

July 17, 2012

Mr. James P. Tate
President
Tate Economic Research Inc.
212 King Street West, Suite 202
Toronto, Ontario
M5H 1K5

Dear Jamie:

Re: Response to Peer Review Questions Regarding Two urbanMetrics Studies: (1) *Retail Market Demand and Impact Analysis – 70 Wicksteed Avenue, 99 Vanderhoof Avenue and 202-206 Parkhurst Boulevard – Toronto, Ontario (August 26, 2011); and (2) Economic Impact Assessment – 70 Wicksteed Avenue, 99 Vanderhoof Avenue and 202-206 Parkhurst Boulevard – Toronto, Ontario (August 26, 2011)*

We understand that Tate Economic Research Inc. (“TER”) has been retained by the City of Toronto to conduct Peer Reviews of the two above noted studies prepared by urbanMetrics inc. These studies were completed on behalf of Wicksteed Developments Limited (“Wicksteed”) in support of their applications for a proposed 147,000 square foot retail commercial development on an assemblage of properties including: 70 Wicksteed Avenue, 99 Vanderhoof Avenue, and 202-206 Parkhurst Boulevard in the City of Toronto.

In a letter dated June 11, 2012, and a meeting held on June 20, 2012, you asked us to respond to a number of data requests and raised a number of issues that require further clarification. The following discussion lists each of your questions and provides our responses.

RETAIL MARKET DEMAND AND IMPACT ANALYSIS

- 1. *There are three scenarios tested in the uM Retail Report. Can uM provide any more detail relating to the preferred configuration? Can any of the configurations be eliminated?***

Response: Based on the information provided to us by Wicksteed, no specific anchor tenant has been confirmed to date for the proposed development. Since the anchor tenant is not known at this time, it is not possible to identify a preferred configuration or to eliminate any of the possible configurations identified in the study.

- 2. *Please provide an electronic version of the inventory of competitive space.***

Response: An Excel file containing the detailed results of our inventory of competitive space was e-mailed to you on June 20, 2012.

- 3. *The uM Trade Area is partially based on licence plate survey results conducted by Malone Given Parsons Ltd. (MGP) at the existing SmartCentres Leaside site. The MGP Trade Area stops at Danforth Avenue to the south. The uM Trade Area extends to Lake Ontario. Please provide information from the MGP Report that supports uM's larger Trade Area.***

Response: As indicated in Figure 3-4 in our study, the MGP Study Area accounted for between 50.3% and 56.4% of the licence plate survey data MGP collected at the existing SmartCentres Leaside development in May 2009. Unfortunately, the information provided by MGP does not permit any further breakdown of these results. We estimated that this level of response would translate into this area accounting for between about 60% and 65% of expenditures attracted to the centre. We considered this level of support to be somewhat low to fully represent the Trade Area of this facility. We typically define the Trade Area for a particular location in an urban market as accounting for at least 70% of its expenditures. As a result, we defined a Trade Area for the subject site that is larger than the MGP Study Area.

The delineation of the Trade Area for the subject site was also based on the results of licence plate surveys conducted at SmartCentres Leaside by our firm and its predecessor firm, Pricewaterhouse Coopers, in 2002 and 2004. The results of these surveys were summarized in Figure 3-3 in our study, with detailed results presented in Figure B-1. These results show that the portion of the Trade Area to the south of Bloor Street East and Danforth Avenue accounted for at least 5.8% of responses in 2002 and 7.0% of responses in 2004.¹ These results are somewhat dated, and do not reflect changes in market conditions that have occurred since the surveys were conducted. Therefore, in delineating the Trade Area for the subject project, we did recognize that these changes would have caused some contraction in the size of the Trade Area that we had previously delineated for SmartCentres Leaside. As a result, the Trade Area defined for the subject site is somewhat smaller than the previously defined Trade Area, and does exclude the area west of Yonge Street that was previously included in the Trade Area.

