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A Study of Victoria Village: Does Property Ownership Concentration Change the Character of a Commercial Street?

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Abstract

Empirical and anecdotal evidence suggests that the commercial area of Victoria Village, located in the traditionally affluent city of Westmount, is experiencing a concentration of commercial property ownership. This research examines the potential effects of that concentration on the character of the area, as defined by the presence of particular types of commercial tenants (specialized versus convenience goods and services provision as well as independent versus chain retailers). It seems that the area is indeed undergoing change, and the highly valued “village” feel of the neighbourhood is at risk. Although no direct link can be made between ownership concentration and rent increase (or a change in retail activity), interviews with local business owners and residents show that popular opinion is that these two factors are related. Alongside interviews a business inventory was conducted in August, 2012. This data, with the use of local planning documents and newspapers, is used to formulate a set of recommendations to help mitigate the potential effects of property ownership concentration in the area.

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Concerns/Research Questions

A variety of sources have indicated that Cromwell has increased lease rates significantly for commercial properties upon lease renewal (Baseline study, 2010; personal interviews). This report contains three main research questions which have stemmed from the concern that this increase in lease prices is resulting in neighbourhood change.

First, is the concentration of property ownership affecting commercial character and diversity in Victoria Village? In addressing this question, our research documented property ownership patterns and linked them to business types; sought to confirm whether or not the acquisition of multiple properties by a single company (Cromwell) has resulted in an increase in lease rates for commercial properties; and if lease rates have increased, examined whether these higher costs have pushed out small-scale independent businesses, especially those that provide local services.

As seen in the Westmount 2010 Baseline Study, decreasing affordability is a trend for both commercial and residential properties in lower Westmount. The price of property is increasing faster than the median income of Westmount families, and long-time property owners are finding themselves either bought out, tempted by offers that they cannot refuse, or pushed out by high tax rates. Has property ownership concentration catalyzed or contributed to this trend of decreasing affordability by artificially pushing up lease rates?

Victoria Village has been identified by the city of Westmount as a village-like area, and has a strong association and resemblance to a traditional main street. As seen in the literature, main streets are often imbued with traditional values of community and play a large role in the identity of local residents. The shift from small local shops to large retailers can have a disruptive effect on social bonds (Zukin, 2009). Are current shifts in commercial offerings in Victoria Village eroding (or perceived to be eroding) traditional values and community identity?

“Originally, shops in Westmount provided local residents with their food and other services such as cleaners, news-stands, shoe repair and barber shops to meet their daily needs...”

Westmount Planning Programme, Consolidated Version – July 16, 2007

Research Rationale

The changing character of Victoria Village has already been identified by the City of Westmount and by business owners as a point of concern. The 2007 Westmount planning programme identifies the maintenance of the vitality and village character of the commercial and business areas as a development policy (City of Westmount, 2007). Already in the 2001 programme, concern was expressed concerning the continued growth of regional retail stores which were perceived to threaten local retail stores through increasing rents and property values. The concern regarding the displacement of local services is that local residents may find their daily needs are no longer serviceable by visiting their neighbourhood commercial area.

It is important to try and understand why this shift in character is occurring so that measures can be taken to control it. For example, the city of Westmount has identified an increase in parking spaces as a factor which could contribute to a proliferation of larger scale retail stores; therefore it has put a cap on the number of parking spaces to be made available in commercial sectors.

Westmount residents traditionally have placed importance on the identity and strength of their community. Certain shifts in the commercial character of Victoria Village potentially could challenge these values.

This research is particularly timely because there are some significant changes which will shape the character of the area occurring in the near future. First, the new MUHC mega hospital, located just south of the study site, is nearing completion. This project will have a large effect on local traffic, and will bring thousands of patients, staff, and employees into the area every day. It is not yet known what percentage of this population will visit or shop in Victoria Village, but it is almost certain that the effects of this new group will be felt. Secondly, the Westmount city planning programme is scheduled to be updated sometime in 2012 (the provincial government requires an update every five years). In part to prepare for this update, the city hired the urban planning and architecture group Atelier B.R.I.C. to conduct a study of the South West sector in order to determine the strengths and weaknesses of the area (the full study is available via the Westmount Municipal Association website, <http://www.wmaamw.org>). This study will help inform potential amendments to zoning bylaws for the area (Adelman, 2012). Presented to the public on October 3, 2012, the study includes an analysis of how the area has changed over the years as well as potential sites for improvement. Although not explicitly addressed in the report, the issue of Cromwell's ownership was brought forward during a public question period. This underlines the fact that ownership concentration and changing character are a relevant issue to be considered by the city in the drafting of amendments to the planning programme.



