a neighbourhood have a large influence on the success of its retail environment. Further analysis should incorporate demographic data with each neighbourhood including average household size, average income, density, proximity to transit and walkability.

- **Use citywide data to determine a healthy rate of change**

The City can determine a healthy rate of development that allows the proportion of independent and chain businesses in an area enough time to rebalance. This is particularly important when considering major infrastructure investment and larger scale development that may spur land assembly in a given area.

- **COVID-19 Considerations.**

This study was completed prior to COVID-19 impacts. The data did not incorporate the amount of Vancouver businesses lost or displaced from their locations within the last 3 months. This work is important to focus support on independent businesses as they recover.



Yutaka Seki, 2017

Final Thoughts

This study was conducted to better understand the relationship between the age of a building and the type of businesses that occupy it, by analyzing two different samples of redeveloped buildings and older buildings throughout time. The story of this data is that new buildings have a disproportionate percentage of chain occupiers immediately after redevelopment, but gradually gain more independent occupiers as vacancies fill.

There is not much evidence to prove redeveloped buildings are more chain-friendly overall than older buildings, but we can determine that chains occupy redeveloped buildings at a higher rate than independents in the first few years of a building's life cycle (and potentially most of this advantage comes at the moment of redevelopment). This is important because chains are long-lasting and will remain in the same unit for a longer period of time compared to independents.

A possible reason for the higher rate of chain occupancy in new spaces is because of pre-leasing strategies that favour chain businesses. Pre-leasing allows chains an early advantage to occupying redeveloped units sooner and remaining longer. The newness of space may also reflect lease rates, which may not be affordable to many independent businesses immediately after redevelopment. The data shows significant vacancy rates in redeveloped buildings in Period 1, but by Period 2, these vacancies are mostly filled by independents.

These findings suggest that independent businesses are at a disadvantage in accessing new commercial spaces in the first few years after redevelopment. This could result from pre-leasing, initially high lease rates for new units, or other reasons not yet identified. At Period 2, three or four years after redevelopment, chains' advantage in occupying new commercial space seems to be mostly gone as the proportion of independents in redeveloped buildings increases closer to proportions found in older buildings.

Although the analysis is unable to determine a specific rate of change, the sample suggests that the time it takes for the ratio of chain/independents in redeveloped buildings to "normalize" to that of older buildings is on an approximately eight to ten year horizon. In a slow development market, this amount of time for independent businesses to recover to normal rates may be appropriate. However, in a fast development market such as Vancouver, eight to ten years may be too long for independents to catch up. As the City continues to grow and properties change, commercial redevelopment is a critical moment in time that may require intervention to ensure that the market is competitive for all business types to succeed.



Tru Taylor, 2019

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APPENDIX

Appendix A: Sample of Analysis

ID	UNIT #	Year	Development Status	Civic Number	Included Addresses	Street Name	Building Age					
							year of develop't	Period	0-1 yrs.	5-6 yrs.	10-11 yrs.	
1-001	1	2011	Redeveloped	3403	3403, 3407	W BROADWAY	2010	Post 1	1			
1-001	2	2011	Redeveloped	3403	3403, 3407	W BROADWAY	2010	Post 1	1			
1-005	1	2015	Redeveloped	3403	3403, 3407	W BROADWAY	2010	Post 2		1		
1-005	2	2015	Redeveloped	3403	3403, 3407	W BROADWAY	2010	Post 2		1		
1-010	1	2019	Redeveloped	3403	3403, 3407	W BROADWAY	2010	Post 3				1
1-010	2	2019	Redeveloped	3403	3403, 3407	W BROADWAY	2010	Post 3				1
10-001	1	2012	Redeveloped	1225	1225, 1229, 1231, 1235	KINGSWAY	2011	Post 1	1			
10-001	2	2012	Redeveloped	1225	1225, 1229, 1231, 1235	KINGSWAY	2011	Post 1	1			
10-001	3	2012	Redeveloped	1225	1225, 1229, 1231, 1235	KINGSWAY	2011	Post 1	1			
10-001	4	2012	Redeveloped	1225	1225, 1229, 1231, 1235	KINGSWAY	2011	Post 1	1			
10-001	5	2012	Redeveloped	1225	1225, 1229, 1231, 1235	KINGSWAY	2011	Post 1	1			
10-005	1	2016	Redeveloped	1225	1225, 1229, 1231, 1235	KINGSWAY	2011	Post 2		1		
10-005	3	2016	Redeveloped	1225	1225, 1229, 1231, 1235	KINGSWAY	2011	Post 2		1		
10-005	2	2016	Redeveloped	1225	1225, 1229, 1231, 1235	KINGSWAY	2011	Post 2		1		
10-005	5	2016	Redeveloped	1225	1225, 1229, 1231, 1235	KINGSWAY	2011	Post 2		1		
10-005	4	2016	Redeveloped	1225	1225, 1229, 1231, 1235	KINGSWAY	2011	Post 2		1		
10-010	1	2019	Redeveloped	1225	1225, 1229, 1231, 1235	KINGSWAY	2011	Post 3				1

Business Type										
TYPE STATUS	Vacant	local	provincial	national	international	Independent	Breakdown	# of units	Typology description	Retention
Independent						1	Amythyst Skincare	2	3	0
Vacant	1						Vacant	2	3	0
Independent	1					1	Amythyst Skincare	2	3	1
Vacant	1						Vacant	2	3	0
Independent						1	Amythyst Skincare	2	3	2
Independent						1	Storm City Coffee	2	3	0
Vacant	1						Vacant (all)	5	4	0
Vacant	1						Vacant (all)	5	4	0
Vacant	1						Vacant (all)	5	4	0
Vacant	1						Vacant (all)	5	4	0
Independent						1	Dental Clinic	5	4	0
Independent						1	Eastside Vapes	5	4	0
Independent						1	PI COULTURE DESIGN GROUP	5	4	0
Independent						1	Safe Income Tax & Accounting	5	4	0
Independent						1	The Don Spa	5	4	0
Independent						1	Dental Clinic	5	4	1