

**PUBLIC**  
**CONSULTATION**  
**ON VACANT**  
**PREMISES**  
**ALONG COMMERCIAL**  
**THOROUGHFARES**



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### CONCLUSION

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# IN TRO DUC TION

## Actions by the Ville de Montréal to actively support the retail trade

More than at any point in its history, Montréal considers its street-level retail businesses to be an integral, vital part of the city's urban fabric. The retail trade is essential to neighbourhood vitality, and one of the symbols of Montréal's economic strength. The city has thus made it a priority, at a time when the situation of storefront businesses compared with that of businesses overall is characterized by a context of multiple threats (some observers have even described it as a "perfect storm").

With that in mind, in June 2018 Ville de Montréal adopted the Action Plan for Commerce, *Living Montréal*<sup>1</sup>, after gathering opinions from an advisory committee on commerce.<sup>2</sup>

The Action Plan for Commerce, supported by a \$74 million budget over four years, comprises four areas of action, broken down into 33 distinct actions to be implemented. The areas include increasing the vitality of commercial corridors, improving support mechanisms for business creation and development, adopting municipal policies and infrastructure to changes in business models, and providing an effective solution for merchants during construction/repair work.

The Ville de Montréal has already implemented a number of actions in support of street-level businesses since adopting its Action Plan for Commerce. For example, merchants can now benefit from a lessening of their tax burden through a lowering of the property tax rate for the first \$500,000 of assessed value, and from a new financial assistance program for retailers in areas affected by major infrastructure work, which has a budget of \$25 million over three years.

## Retail: an economic sector in the midst of change

Overall, the business sector is experiencing a period that some view as stimulating, while others find quite challenging. Indeed, the North American context, observers are describing an industry in transition, and that is approaching a tipping point.<sup>3</sup>

Montréal's situation reflects a number of trends and challenges.

- E-commerce: many businesses must rethink their business models and incorporate online shopping, a trend that also affects customer traffic to brick-and-mortar locations, etc.
- The importance of the customer experience: millennials have new consumer habits, and value appealing customer experiences, not just simple purchases of goods and services.
- Technological progress and the availability of data: with the advent of technologies like artificial intelligence and greater availability of data, it is becoming increasingly possible to personalize retail sales according to customer needs.

1. [http://ville.montreal.qc.ca/pls/portal/docs/page/affaires\\_en/media/documents/7\\_Commerce\\_PlanAction\\_en.pdf](http://ville.montreal.qc.ca/pls/portal/docs/page/affaires_en/media/documents/7_Commerce_PlanAction_en.pdf)

2. *Renouer avec le commerce sur rue, un chantier prioritaire*, report of the advisory committee on the City of Montréal "commerce plan," June 2018 ([https://blogues.desjardins.com/communiqués-de-presse/VilleMtl\\_RapportCom\\_PlanCommerce\\_vFinal.pdf](https://blogues.desjardins.com/communiqués-de-presse/VilleMtl_RapportCom_PlanCommerce_vFinal.pdf)).

3. Study by Deloitte, *2019 Retail Outlook: Transition Ahead*.

## The Montréal retail sector at a glance

Following are some key statistics that provide insight into the scale of the retail trade in Montréal (defined as the territory of the urban agglomeration, unless otherwise specified):

- 118,000 jobs (2018, retail trade), plus another 69,000 in restaurant and beverage establishments, for a total of 187,000, or 16% of total jobs in the territory, with annual growth of 2% (from 2011 to 2016).<sup>4</sup>
- GDP of \$5.5 billion (2017), or a 4.1% share of Montréal GDP.<sup>5</sup>
- Sales of \$60 billion (2018, territory of the Montréal CMA), with annual growth of 4% (from 2009 to 2019).<sup>6</sup>

At the same time, street-level retail business owners in Montréal must deal with a number of issues and challenges:

- The need to adapt to competition from online sales (the value of online sales in Québec increased by 27% from 2017 to 2018) and competition from brick-and-mortar shops, which is consolidating in the South and Northern Crown regions.
- Workforce succession and takeovers.
- Sharply increasing property values and commercial rents over the past decade and more, and the imbalance between residential and non-residential tax burdens.
- Controlling commercial sprawl, use mixes, and conditions for starting businesses.