Figure 3: The B.R.I.C. study area which includes the Victoria and Sherbrooke corridors, source: Vision D'Aménagement, Secteur Sud-Ouest de Westmount

Methodology

The site for this research is Sherbrooke Street West between Grosvenor Ave. and Grey Ave. as well as Victoria Ave. between Sherbrooke Street West and de Maisonneuve Blvd. West (see figure 4). Although part of the site is located in the borough of NDG, the majority is in the City of Westmount. Victoria Village has traditionally been part of Westmount, therefore the planning documents and local sources have been taken from Westmount. However, the transition along Sherbrooke Street between NDG and Westmount should be addressed when drafting recommendations as the area generally acts as a cohesive whole despite borough differences in planning bylaws.



Figure 4: Study site in red with the border between Westmount and NDG identified. The MUHC site is located just south of the study area

This research relies on interviews with business owners and Westmount city councilors, alongside the observations of the two streets in order to compile a business inventory. Interviews provided narrative information on trends and insight into concerns of those in Victoria Village. For example, because historic data on lease rates are not available, interview respondents were able to confirm that lease rates had been increasing (although it was not possible to determine by how much) and identified challenges posed to business owners by these increases. Interviews were semi-structured with some guiding questions, although generally the interviewee was encouraged to take the interview in whichever direction they felt to be most important. Interviews lasted between 30 and 60 minutes and were not recorded (only hand written notes were taken). The business inventory was compiled through on-site observations. Notes were made on the building height and use (residential or commercial). Businesses were marked down according to their location, and research was later completed to determine if they were independent retailers, local chains (defined as businesses which had four or less locations, or

businesses which only exist within the Montreal metropolitan region), or chain stores. Notes were also made on vacant units and on Cromwell owned buildings. This inventory was current as of August 2012.

Business types were classified according to a typology established by Julie Villain (2011). Stores fall into one of five categories: convenience goods or services, specialized goods or services, and food services. Convenience refers to businesses that are associated with short travel distances and frequent trips, generally those relying on a relatively small catchment area. Convenience goods, for example, are corner stores (dépanneurs), grocery stores, and pharmacies, while convenience services include post offices, banks and limited-service eating outlets. Specialized refers to businesses that tend to offer a range of goods or services that act as a destination. These businesses tend to draw customers from a larger catchment area; they are not characterized by as many spontaneous trips as convenience locations. Examples of specialized goods are clothing, furniture, or art supplies. Specialized services include personal beauty services (such as a hairdresser) and insurance or architecture services (although this report did not concentrate on or include professional offices).

Finally, food services are defined as “full-time restaurants and drinking places” (Villain, 2011), and are differentiated from limited-service eating establishments such as cafes, sandwich shops or fast food outlets. While fast food services, for example, tend to benefit from spontaneous and more frequent behaviour, full service restaurants tend to be destination services which include a degree of preplanning. Food services are of additional interest in the Westmount context, due to strict planning bylaws which limit the number of restaurants operating in Victoria Village at any one time.

Local documents, such as the Westmount City planning programme and local newspapers (the Westmount Independent and the Westmount Examiner), were sources of additional insight into local concerns and actions taken by the city or business owners. Academic literature on main street revitalization and gentrification helped support this information.