- 4. *We also note that many of the anchor stores from the RioCan / SmartCentres Leaside developments that are already located in the Secondary Zone South. These include Home Depot (2), Canadian Tire (2) and Future Shop (1). In addition, there is a Best Buy and a Canadian Tire located adjacent to the Secondary Zone South boundary at Bay Street and Dundas Street. We also note that the Zellers store in Gerrard Square is to be***

¹ These figures exclude the results for Forward Sortation Areas (FSAs) located partly south of Bloor Street East and Danforth Avenue. Therefore, the actual level of response from this area may actually be somewhat higher than indicated.

converted to a Wal-Mart and the Zellers store at Shoppers World Danforth is to be converted to a Target. Given this existing and proposed competition, please provide additional support for the extent of the Secondary Zone South Trade Area boundary.

Response: Competitive facilities will definitely affect the market influence of a new facility locating in a particular area. However, the presence of intervening competitive facilities will not completely eliminate the influence that the new facility would generate. This is especially true in a densely populated urban area like Toronto, where the choice of shopping destination is far more complicated than selecting the nearest location of a particular store.

Our analysis recognized that competitive facilities, both existing and proposed, whether located inside or outside the Trade Area, will influence the shopping patterns of local residents. As demonstrated in the various demand analyses included in the study, we expect the proposed development at the subject site will have its greatest influence on the shopping activities of Primary Zone residents. While the new facilities at the site will also affect the shopping patterns of Secondary Zone North and Secondary Zone South residents, their influence on these zones will be far more limited than in the Primary Zone.

For example, the department store demand analysis presented in Figure 6-2 shows that the two new department stores expected to be developed in the Local Area in the future (i.e. the proposed store at the subject site and the new Target store at the East York Town Centre) would capture a combined total of 2.5% of the expenditures of Secondary Zone South residents. The vast majority of Secondary Zone South residents' expenditures (i.e. 97.5%) would remain available to existing and new department stores located elsewhere, including the new department stores locating in the Secondary Zone South.

The expenditure support captured from Secondary Zone South residents would account for a small portion of the total sales generated by the new facilities in the Local Area. Our estimates in Figure 6-2 show that Secondary Zone South residents would spend \$4.7 million at Local Area department stores in 2013, or about 5.0% of the \$94.4 million in sales generated by these stores. If an analysis had been conducted that excluded all of Secondary Zone South from the Trade Area and instead used somewhat higher inflow levels (i.e. 35% for the proposed store at the subject site and 20% for the Target store at the East York Town Centre), it would have resulted in nearly identical findings. Similar results would be expected for the other store categories if the Secondary Zone South had been excluded.

At our meeting you had asked if it would be possible to disaggregate the in-home survey results for Secondary Zone South, in order to exclude respondents from areas located to the south of Bloor Street East and Danforth Avenue, and thereby define a smaller Secondary Zone South that would be limited to the area to the north of these streets. While this is technically possible, based on the postal code information provided for each respondent, our review of the data indicates this would eliminate 103 of the 150 responses from the

existing Secondary Zone South, thereby leaving only 47 responses from the newly defined smaller version of the zone to the north of Bloor and Danforth. We do not consider the resulting sample to be of sufficient size to provide statistically meaningful information for our analytical purposes.

5. *What is the purpose of defining the “Local Area”? Is it the area that surrounds all of the “shopping districts” as defined by City staff?*

Response: The Local Area includes all of the shopping districts that we were asked to consider in our retail impact assessment. This was based on instructions provided by Ms. Roslyn Houser, legal counsel for Wicksteed, following her meeting with City planning staff on March 30, 2011, where she was asked to address the same retail strips as covered by MGP’s September 2009 market study for 85 and 115 Laird Drive.

Our analysis provided breakdowns for several of the retail strips included in MGP’s analysis in order to enhance clarity. SmartCentres Leaside and RioCan Leaside Centre were identified as separate districts, while facilities located along Millwood Road and Overlea Boulevard / Thorncliffe Park Drive were differentiated from the facilities located elsewhere in the Local Area. In addition to the shopping districts recognized by MGP, we included the Flemington Park Shopping Centre and the Shops at Don Mills, as these facilities could also be influenced by the new retail facilities in the proposed development.