4. Source: Statistics Canada

5. Source: Institut de la Statistique du Québec

6. Source: Statistics Canada

7. CEFRIO, *Le commerce électronique au Québec*, Édition 2018, Vol.9 – Numéro 6.

## Vacant premises: a concern for the Ville de Montréal and industry stakeholders alike

Increases in the numbers of vacancies on commercial corridors are a growing phenomenon in many large cities internationally, and one that is of concern to certain stakeholders and public authorities. Montréal is no exception to this trend. Vacancies have adverse impacts for many stakeholders, because they create discontinuities in service provision and in the street experience for consumers, and can foster uncleanliness and even insecurity.

Vacancies, however, are normal at any given time, because there are always an observable percentage of premises “in transition” while tenants prepare to open a new business, make major renovations, etc. Many stakeholders consider that the corresponding vacancy rate should be within a range of 4% to 7%. When rates get higher than that, the reasons should be investigated, as they may be structural. There are a variety of possible factors at play.

This issue is of concern to the Ville de Montréal and multiple economic stakeholders, and rightly so. In June 2018, the advisory committee on the “commerce plan”<sup>8</sup> recommended that the municipal administration introduce a regulatory charge for inoccupation of certain vacant commercial premises. In June 2019, the Commission sur les finances et l’administration (Finance and Administration Committee) issued essentially the same recommendation in its report to City Council following the city’s initial pre-budget consultations.<sup>9</sup>

## Mandate given to the Commission sur le développement économique et urbain et l’habitation

In August 2019, the city tasked its Commission sur le développement économique et urbain et l’habitation with conducting this public consultation and reporting to city council, so as to implement targeted, effective and innovative measures aimed at reducing the number and the impact of vacant premises on our commercial corridors.

The purpose of this consultation document is to assess the situation of vacant premises on Montréal commercial corridors and study international practices in this regard. To that end, it presents a portrait of the current situation based on interviews with key stakeholders and on a perception survey conducted on selected commercial corridors, as well as an analysis of practices developed in various jurisdictions.

8. *Renouer avec le commerce sur rue: un chantier prioritaire*, report of the advisory committee on the City of Montréal “commerce plan,” June 2018.

9. Commission sur les finances et l’administration, *Perspectives budgétaires 2020 – Rapport et recommandations*, tabled at the city council meeting of June 17, 2019, and at the agglomeration council meeting of June 20, 2019 (Page 11).





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# Assessment of the situation of vacant premises on Montréal's commercial corridors

## 1.1 – Data illustrating the phenomenon

In Montréal, per the data available from the inventory of business establishments<sup>10</sup> on the territory of the Sociétés de développement commercial (commercial development corporations, known by their French abbreviation SDC)<sup>11</sup> as of July 1, 2019, the average ground-floor vacancy rate was approximately 15% (i.e., nearly 1,000 premises vacant out of slightly more than 7,000). Some SDCs had higher rates than that average (e.g., Saint-Denis at 26% and Promenade Sainte-Catherine Est at 26%), while others' rates were lower (e.g., Promenade Masson at 6%, Promenade Fleury at 7%). Moreover, the average vacancy rate has changed very little over a four-year period (January 2015–July 2019), with only a single percentage point increase, from 14% to 15%, for all of the SDC territories. The vacancy rates in certain SDCs, however, increased sharply (notably, Saint-Denis' rose from 19% to 26% and Promenade Ontario's, from 7% to 14%), while those in others declined (Petite-Italie's was down to 8% from 14% and Fleury Ouest's dropped to 8% from 13%).

Note that these territories face different realities. This can include, for example, the presence of a major work-site, the average floor area of premises, land use on the street (e.g., neighbourhood shopping street, destination artery, street with atmosphere), a variable commercial mix, or differing degrees of zoning by-law stringency, but none of these taken singly explains the discrepancies in vacancy rates observed. However, the average level of, and the trend in, the overall vacancy rate on the territory of Montréal's SDC likely point to a structural rather than a transitional problem.

Further observations:

- The vacancy rate varies depending on the commercial corridors, but is higher than those for housing (2% in 2018, SCHL), office space (8.6% at the start of 2019<sup>12</sup>) and industrial spaces in the central part of the agglomeration (2.4% at year-end 2018<sup>13</sup>).
- The vacancy rate is higher for commercial corridors than for shopping/lifestyle centres (6.4% in Greater Montréal in 2017<sup>14</sup>).