Figure 5: Example of a convenience goods business

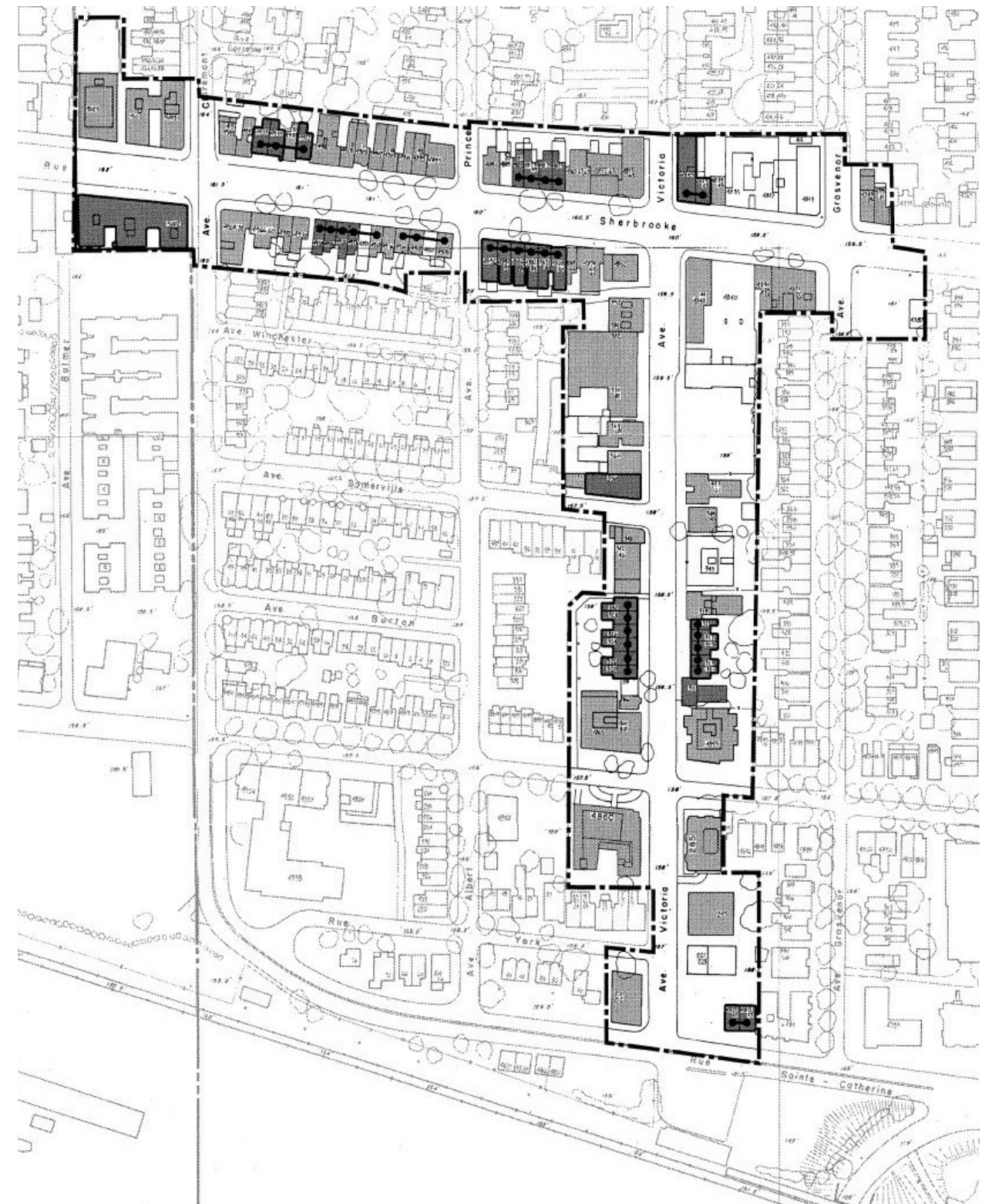


Figure 6: Figure ground map of Victoria Village, source: Westmount city character map, September 2001

Research Results

The results from the business inventory found that there are currently 139 commercial businesses operating in the study site. This number does not include veterinary hospitals (of which there are two) or professional offices (including medical, dental and optical). There are currently 13 vacant units in the area, 4 of which are located in Cromwell owned properties (as of August 2012).

These businesses break down according to Villain’s typology as such:

Type	Number of Businesses
Convenience Goods	11
Convenience Services	24
Specialized Goods	71
Specialized Services	24
Food Services	9

Regarding the scope and scale of the stores, their commercial structure is such:

Type	Number of Businesses
Chains	36
Local Chains	19
Independent Retailers	84

Of these businesses 45 are located in Cromwell owned properties. This represents 32.4% of all active commercial businesses in the study site. This number is supported by the findings of the Victoria- Sherbrooke Merchants’ Association, which found Cromwell to have control of 35% of the linear commercial frontage in Victoria Village as of June 2011. Of these Cromwell owned buildings, five businesses are located on Victoria Ave, the rest on Sherbrooke (see figure 9). Two are located in the borough of NDG and the rest are in Westmount (although only a small part of the study area is in NDG, and the Pickwick Arms building, a Cromwell building which holds four businesses as well as one vacant unit, is directly adjacent to NDG).