6. *What is the status of the Starbank Developments application that is located at 1860 Bayview Road? The uM Retail Report notes that an OMB hearing regarding this development was scheduled for October 2011.*

Response: In OMB decisions released November 28, 2011, and April 10, 2012, the Starbank appeal was allowed and the proposed site plan was approved, subject to certain conditions. We understand that a Whole Foods supermarket of 4,600 square metres (49,500 square feet) is planned for the site, along with some unspecified ancillary retail and service tenants. Whole Foods is expected to open in 2015, with 2016 as its first full year of operation. Considering the very strong average sales performance levels generated by existing supermarkets in the Local Area (estimated to be \$953 per square foot in Figure 7-2 of the study) and the extensive market draw from well beyond the Trade Area that is likely for the Whole Foods store, the opening of this store is not expected to cause critical impacts on existing facilities.

7. *Please provide any adjustments made to the raw telephone survey results, or confirm that no adjustments were made.*

Response: The results for home furnishings stores and health and personal care stores were weighted in order to standardize the reporting periods for these categories, thereby bringing them into line with the reporting periods used for the other categories. Figures

C-9 and C-10 present the unadjusted and adjusted results for home furnishings stores. Similarly, Figures C-12 and C-13 present the unadjusted and adjusted results for health and personal care stores.

The distributions of survey expenditures by NFSR store categories and the zones of the Trade Area were weighted by the provincial expenditure distribution reported in Statistics Canada's *Retail Trade* data. We have observed from past experience that telephone survey results tend to over-report the expenditures in certain categories (e.g. department stores), while under-reporting them in others. Averaging the actual results against the provincial levels permits us to normalize these distributions, while still allowing for some variability to reflect local market conditions. Figure C-15 of the study presents the expenditure distributions reported in the survey by NFSR store category for each zone of the Trade Area. The top portion of Figure 6-1 summarizes the provincial expenditure distribution, based on the *Retail Trade* data. Figure C-19 shows the corresponding weighted expenditure distributions, reflecting the average between the survey results and the provincial levels.

We did not otherwise adjust the survey results. We specifically did not calibrate the results based on a review of the inventory of competitive space and the known or typical sales performance levels of particular stores or store categories. As noted at our meeting, survey respondents are more likely to remember their expenditures in some store categories or those made at major retail locations more so than in the smaller stores located in the retail strips, thus resulting in somewhat lower sales performance levels in these areas. As a result, the performance levels indicated in our report for the various retail strips are likely lower than actual levels.

8. *Please provide the telephone survey results, indicating expenditures by node in the Primary Zone, by FSAs for the Secondary Zone South.*

Response: Two separate Excel files containing the detailed in-home survey expenditure data and the summarized in-home survey results were e-mailed to you on June 20, 2012. We initially summarized the survey results, by store category and retail node, for the nine Sampling Areas identified in Figure C-1 in our study. The results for these Sampling Areas were then grouped into the three zones of the Trade Area, as presented in Figures C-2 through C-18 of the study.

The Excel files should provide the necessary information you require, as they contain the survey results for the three Sampling Areas that comprise Secondary Zone South. We did not analyze the survey results by FSA, although this could be done using the information in the Excel files. However, we would caution against doing so, as the limited sample sizes available at this level of analysis could produce misleading results for each FSA.

9. *Please confirm that the proposed Wal-Mart store contemplated for the SmartCentres development is a Wal-Mart SuperCentre. The telephone survey results indicate that*

approximately 40% of Wal-Mart SuperCentre expenditures are made on “Food and Grocery Items” and we note that no food component was analysed as part of the proposed department store. Please outline your rationale for excluding the food component.

Response: Wal-Mart is not a confirmed tenant at the proposed development (see our response to Item 1, above), so it is not possible to specify whether this store would be configured as a conventional department store or a supercentre with a large food component. Our study tested the potential impact that could result from the introduction of a typical 85,000 square foot department store in Scenario A and a 60,000 square foot supermarket in Scenario C.

We would expect that a supercentre totalling 85,000 square feet would likely function as a typical department store of say 60,000 to 65,000 square feet as well as a supermarket of some 20,000 to 25,000 square feet. In that case, we expect it would have lower market impacts than indicated by either the Scenario A or Scenario C analyses for the corresponding categories.