<sup>10</sup> The inventory of business establishments on the territory of the SDCs is updated as part of a continuous process implemented by Ville de Montréal. Invoicing of dues, however, is conducted three times per year: on the annual renewal date in January, and then for the two other invoicing periods ending in May and October.

<sup>11</sup> The SDCs are: Saint-Hubert, Promenade Masson, Jean-Talon, Petite-Italie, Plateau Mont-Royal, Laurier Ouest Plateau Mont-Royal, Laurier Ouest Outremont, Quartiers du Canal, Plaza Monk, Promenade Ontario, Promenade Sainte-Catherine Est, Saint-Denis, Centre-Ville, Quartier Latin, Saint-Laurent, Vieux-Montréal, Village, Promenade Fleury, Fleury Ouest, District Central, Wellington, Côte-des-Neiges, and Décarie Nord.

<sup>12</sup> CBRE, fourth quarter 2018.

<sup>13</sup> CBRE. *op. cit.*

<sup>14</sup> CMM, *Bilan économique du Grand Montréal 2017*.

## 1.2 – Analysis of characterization of the problem of vacant premises on certain corridors

### Methodology and thoroughfares studied

Montréal's Service du développement économique (Economic Development Department, or SDÉ) commissioned a research firm to conduct a field study<sup>15</sup> of stakeholders to gauge their overall perceptions of the causes and consequences of vacancy rates on selected commercial corridors in the city. The SDÉ selected eight streets according to specific criteria (e.g., vacancy rate, retail space, zoning by-laws, average property value, geographical spread, commercial mix) regarding the degree to which they are representative of the overall challenge of economic development in Montréal.

The goals of this perception survey were to:

- gather information and field data that might explain the vacancy rates on the commercial corridors;
- make certain general observations about the causes and consequences of vacancies on commercial corridors in Montréal; and
- determine the factors involved in the contrasts in business vitality and vacancy rates on the commercial corridors.

To fulfil the objectives of the study, the firm used two data collection approaches: a quantitative approach with retailers and service companies on the commercial corridors (261 interviews with a margin of error of 5.5%), and a qualitative approach that addressed the managers of the SDCs (8 telephone interviews), certain observers in the field, and owners of commercial properties on the streets under study (13 telephone interviews).

<sup>15</sup>. *Enquête sur la perception des causes et des conséquences des taux de vacances sur certaines artères montréalaises*, Segma Recherche, October 2019.

<sup>16</sup>. The eight thoroughfares are: Saint-Denis, Promenade Sainte-Catherine, Côte-des-Neiges, Saint-Hubert, Plaza Monk, Notre-Dame-Lachine, Charleroi, and Jarry-Villeray.

# Findings and possible solutions proposed

1

## Perceptions of retailers and owners of professional services companies

### **The vacancy rate on commercial thoroughfares in Montréal is a very real problem for retailers.**

- 76% noted the appearance of vacant premises in the two years prior to the study, with an average of 13 premises per sector remaining unoccupied for a period averaging 19 months.
- Close to half of respondents (47%) said that vacant premises on their street have a significant adverse effect on their business.
- Besides impacts on their customer base, vacant premises have a negative effect on store and business owners' perceptions of the atmosphere and vitality of the commercial thoroughfare.

2

## Perceptions of direct actors (property owners and stakeholders in business development)

### **Commercial corridors serve an urban purpose of great importance that is not limited to the sale of products and services, and that evolves over time. They are living environments where neighbourhood residents gather to socialize among other reasons.**

- Most of the direct actors contacted made positive observations about the current situation on their commercial corridors and were optimistic about their future. Some streets, however, are more fragile, although stakeholders would rather not advertise this, so as not to project a negative picture; businesses have seen sales decline, and respondents blamed certain major nuisances.
- The uses and positioning of certain commercial corridors should be rethought.
- Subsidy programs for renovation of commercial buildings are a much-appreciated lever and stakeholders often mentioned that they have had tangible impacts.
- Conversely, building owners often complain about business taxes, which they see as a constraint on business.

