

## **AFFORDABILITY**

The retail landscape of Kensington Market is becoming increasingly unaffordable for small locally-serving and immigrant-owned businesses. This is due in part to two interlocking processes: deregulation and speculation.

Deregulation refers to the limited legal and policy protections put in place for small businesses, such as the lack of tenant protection under the Commercial Tenancies Act and the increasing costs of occupation that a landlord passes on to a tenant through taxes, maintenance, and insurance (TMI).

Commercial taxes are assessed based on potential use and land value of a site, rather than the current use of the site, which strongly influences the second process of speculation. Property speculation is the practice of investing in real estate with the hopes of generating financial gains based on the potential value of a site.

The two processes work hand in hand, yet the distinction between deregulation and speculation are important: regulatory mechanisms such as taxes can be addressed through policy change, whereas speculation is a socioeconomic process that can be addressed through community action.

In Kensington, long standing local businesses have also faced rising vulnerability to commercial displacement due to increased competition with larger corporate entities, franchises, and businesses catering to higher income customers.

One notable trend used by commercial landlords in Toronto has been the steady decrease in the tenure of the tenant's lease (5 years to 3 years to 1 year to month-to-month) and the simultaneous increase in rent with each new lease agreement. Tenants are vulnerable to unpredictable rent increases and disproportionate tax increases, thus putting them at risk of displacement. The displacement of long-term businesses can destroy the accumulation of trust and sociability built between local residents and shopkeepers, as well as limit access to diverse and affordable spaces for low-income community members.

## **THE KENSINGTON BIA ASKS developments with a commercial space component to:**

- Provide at least 20% of new commercial spaces at affordable rates ranging from \$20-\$30 per square foot for a minimum of 20 years for community organizations, social enterprises and cooperatives, and local-serving businesses.
- Limit the size of commercial space to 2500 ft<sup>2</sup> max to encourage small, local-serving businesses, coops, and enterprises. See The Bar and Restaurant study for Kensington Market for current regulations and floor plate limitations.

For start-up businesses, smaller footprints are often favourable to reduce rents and lower upfront risks. Ensuring smaller footprints is also used as a way to discourage the move-in of corporate chain businesses. It is important to protect existing commercial spaces with smaller footprints from block consolidation and redevelopment.

For major investments in existing commercial space, we ask investors to:

- Sign long-term and affordable leases with locally-serving commercial tenants in Kensington with regulated rent increases.
- Make a long-term financial contribution to support neighbourhood wellbeing in Kensington, including but not limited to food security and community health.

## **CURRENT POLICIES IN PLACE**

In the City of Toronto, there is a significant need for policies that will protect locally-serving businesses by addressing the lack of tenant protection for commercial spaces, as well as the increasing costs of occupation that a landlord passes on to a tenant through taxes, maintenance, and insurance (TMI).

The City of Toronto and the Provincial Government have an opportunity to take steps towards protections for locally-serving businesses accessing affordable spaces, such as:

- Making amendments to the Commercial Tenancies Act to incorporate stronger rent control and tenant protections;
- Establishing a Municipal Tax Benefit for Small Businesses that address local needs, provide community services, and offer decent work;
- Recognizing long-standing, locally-serving businesses as cultural landmarks;
- Requiring developers to reserve a portion of the project's overall commercial space for locally-owned businesses - such as the Parkdale recommendation for 20% affordable commercial space - particularly when the project involves public land or subsidy.
- Incorporating innovative approaches to planning for inclusive local economies.

Build Stronger Protections for Commercial Tenants Commercial tenants in Parkdale, and Ontario more broadly, lack many basic rights and protections. This is due in part to the outdated Commercial Tenancies Act (1990) which strongly favours landlord power over tenant Protection.

## **About Tenancy Agreements in Ontario**

There are two types of tenancy agreements in Ontario: month-to-month tenancies, which are susceptible to short-notice lease increases and terminations, and fixed-term tenancies, in which the tenant is not guaranteed the right to occupy the space once the tenancy ends.

The Act does not regulate the amount that a landlord can increase the lease, nor does it legislate a timeline in which landlords must provide a notice that they are increasing or not renewing the lease. Tenants also cannot enter the negotiation of a lease with the assurance that their landlord is bargaining in good faith. Commercial tenants also often add to the increasing value of their units by making capital improvements and by drawing a customer base to their space, yet these improvements make businesses even more vulnerable to lease increases in the negotiation process.

## **About Municipal Tax Benefit for Small Businesses**

Commercial taxes are currently determined by the Municipal Property Assessment Corporation (MPAC) based on the potential value of a site rather than its current value.

As of August 5th 2021, The City of Toronto will be engaging with the small business sector on the potential creation of a separate property tax class for small businesses in Toronto, which if implemented, could provide a measure of property tax relief for small and Main Street businesses in the city.

As part of the 2020 provincial budget, municipalities were given the ability to create a small business tax class to provide a lower property tax rate to small businesses within the commercial tax class. Earlier this year, City Council directed City staff to define and develop a small business tax class to address the preservation and rebuilding of Toronto's Main Streets, offering broad tax relief for small businesses and reducing property taxes for small businesses who have endured increases in their property assessments over the last number of years.

While a small business tax class would provide additional support for small businesses, which are key to a lively, diverse and revitalized city.

## WHAT ELSE CAN WE DO?

### Recognize Businesses as Cultural Landmarks

The City of Toronto has the opportunity to protect its culturally-relevant businesses by developing an adaptation of San Francisco's Legacy Business Registry. The model follows in the footsteps of Rome, Paris, and London by recognizing long-standing, locally-serving businesses that are cultural assets to the community and provide access to grants for business and property owners. Legacy businesses are eligible for a yearly grant based on the number of workers they employ, and property owners who extend ten year or longer leases

The Kensington Market Heritage Conservation District (HCD) Study was then prioritized by the City Council in March 2015. The purpose of the HCD Study was to provide an overall understanding of the area's history and heritage character and to determine if an HCD would be an appropriate heritage planning tool for the area.

The City of Toronto's City Planning Division initiated the Kensington Market HCD Study in Spring 2016, engaging a consultant team led by Taylor Hazell Architects to conduct the study. The HCD Study report was endorsed by the Toronto Preservation Board in September 2017 with the recommendation to proceed with developing an HCD Plan for the Kensington Market HCD.

The Kensington Market HCD Plan will include policies and guidelines to conserve the cultural heritage value and heritage attributes of the neighbourhood. The process includes two public meetings, as well as the convening of a community advisory group to provide specific and detailed feedback on policy directions and recommendations.

More details on the website [here](#)

*Information cited from [Parkdale Benefits framework](#)*