10. Please explain if, or how, the proposed department store and home improvement centre (now OMB approved) at York Mills Road and Lesmill Road was recognized in your Trade Area.

Response: This development is located on the northern edge of the Trade Area. As a result, we expect the retail facilities at this location would generate the majority of their sales support from non-Trade Area residents. However, we recognize that considerable support for these facilities would also come from Secondary Zone North residents. Although our study did not specifically identify the portion of these residents' expenditures that would be directed to the planned facilities at York Mills and Lesmill, we did recognize the significant constraints on their expenditures for facilities located in the Local Area. Due to these constraints, future Local Area share increases in this zone are severely limited.

For example, the building and outdoor home supply store demand analysis presented in Figure 6-6 shows that a new home improvement centre at the subject site would increase the Local Area share in Secondary Zone North from the current level of 13.3% to 15.0%. This is despite an increase in the amount of space in this category in the Local Area from 133,700 square feet to 218,700 square feet (i.e. a 63.6% increase in the space). The vast majority of Secondary Zone North residents' expenditures (i.e. 85.0%) would be available to existing and new building and outdoor home supply stores located outside the Local Area, such as the home improvement centre planned for York Mills and Lesmill.

11. TER notes that the lowest performing Other NFSR node in the Local Area is Bayview Avenue, at \$216 per square foot. This area has 8,000 square feet of Pharmacies and

Personal Care store space. Please calculate the sales per square foot level of the Bayview Avenue node separating out the Pharmacies & Personal Care category.

Response: The following chart summarizes the calculation of the requested information for Other NFSR facilities located along Bayview Avenue. These calculations are based on the results of our retail inventory (see Figures 5-2 and A-1), the in-home telephone survey (see Figures C-21 to C-24 and C-26) and our expenditure estimates (see Figure 6-1).

	Health and Personal Care Stores	Other NFSR Stores (less H&PC)	Total Other NFSR Stores
Retail Space (Square Feet)	8,000	73,000	81,000
Trade Area Sales (\$Millions)	\$7.3	\$6.7	\$14.0
Inflow Sales @20% (\$Millions)	\$1.8	\$1.7	\$3.5
Total Sales (\$Millions)	\$9.1	\$8.4	\$17.5
Sales Per Square Foot	\$1,138	\$115	\$216

As previously stated (see our response to Item 7, above), we did not calibrate the in-home survey results. Therefore, these results do not necessarily reflect our opinion as to the actual sales performance levels of these facilities. In fact, it is likely that the indicated results somewhat over-represent the actual sales performance levels achieved by health and personal care stores in this node, while concurrently significantly under-representing the actual sales performance levels generated by Other NFSR stores, excluding health and personal care stores.

In addition to issues affecting respondents' recall of expenditures in certain store categories and locations, this under-reporting is also due, in part, to the imprecision of in-home survey results at such a fine level of detail. Such imprecision can arise from the survey sampling procedure failing to obtain a representative number of respondents shopping at a very specific group of stores. It may also be an indication of the unique character of the facilities in this node and their attraction of shoppers from beyond the Trade Area, which is not reflected in our assumed inflow rate of 20% for the facilities in this area. Due to the imprecision of survey results, it may be necessary to calibrate the results if they are to be relied on for a very fine-grained analysis. As noted previously, we did not calibrate the survey results to account for this under-reporting.

12. Existing Building and Outdoor Home Supply Stores in the Local Area operate an average sales level of \$888 per square foot. The lowest performing node in this category is Eglinton Avenue East, which operates at \$443 per square foot. Please explain the rationale for forecasting base year 2013 sales at the proposed new store at \$400 per square foot.

Response: As indicated in Figure 6-7, existing building and outdoor home supply stores in the Local Area generate average sales performance levels estimated at \$888 per square foot

in 2010. This is far above prevailing industry norms for this category, which averaged \$289 per square foot in Ontario in 2010.² The extremely high sales levels in the Local Area suggest the area is severely underserved and requires additional facilities to meet the demand of local residents. We expect a new home improvement centre at the subject site would operate at levels that are much lower than the prevailing levels in the Local Area, but still well above the industry average.