### Perceptions with regard to the primary causes and consequences of vacancy rates on the thoroughfares studied

- Not surprisingly, declining sales and reduced profitability emerged as the main reasons for the high vacancy rates on the corridors studied.
- Public works were cited as a major nuisance affecting customer traffic, while taxes and overall rental costs most often lead to excessively high operating costs.
- The role of certain greedy property owners (some of whose premises have stood empty for long periods, often 18 to 24 months, and who demand rents that are too high compared with the average for the commercial corridors), who are seen as passive and even idle (refusing to rent vacant premises and giving no reason for doing so) is often mentioned.
- Competition from other sectors and the growth of e-commerce were cited far less often.
- Vacant premises are harmful to adjacent retailers' business in various ways: the street's image suffers owing to changes in its atmosphere and business vitality, there is a poorer mix of retailers and services, and retailers' and owners' morale is affected, which in turn leads to declining investment and further discontinuances of business.

### How to act positively on business vitality

There are multiple explanations for the contrasting business dynamics on Montréal's main commercial corridors.

- The **primary condition of success** is the ability to establish a **mix of retailers and service providers** guaranteeing quality as well as diversity so as to meet the specific needs and expectations of a varied customer base.
- Although inoccupation sometimes results from action or inaction by property owners, vacant premises are often **symptomatic of deeper problems**, which can alter the various commercial offerings in specific ways. These symptoms can be alleviated by embellishing or masking vacant spaces, but the most important thing is to recognize and attack the root causes of the problem.
- Given the diversity of challenges, **there do not appear to be any miracle solutions** that can be applied to every situation, and the study participants suggested a number of strategies and actions that could act positively on the business dynamics of their respective areas.



# Review of the main possible solutions envisaged

The retailers and owners of service companies proposed measures for positively influencing the business dynamics of their areas and reducing the number of vacant premises. In decreasing frequency of mentions, they are:

- Improve tax competitiveness in the commercial sectors
- Finish public works projects in progress or limit their impacts
- Improve the retail environment (e.g., street furniture, signage/wayfinding, cleanliness, façades, free Wi-Fi, spatial planning that makes streets more pleasantly walkable)
- Improve access for pedestrians and motorists, with courtesy parking, among other things
- Make rents more affordable or limit increases, and curb real estate speculation in general
- Enhance the commercial mix
- Provide subsidies to businesses
- Ease regulations and speed up responses to projects submitted (e.g., zoning changes)
- Improve communications between the SDCs and the permits department
- Act on the homelessness problem
- Invest in data collection to monitor the status of the situation
- Create a registry of vacant premises
- Set up a commercial rent control board or regulate commercial rents
- Regulate vacant premises (e.g., tax on vacant premises, penalize passive/inactive owners, introduce pre-emptive rights, regulate façades of vacant premises)

### 1.3 – Analysis by the principal stakeholders

The SDÉ also organized a pre-consultation tour to meet various stakeholders<sup>17</sup> recognized for their interest in retail-business challenges and their knowledge of the Montréal business community; they included property owners, retailers, academics, and representatives of various associations. All of them made generous contributions, sharing their understanding of the challenges posed by vacant premises as well as their concerns. Though it can be difficult to arrive at firm conclusions from points of view that are sometimes extremely divergent, there were various degrees of consensus on several aspects among the individuals the SDÉ met with. The strongest areas of agreement are summarized below.

- Vacant premises on commercial thoroughfares are a real problem, but the problem manifests itself in different ways on different streets, which means that highly targeted solutions are required. Montréal is certainly not the only city dealing with this problem.
- As the perception survey illustrates, there are several factors to explain the phenomenon of vacant premises in Montréal. The same is true of the consequences.
- The potential solutions mentioned by the stakeholders are listed in Section 3 of this document, and they overlap with those suggested by the respondents to the perception survey. Any tool implemented by the city should be designed to target irritants (speculative behaviours, premises standing empty for too long and/or repeatedly) without representing supplementary burden on the majority of property owners, who appear to be acting in good faith.
- Several stakeholders with good knowledge of the challenges of commercial business in Montréal say that the city should invest in gaining a better understanding of data on the problem faced by the retail community, as the lack of reliable data is a limiting factor when it comes to fully understanding the problem and proposing solutions.

<sup>17</sup>. The city thanks the 58 individuals who took part in the pre-consultation process implemented at the request of the SDÉ, with whom it met one-on-one or in groups.