Figures 7 & 8: Examples of Cromwell presence in the area

The use of Villain’s typology helped determine the breakdown between convenience and specialized retail offerings. It is important though to recognize that convenience is not synonymous with lower end or inexpensive goods and services. For example, La Patisserie Gascogne, located in a Cromwell building, falls into the convenience services category because it is a bakery, a deli, a sandwich counter, and a pret-a-porter counter. However, all of its food items are of high quality and are priced as such. In addition, while La Gascogne provides an important service for local residents, people also often travel from other parts of Montreal to order their elaborate cakes and catering options.



Figure 9: Location of Cromwell owned properties in Victoria Village

Research found that the main concern among South West sector business owners was not so much about a decrease in diversity (in fact, one business owner said that they found there had been a significant increase in diversity due to the arrival of several trendy and posh retailers), but about a shift in the type of retail establishments which are located in Victoria Village. Interviews, planning documents, and newspapers point to a change away from local services such as shoe- and dress-makers towards high end boutiques which not only serve the local community, but aim to draw in customers from the rest of Montreal as well. Victoria Village may easily continue to be a strong and vibrant commercial sector, even if it no longer serves the day-to-day needs of the local population. The findings from the business inventory support the fact that specialized goods now dominate the retail offerings in Victoria Village. However, a business inventory from ten to twenty years ago is not available, and therefore we are unable to determine what percentage change has taken place.

Interestingly, while independent retailers still account for the majority of businesses, they also tend to sell specialized goods or services, while convenience goods and services tend to be chain retailers (such as the Metro grocery store, Pharmaprix pharmacy, and McDonalds fast food outlet). It is possible that higher rents have resulted in an environment where you have to either rely on a larger catchment area and specific trips for business, or you require the financial support of a larger company in order to offer convenience goods and services.



Figure 10: Independent specialized retailers

The research was also able to produce a narrative of Cromwell's presence in the area. As described in interviews, Cromwell first became present in the late 1990's during a time of economic downturn. During that time there were several vacancies in Victoria Village, and Cromwell claimed that they found the area to be undervalued and started buying up properties. Interviewed business owners located in non-Cromwell buildings mentioned that Cromwell had at some point tried to purchase the property they are currently located in. According to the former co-owner of LMNOP Inc., a children's clothing store, Cromwell would show up with (metaphorical) 'briefcases full of money and no community spirit' and 'try to buy out whoever they could'. Some respondents said that Cromwell is known for overpaying 20-30% for their buildings; this resulted in significant tax increases as the value of the building went up.

One main issue brought up by all interviewees is that Cromwell has been passing on an additional tax burden to their commercial tenants located in mixed use buildings. Currently the commercial tax rate is approximately 4% and the residential tax rate is 1%. The property owner is responsible for collecting the tax from their commercial tenants, and is assumed to pay for the residential portion of its buildings. However, Cromwell has been collecting the entirety of this tax (commercial and residential) from its commercial tenants, effectively passing on the burden of the residential tax. Although this is not illegal, it is perceived as a money grab by local business people, and it is an issue that has been brought up with city council. This issue has compounded the local view that Cromwell cares solely for profit, and that they have a detrimental effect on the commercial environment of the neighbourhood.

The point was made by business owners that in Victoria Village there is really no other option.; if you want to rent in the neighbourhood there is a good chance that it will be in a Cromwell property, and then you have to pay that additional tax as Cromwell writes it into their leases. However, it should be kept in consideration that high taxes have been a pertinent issue in Westmount for years, and it is possible that outrage on this issue is a manifestation of frustrations regarding high taxes in general.

Regarding lease rates, personal interviews support the statement that Cromwell has been increasing them significantly upon renewal (a standard lease is renewed every five years and bank leases are generally renewed every ten). This has had the effect of increasing rents in the area as a whole. According to the Westmount Baseline Study (2010), Cromwell rents in Victoria Village for a ground floor walk-in space are 60\$ to 70\$ per square foot per year (which amounts to 5000\$ to 6000\$ per month for a 1000 square foot unit), while a semi-basement or step up unit goes for 45\$ to 50\$ per square foot. Interviews with merchants revealed that some perceive rents to have increased by as much as 250%. People spoke of seeing their fellow merchants struggle as their rent increased from 2500\$ to 6500\$ per month. One respondent asserted that this type of increase was responsible for the closing of Boutique MacDonald, a clothing store which had operated in Victoria Village for 65 years.