13. Please explain the rationale for the proposed new Building and Outdoor Home Supply Store on the Subject Site to perform below all other nodes for the duration of the study period.

Response: As indicated in our response to Item 12, the results of our analysis clearly point to the need for additional building and outdoor home supply facilities in the Local Area. Our analysis indicates the sales levels that the proposed new home improvement centre at the subject site could achieve, and its potential effect on the existing operators in the area. It is likely, considering the prevailing market conditions in the Local Area and the lack of competitive stores in this area, that other new entrants would be attracted to this area. At this time, we are not aware of any specific proposals. Such new entrants could be expected to generate their own impacts on the existing operators in the area.

14. Please verify the size of the Metro supermarket at Bayview and Eglinton. The uM Report includes it at 30,300 square feet, the MGP Report included it at 44,000 square feet and TER’s estimate from Google Earth and fieldwork is 36,000 square feet.

Response: Our retail inventory estimated the size of the building containing the Metro supermarket to be 35,247square feet. From this total, we deducted the estimated sizes of the following stores, which are contained within this building, in order to arrive at the indicated size of the Metro supermarket:

Store Name	Estimated Size (Square Feet)
Gymboree	1,668
Curves	1,251
Vacant (formerly Photo 99)	768
Pleasant Book Store	1,251
TOTAL	4,938

Based on these estimates, we calculated the size of the Metro supermarket as 30,309 square feet (i.e. 35,247 – 4,938), which we then rounded to 30,300 square feet.

² Based on Statistics Canada, *Annual Retail Trade Survey 2010*, as reported in CANSIM Table 080-0023.

ECONOMIC IMPACT ASSESSMENT

1. *Is there any difference in the research methodologies in the 4 various publications sourced for Section 5-Industrial Real Estate Market Trends?*

Response: The four publications identified in our study used information derived from the industrial real estate market database for the Greater Toronto Area collected by Cushman & Wakefield Ltd., as well as its predecessor firms Cushman & Wakefield LePage Inc. and Royal LePage Commercial Inc. As noted in Footnote 2 to Figure B-1 in our study, this database included information on buildings with at least 5,000 square feet of space until the end of 2008, as summarized in publications up to and including Fourth Quarter 2008. Thereafter, the database included buildings with at least 10,000 square feet of space, as summarized in publications commencing with First Quarter 2009. Although this change has resulted in a slight discontinuity in the data between 2008 and 2009, the overall trends were not affected. We are not aware of any other methodological differences in these data.

2. *Section 5.2 provides information about vacancy rates. They range from 0.2% to 7.1%. Please provide uM's opinion on what level constitutes a balanced market.*

Response: We consider a vacancy level of 4% to 5% to represent a balanced, healthy industrial market for a broad urban area such as the City of Toronto or the Greater Toronto Area. However, an acceptable vacancy level for a specific area depends on the particular market conditions in that area. For a mature market like East York, where there are no greenfield lands remaining to be developed, we consider a vacancy level of 2% to 3% to reflect balanced market conditions.

3. *In Figure 6-2, uM indicates Non-Residential Development charges. A footnote states that these charges apply to the ground floor only. TER has reviewed the concept plan, which indicates that a portion of this space will be located on the second level. Why has uM made the assumption the development will all be built on the ground floor?*

Response: The treatment of above-grade non-residential space by the City of Toronto's Development Charges By-laws (i.e. By-laws 275-2009 and 1195-2009) is rather ambiguous. This may affect the space that would be included in Building A1 of the proposed development. Building A1 is to be built on stilts, with parking and other retail space located beneath, and therefore may be classified as above-grade space under the City's Development Charges By-laws. Based on a further review of these by-laws, an argument could be made that above-grade space would be exempt from paying development charges.

As a result, we have revised Figures 6-1 and 6-2 from our Economic Impact Assessment to reflect the exempt status of the above-grade space. The revised figures are presented as attachments to this document. Based on the calculations presented in the revised Figures 6-1 and 6-2, the applicable development charges have been reduced from approximately

\$1,481,973 as calculated in the original Figure 6-2 to about \$641,718 in the revised Figure 6-2. This represents a reduction of some \$840,255 in total one time fees that would be generated by the proposed retail development.