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**What is  
being done  
by other cities  
facing the  
same problem?**

## 2.1 – Approach of the study of practice review

The study of international practices<sup>18</sup> is structured around the concept of the life cycle of a vacant commercial space, beginning from the moment of inoccupation (“reasons for vacancy”), as illustrated in the following diagram and explained in the subsequent paragraphs. The various practices were identified taking into account the stages listed below.

1

### Reasons for commercial vacancy (inoccupation)

Reasons for vacancies vary greatly. A large proportion of vacant premises result from internal causes related to the management of the business; other vacancies are caused by economic conditions.

2

### Period of inoccupation

A stable economic situation means faster occupancy renewal. But in certain conditions, a space remains vacant, generating no economic activity. Sometimes this period, which the owner hopes will be brief, drags on. What are the precise reasons for this?



This study considered several cities varying greatly in size, from Paris and New York to Vancouver, Roanne, Cambridge, and Palm Beach, for example.



3

### **Economic status**

Though there may be many reasons to prompt a retailer or service provider to vacate a commercial space, other forces are sometimes at work. These include multiple initiatives originating either from non-profit organizations or government bodies that may encompass many countries, as in Europe, for example.

4

### **Conditions for occupancy**

At this stage, the goal is to restore appeal to a space that has been sidelined in the local economy. What are criteria for ensuring it becomes an in-demand, attractive space?

5

### **Mitigation and strategies**

In this category, various targeted actions in the territory are identified. In your opinion, what are the criteria for delaying or even eliminating the risks of commercial vacancies?

18. *Analyse de bonnes pratiques commerciales concernant l'enjeu des locaux vacants sur les artères commerciales*, research report, Demarcom, October 2019.

## 2.2 – Measures proposed or adopted

Measures to be adopted vary in nature. They include a registry of commercial vacancies enabling an up-to-date count of vacant premises. In certain areas, a commercial vacancy tax can be considered. There are other tools, like tax relief for owners of vacant premises, for lowering vacancy rates in commercial premises.

### Overview of measures planned or adopted elsewhere<sup>19</sup>

- **Registry of vacant premises**

New York (NY)

San Francisco (CA)

- **Regulation of commercial development**

Palm Beach (FL)

Paris – Semaest

- **Transitional occupation to stimulate entrepreneurship or raise awareness of the thoroughfare**

Alexandria (VA) – GrowAlx

Paris – Semaest

Great Britain – EmptyShops

Baltimore (MD) – RSC Baltimore

Boston (MA) – CultureHouse

- **Networking platform for vacant premises**

Paris, London, New York – Appear Here

Belgium – Wallonie Commerce

- **Tax on vacant premises (being prepared or already levied)**

Belgium

Vancouver

Berkeley (CA)

Châteaubriant (France)

Saint-Brieuc (France)

- **Municipal pre-emptive rights (for commercial buildings)**

Vienne (France)

France – Epareca

<sup>19</sup>. Source: data compiled from Demarcom research report, October 2019.

## 2.3 – Practices to consider

Given that many of these measures are new<sup>20</sup>, especially those establishing taxes and vacancy registries, we do not yet have measurable results for those that have been implemented by the municipalities in question. It is thus difficult to determine which might be the best practices for addressing the phenomenon of vacant premises on commercial thoroughfares. The following chart nevertheless summarizes practices that are commonplace or favoured in other cities.

1

### Geographical demarcation of commercial corridors and specification of uses

Municipal

Geographical demarcation is a method for correcting the use mix on commercial streets and controlling commercial sprawl.

Specifying uses and making improvements to zoning limits the range of commercial possibilities and favours uses that offer a better fit with the needs of the community.

#### Impact on vacancy rate:

These measures act on supply. They are an incentive for retailers to congregate in the commercial area and foster strong business dynamics. This acts in part to counter certain causes of commercial vacancies.

2

### Registry of vacant premises

Municipal

A database of commercial properties, retailers, and service providers.

Provides a permanent inventory of ground-floor and upper-floor uses (and occasionally basement uses).

#### Impact on vacancy rate:

Knowledge of uses, retail spaces, locations, and statuses of thoroughfares is needed to properly plan commercial purposes.