“Victoria Avenue has traditionally been a neighborhood shopping area, and while landmark commercial outlets such as Nettoyeur Victoria Village remain open, other services have disappeared as rents increased.”
- Adelman, A Vision for Victoria, 2012.

Analysis

It is fairly apparent that Victoria Village has been experiencing a shift in commercial character over the past twenty years. However, it is difficult to determine the exact role Cromwell's ownership concentration has played in this shift. The results from the business inventory have confirmed that Cromwell has a significant commercial presence in Victoria Village and there is strong anecdotal evidence that they have pushed average lease rates up. However, the change in character that Victoria Village appears to be undergoing is typical of successful commercial corridors in affluent areas. It is possible that if Cromwell had not entered the area then another real estate group would have taken their place or that independent ownership would have led to similar trends in lease rates or the mix of businesses present. Cromwell's actions may have catalyzed, but not necessarily caused, the shift from local small scale retail establishments to higher end specialized offerings in Victoria Village.

Cromwell has easily fallen into the role of the enemy. They are a large company from Toronto and have no prior connections to the community in Victoria Village. It is evident from the language used to describe Cromwell's actions during interviews that residents of the area have a strong emotional response to a perceived threat. The popular perception of interviewed business owners is that the average commercial lease has become significantly more expensive over the past five to ten years. Interviewees strongly suggest that tenants in Cromwell owned buildings have faced significant increases, and we observed that some businesses have closed or relocated. However, due to a lack of available data on lease rates, it is impossible to determine the rate of increase. It is possible that lease rates have increased in line with inflation or that they were previously underpriced and have now reached a more stable equilibrium. It is also possible that business owners have overestimated the rate of increase, in particular when talking about properties other than their own.

Although we were unable to determine the amount of increase, lease rates are at the high end of the spectrum for local commercial streets in the Montreal region; as such, the rates may make it difficult for smaller scale and local businesses to survive, especially in an environment of high taxation or if coupled with even minimal increases in lease rates. Small businesses can quickly see their profit margin disappear following a rent increase. When businesses are forced to price goods higher to make ends meet, they risk pushing customers out to other commercial areas where goods are cheaper, therefore creating a self-destructive cycle. Furthermore, if a business is no longer able to afford rent in a particular location, the cost of moving a business can be disastrous. The Victoria-Sherbrooke Merchant's Association claims that a business can easily lose 20-30% of their clientele following a move, with losses up to 50% not uncommon. Multi-Mags and Bark & Fitz are two retailers that closed down soon after changing locations within the past couple of years; both were originally located in Cromwell buildings.

There are differences in opinion regarding the quality of Cromwell's buildings and how well they are maintained. It was mentioned that Cromwell is renovating and maintaining buildings at a high standard, one that some other property owners are resistant to match. These renovation and maintenance costs are reported to be directly passed on to the tenants. Conversely, merchants located on the ground floor of the Pickwick Arms building (corner Claremont and Sherbrooke) have argued that the prolonged location of scaffolding around the building has been extremely detrimental to their business and that the scaffolding was not even in place in order to complete renovation work. Although the scaffolding has now been removed, the conflict is ongoing.



Figure 11: Scaffolding on the Pickwick Arms building

One of the reasons that it has been difficult to determine the precise effects of Cromwell's property ownership concentration on lease rates is that the timing of many of their property acquisitions coincide with the announcement of the new MUHC mega-hospital site (2003), as well as the Quebec municipal reorganization process (Westmount became part of the city of Montreal in 2002 and demerged in 2006; this process was associated with significant increases in property taxes). It is natural that the MUHC announcement would produce speculative behaviour and put pressure on rents in the area.

Moreover, Westmount does not fall neatly into a classic case of gentrification; it has always been a high-end area and although there is a displacement of certain types of retail activity, it has not been precipitated by a displacement of residents (as seen in the majority of gentrification cases). Zukin (2009) states that the proliferation of boutiques simply reflects a normal shift in successful commercial areas towards "niche marketing and customized goods", especially in areas that are populated with residents that value quality and style. However, residents do seem to be concerned that the day-to-day services and goods which they require are being pushed out so that they are forced to get into their cars and drive elsewhere in order to do that type of shopping.