4. Has uM considered any increased vehicle traffic that may result from the development on the functioning of the other activities within the Leaside Employment Area?

Response: Traffic conditions are beyond the scope of our expertise and were not addressed in our Economic Impact Assessment. We understand that Wicksteed Developments Limited has retained the services of Transtech, a professional traffic consulting firm, to undertake a review of the traffic issues as they relate to the proposed development.

We recognize that traffic issues are a significant concern in this area, as they are in many other parts of the City of Toronto and the Greater Toronto Area. However, traffic issues do not appear to have severely impacted existing economic activities in the area, as local employment uses appear to be relatively healthy. Therefore, we do not expect that the incremental increase in traffic that may result from the proposed development would have any further negative effects on other economic activities in the local area.

We hope our comments and the attached figures assist you in reviewing our Retail Market Demand and Impact Analysis and our Economic Impact Assessment, as well as evaluating Wicksteed's proposed development. Please advise if we can be of any further assistance.

Yours truly
urbanMetrics inc.



Douglas R. Annand, CMC
Partner



Kosta Michalopoulos
Manager

ATTACHMENTS

**Revised Figure 6-1: Site Characteristics and Employment
Generated by the Proposed Retail Development**

Land Area¹		
Square Feet		287,835.0
Acres		6.61
Square Metres		26,740.8
Hectares		2.67
Building Area¹		
	AT GRADE	TOTAL
Square Feet	63,668.5	147,035.0
Square Metres	5,915.0	13,660.0
Employment Density (Square Feet per Employee)²		400
Total Employment³		368
Site Density (Employees per Hectare)⁴		138

SOURCE: urbanMetrics inc.

- 1) Based on information provided by SmartCentres Inc.
- 2) Based on urbanMetrics inc. estimates, reflecting the average ratio for retail developments.
- 3) Calculated by dividing the Building Area by the Employment Density.
- 4) Calculated by dividing the Total Employment by the Land Area in hectares.

Revised Figure 6-2: One Time Fees Generated by the Proposed Retail Development

Building Area¹		AT GRADE	TOTAL
Square Feet		63,668.5	147,035.0
Square Metres		5,915.0	13,660.0
Planning Application Fees²			
Official Plan Amendment Fee			
Base Fee			\$15,412.52
Zoning Bylaw Amendment Fee			
Base Fee			\$6,187.91
Additional Fee (for buildings with gross floor area over 500 square metres)	@ \$2.60 per square metre		\$35,516.00
Site Plan Control Fee			
Base Fee			\$2,568.82
Additional Fee (for buildings with gross floor area over 500 square metres)	@ \$2.60 per square metre		\$35,516.00
Agreement / Revision Fee			\$2,568.82
Total Planning Application Fees			\$97,770.06
Building Permit Fees³			
Construction of Group E: Mercantile Occupancies - Retail Stores (finished)	@ \$16.87 per square metre		\$230,444.17
Total Building Permit Fees			\$230,444.17
Development Charges			
Municipal Non-Residential Development Charges ⁴	@ \$107.91 per square metre	\$638,287.35	
Education Non-Residential Development Charges ⁵	@ \$0.58 per square metre	\$3,430.70	
Total Development Charges			\$641,718.05
TOTAL ONE TIME FEES			\$969,932.28

SOURCE: urbanMetrics inc.

- 1) Based on information provided by SmartCentres Inc.
- 2) Based on the City of Toronto's 2011 Planning Application Fees Schedule, in effect as of January 1, 2011.
- 3) Based on the City of Toronto's 2011 Building Permit Fees Schedule, in effect as of January 1, 2011.
- 4) Based on the City of Toronto's Schedule of Development Charges, in effect as of February 1, 2011. These charges apply to the non-residential gross floor area located on the **ground floor only**.
- 5) Based on the City of Toronto's Schedule of Education Development Charges, in effect as of August 25, 2008. These charges are collected by the City of Toronto on behalf of the Toronto Catholic District School Board.