This information also speeds up communications with target audiences.

**20.** The study reports on many initiatives that are under development as of 2019 (registries) or that will begin to be implemented in 2020 (taxes).

3

### Transitional occupation to stimulate entrepreneurship or better promote the commercial corridors

Public-private partnership

Hold competitions to select businesses for limited occupancy of commercial corridors and offer spaces to entrepreneurs for fixed lease terms.

Have a mechanism for generating transitional uses over a short period (e.g., from 3 to 6 months) to enliven and raise awareness of a commercial corridors for potential uses.

#### Impact on vacancy rate:

Stimulates entrepreneurship and novel ideas while enlivening commercial corridors.

4

### Networking platform for vacant premises

Public, private or mixed

Free online platform to easily access and rent a vacant space.

#### Impact on vacancy rate:

Encourages publication of spaces to be developed and pairing of projects with available spaces.

5

### Commercial development corporation

Non-profit organization

A commercial development corporation (like Montréal's SDCs) is a non-profit organization grouping together businesspeople in a given area and dedicated to stimulating economic development there (e.g., downtown area, commercial corridors).

#### Impact on vacancy rate:

Enables better coordination of business operations on commercial corridors.

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Other regulatory tools can be implemented, such as pre-emptive rights, rent control, or a vacancy tax. The study concludes, however, that introducing a tax or a rent ceiling can be cumbersome, complex processes that do not necessarily bring tangible results.

## 2.4 – Conclusions of the study

The study shows that **challenges related to vacant premises affect both small and large cities.**

**For various reasons,** cities in both Europe and North America face these challenges.

The study also reveals that, after analysis, “it is clear that **greed on the part of property owners is only one reason** why premises remain unoccupied for long periods. All of the other causes can be explained by market conditions, for which activities that can help attenuate these business risks can be identified.”

It is therefore important to acknowledge what kind of commercial vacancy challenge Montréal is facing, and the specific characteristics of each commercial corridors, to determine the most appropriate of the possible solutions.



21. Excerpt from the Demarcom research report, October 2019, p.15 [freely translated].





# Possible solutions / Questions for consultation



This background document based on recent studies aims at stimulating productive conversations in order to mitigate the impact of the problem of vacancies on Montréal's commercial corridors.

In that regard, the municipal administration has multiple policy levers that it can use on its territory. During the pre-consultation process, some stakeholders emphasized that the city should prioritize the aspects over which it has control and that come under its decision-making authority. The city, however, is not the only entity with the means to act. Other players are already taking action and could do more to improve the situation with regard to vacant premises on Montréal's commercial corridors.

The SDCs, although they do not all have the same capacity to act, are already involved in various ways: beautification and cleanliness initiatives, raising property owners' awareness of the appearance of commercial premises or the importance of a balanced commercial mix, etc.

Some owners, meanwhile, are already investing in renovations to vacant premises, and actively seeking new tenants. Intermediary “matchmaker” services between owners who have vacant spaces available and retailers seeking short-term leases are also beginning to emerge.

A series of questions on the topic, with introductions to provide context, allow us to address multiple aspects of the problem. The following questions are structured according to the possible solutions and practice review identified in this document.

### Actions envisioned elsewhere

As the survey conducted by the SDÉ shows, other cities facing the same problem are looking into solutions, and some have already acted to address the phenomenon and attempt to mitigate it. These measures are not necessarily applicable to the Montréal context, given that every city has specific characteristics, but they constitute responses that have been identified for a problem that seems to be present almost everywhere (in Europe, Australia and North America), regardless of the size of the urban agglomeration. As a reminder, they are: implementing a vacancy registry, levying a tax on vacant premises, regulating commercial zoning, and purchasing commercial buildings.



#### On this subject:

1. Which of the various measures adopted by other cities dealing with the problem of commercial vacancies and listed in Chapter 2 of this document do you think would be most useful for dealing with the situation in Montréal?
2. Are you aware of any experiments conducted by other cities that might be useful to examine in the Montréal context?

## Taxation

Taxation is often seen as the primary tool for determining the attractiveness of economic activity. A reasonable tax cost is seen as a benefit for retailers because it reduces the fixed expenses of operating a business. Under the current rules of property taxation in Québec, it is not possible for a city like Montréal to establish distinctions based on different types of business activity.