Because Westmount has such a strong connection to the values embodied in Victoria Village (such as a sense of community and neighbourliness), it is possible that while residents seem troubled by the shift in commercial character, they in fact do little to support small local services. During one interview, a respondent mentioned that the proliferation of car use has been a large factor in changing how people get to and use the commercial areas in Westmount. Instead of picking up groceries while walking home from school or work, it has become easier and cheaper to drive out to a large-scale box stores. This consideration brings an added layer of complexity to Westmount's decision to limit the number of parking spaces in Victoria Village. The limit encourages alternative modes of transportation, such as walking; however the hassle of finding and paying for parking perhaps dissuades some residents from making a spontaneous and short stop for a convenience good or service. Parking continues to be a highly contentious issue in the area.

Recommendations

The city of Westmount has already made a strong commitment to maintaining the local retail character of Victoria Village; however as it is not clear what exact forces are producing this shift and therefore it is difficult to target action. Regarding Cromwell's property ownership concentration, the city has recognized the issue as a potential problem, but concentration of property ownership cannot be legislated against. However, the 2007 planning programme mentions the possibility of limiting the types of commercial tenants which would be allowed in Victoria Village to local service retailers in order to "preserve local retail activities that serve its residents and to increase the conviviality of what may be identified as its village areas" (Westmount, 2007).

The city has recognized Cromwell – and similar corporate owners of multiple properties – as a concern but preliminary steps to address these concerns have been postponed due to the study of the commercial area done by B.R.I.C., the transport/circulation study (done by Genivar), and projects such as the new arena being built adjacent to Westmount Park. This report recommends that the city works towards establishing a better connection with the business owners in the area, potentially through the existing merchants' association. It would be more efficient and effective for all parties involved if concerns could be addressed before they become larger scale problems. The current merchants' association is quite informal, and works to encourage and strengthen the identity of the area. A yearly membership fee helps support activities such as the annual sidewalk sale. The association also voices collective concerns to the city council and works to increase the visibility of business owners' needs. It was suggested that the city could provide pamphlets with vital information from the merchant's association every time they process an occupier permit. Often smaller businesses tend to be occupied with short term problems such as how to make pay roll or pay rent, and therefore do not give much consideration to issues such as registering a lease (as detailed below). It might be helpful if this information was given to them upfront so that they could use this knowledge to make their business more secure; less business turnover is also good for the city as it adds to the stability of the area.

City councillors for the area of Victoria Village (Kathleen Duncan, district 4, and Gary Ike-man, district 5) meet with merchants on a quarterly basis and pass on concerns to council for deliberation. However, the city regularly makes decisions without consulting merchants for their concerns or opinions. In particular, interviewees commented on how the Planning Advisory Committee (PAC) acts as a top-down administration and does not consult with local merchants. Merchants should be addressed before making decisions about Victoria Village which will affect them. For example, the Atelier B.R.I.C. study was commissioned without first consulting merchants in order to discuss what they felt were the major concerns in the area. Subsequently, Atelier B.R.I.C. did not meet with merchants when executing their study. The PAC is usually comprised of residents (professional architects), city councilors, and civil servants; the point was made that for a project focused on the vitality of Victoria Village, merchant representatives could have been asked to join the PAC on a temporary basis. The upcoming zoning amendments also represents an ideal time to include merchants in the decision making process.

Among interviewed business owners, there was a consensus that the city should take steps towards protecting its merchants as they are an integral aspect of the area's vitality and livability, and therefore should be prioritized. One way of protecting businesses could be to provide information and help regarding registering leases. Although the associated costs can run 500\$ to 1000\$, registering a lease makes it impossible for a new building owner to change your lease or kick you out of the building before the lease is up. In effect, when someone buys a building, they are not obligated to honor existing leases unless those leases have been registered. The added layer of security offered by registration could have helped tenants in Cromwell buildings avoid immediate and therefore shocking jumps in lease rates.

Conclusion

Although it is difficult to pinpoint the exact cause, it is evident that Victoria Village is experiencing a shift in commercial character. Local responses to this shift have been emotional and the real estate group Cromwell Management Inc. has been labelled as the antagonist due to its role in increasing lease rates and property ownership concentration. This unique form of gentrification is resulting in a decrease in convenience goods and services which threatens the ability of Westmount residents to shop locally. The city of Westmount should take this opportunity to improve communication channels with local merchants so that the future development of Victoria Village occurs in a manner that is aligned with everyone's interests, especially in face of the opening of the MUHC mega-hospital and potential zoning changes.

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