The Ville de Montréal, mindful of the significant challenges in various segments of its economy, in particular the retail trade, supports the objective of reducing the discrepancy in the tax burden between residential and non-residential properties, which include street-level retail spaces. A lessening of the tax burden on small retailers was an initial step in that direction (a lowering of the tax rate for the first \$625,000 of assessed property value, which translates to average tax relief of nearly 12,5% for smaller properties).

Montréal also has powers enabling it to address certain commercial premises only, although it has thus far not exercised them. They consist in either a direct tax or a regulatory charge, which could be based on property value, an amount per floor area, or another measure. The essential difference between a direct tax and a charge is essentially the mechanism framing the two; the direct tax is easy to design and includes no constraints; the regulatory charge is one part of a regulation stating an objective and that must be very precise as regards the conditions and the use to which the amounts collected over the years would be put (e.g., no requirement to spend the same year as amounts are collected).

The decision to levy a direct tax or a regulatory charge on property owners may, in some cases, send a price signal to change a behaviour that has an adverse effect on the commercial offering on a street. However, the conditions for application (target and degree of the tax/charge) can be complex, and the hoped-for results might not be achieved: the fear is that more organized owners would practise tax evasion by awarding leases to shell companies. A further concern is that an even heavier tax burden would exacerbate the phenomenon of concentrated ownership; i.e., “small fish” selling to “big fish” (some foreign-controlled) who are much better organized and financially equipped to deal with the higher taxation.



### On this subject:

3. Which component of property taxation you think the city should act on to attempt to solve the problem of vacancies on commercial thoroughfares?
4. Do you think a tax or regulatory charge levied against owners of vacant premises would solve the problem observed by the city? Why?
5. If so:
  - In your opinion, what amount of tax or charge on vacant premises would be reasonable?
  - What conditions for implementing a tax or charge do you feel would be indispensable?
  - In your opinion, what should be done with the monies collected via a system of taxes or charges levied against owners of vacant premises?



## Regulations

The city exercises many of its powers through regulation. This results in more or less control, costs and time constraints on commercial activity, but is overall necessary. Following is a list of elements that are currently covered by regulations, with conditions that vary depending on the borough:

- Occupancy certificate (required to open or change the activities of a retail business);
- Permit to install a sidewalk café (*terrasse*; may require a plan, an owner proxy, etc.);
- Commercial sign certificate (may require a description, a plan showing the sign's location and its dimensions, etc.);
- Commercial promotion permit (may require a plan showing location, describing safety measures, etc.).



### On this subject:

6. Do you believe the Ville de Montréal should be more accommodating when it comes to public property occupancy permits on commercial corridors, as a way of boosting customer traffic and enhancing street life? How might this influence the commercial vacancy rate?
7. Do you think setting up a registry of unoccupied premises would be an appropriate response? To what extent would such a registry be useful?
8. Would it be a good idea for the city to be granted the power to purchase (or guarantee purchase by a third party) property located on a commercial thoroughfare, so as to counter speculation or harmful behaviour by certain owners? What would the parameters of such a measure be?

Zoning is another very important regulatory tool at the city's disposal for controlling the supply of commercial spaces. Under its charter, however, the Ville de Montréal has only indirect control over zoning, because it is mostly the jurisdiction of the borough councils (Sections 130 and 131). The city can, however, include certain provisions (rules and criteria) in its planning program, to which the boroughs must conform, at the very least, by means of a concordance by-law (Section 88).

The borough councils regulate the activities permitted in various spaces and buildings, along with their retail floor areas and locations. This enables them, among other things, to control the number or type of retail establishments in the same industry segment along one commercial corridors. In addition, zoning may apply differently to different floors in the same building (e.g., ground floor zoned for retail; upper floors zoned for office space or residential use). All of these powers are ways of controlling commercial supply and overall floor areas, encouraging a particular commercial mix, and managing nuisances (e.g., odours, noise, customer traffic).



### On this subject:

9. Should the Ville de Montréal revise zoning on certain streets and their surrounding areas to reduce available retail floor area and in turn act on supply or control concentration of commercial supply on certain main thoroughfares? If yes, how?
10. Would it be a good idea to repurpose some commercial premises for residential use?
11. Should the regulation of the commercial mix on certain commercial corridors be revised? If yes, what parameters should be considered?

## Assistance programs for retail businesses

The Ville de Montréal already has a set of programs available to provide assistance to street-level retail businesses.

- **The Retail Business Accessibility Program** (known by its French acronym, PAAC): This subsidy program provides financial assistance to retailers who want to offer universal accessibility to customers with limited mobility.
- **PR@M – Streets under construction, PRAM-Sainte-Catherine and Artère en transformation** programs: These subsidy programs are available to business people and commercial property owners affected by major underground infrastructure work. They help stimulate, revitalize and consolidate commercial streets in the Montréal agglomeration, provide financial assistance for renovation of commercial buildings, and ensure consumers enjoy an updated retail environment and a more attractive built environment.
- **PR@M – Business**: This subsidy program is available to businesspeople and commercial property owners wishing to renovate building façades and modernize retail premises (in cases other than those in which major work is being done on the thoroughfare). It also covers business diagnostics to provide merchant associations with strategic tools conducive to development or consolidation of the commercial corridor.

- **The financial assistance program for businesses located in an area affected by major construction.** This is the most recent of the city's assistance programs, introduced in January 2019. It is an innovation on the part of Montréal, which is the first city in Canada to introduce a program providing financial assistance for businesses located in areas affected by major construction projects. In essence, it supports merchants affected by the disruption of activity on streets where the city is conducting major work, by granting a subsidy that offsets part of the loss of gross profit occurring during such work.
- **Subsidies to commercial development corporations (SDCs)**: SDCs benefit from two financial assistance programs specific to them: the Fonds de dynamisation des artères commerciales du Plateau Mont-Royal and the Programme de soutien financier des interventions visant l'amélioration des affaires réalisées par les Sociétés de développement commercial.
- The boroughs can also implement programs; one example is the Ville-Marie Borough's *Programme de soutien financier au développement commercial*.



### On this subject:

12. Would a new specific assistance program provide a way to resolve the problem of vacant premises on commercial corridors? What would be the goal of such a program?

## Developing the commercial environment

There are other ways of better supporting street-level retailers, including various activities that are part of the day-to-day operations of a municipal administration: maintenance of streets and sidewalks (snow removal in winter and cleaning in summer), public safety (e.g., lighting, patrols, compliance with by-laws on the appearance and safety of buildings), the appearance of commercial corridors (physical design, street furniture, signage/wayfinding), mobility (parking spaces, accessibility via various modes of transportation), etc.

In each of these areas, it is possible for the city to prioritize, to a degree, its commercial corridors and offer an enhanced customer experience. However, given that this often involves recurring operations or activities, the cost and availability of resources as well as the investments required are aspects that must be taken into consideration.



### On this subject:

**13.** Do you think improvements to the services provided by the city and its boroughs should be seen as a priority when it comes to solving the problem of vacant premises on commercial corridors? What services should be given priority?

## Other areas of action

There may be other possible avenues that have not been explored thus far or that would encompass several of the categories of action mentioned above. For example, many stakeholders mentioned creating a commercial rent control board as a possible solution. Despite the limitations that would come with implementing this type of institution, it is worth discussing which functions it could assume. It is also possible that some measures taken by other cities to deal with the problem of commercial vacancies have not been presented given that the Ville de Montréal would face difficulties in applying them. Nevertheless, it might be possible to consider variations on these solutions in the Montréal context.



### On this subject:

**14.** What measures might be taken by other stakeholders to better counter the onset or presence of commercial vacancies over the long term on commercial corridors?

# CON CLU SION

The Ville de Montréal takes the development of commercial business activity on its territory very seriously and makes efforts to assist merchants in maintaining and improving the retail mix available to residents and other consumers. This is especially true for street-level retail businesses, which also play a role in animating social life and improving the vitality of the city's various neighbourhoods.

As it has done previously in implementing various solutions to support street-level retailers, the city wants to properly understand the problem it faces and choose the right tools with which to act.

This consultation studying vacant premises on commercial corridors is thus an opportunity for the public and the various stakeholders to have their voices heard and suggest possible solutions properly suited to Montréal's situation.



# **NOW'S THE TIME TO HAVE YOUR SAY!**

The members of  
the Commission sur  
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économique et urbain  
et l'habitation are  
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