

# ZONING BYLAW RENEWAL INITIATIVE

## DISCUSSION PAPER

12

ECONOMY: SUPPORTING SMALL BUSINESSES

Edmonton

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## ECONOMY: SUPPORTING SMALL BUSINESSES

### Introduction

**Small businesses<sup>1</sup> employ 74% of Albertans.** There are almost 32,000 small businesses in Edmonton, which accounts for about **94% of Edmonton's total businesses<sup>2</sup>.** In short – **small businesses are important.** They help create vibrant communities, support local employment, and improve the quality of life for Edmontonians through active, resilient, and exciting local commercial areas and mainstreets.

Potential small business owners **experience many of the same constraints and barriers with the current Zoning Bylaw as other applicants and developers.** However, adding to these challenges is that for a first-time applicant, the learning curve for the bylaw and permitting process can be steep and the applicant may not have the resources to get help navigating the process.

Complex and outdated regulations create uncertainty for entrepreneurs, drive longer permitting timelines, and contribute to a perception that decision-making is unclear or inconsistent. The rigidity of the current Zoning Bylaw makes it difficult to adapt to changing business needs and accommodate innovative business models and operations, or emerging trends. For a more in-depth look at issues in the current Zoning Bylaw, read [The Philosophy of The New Zoning Bylaw](#).

How can the new Zoning Bylaw support a **thriving local business environment?**

1 The Government of Alberta defines a small business as a business with fewer than 50 employees. For information on how the new Zoning Bylaw will support new commercial and industrial development, see the [Commercial and Industrial Zones Discussion Paper](#).

2 Statistics on small businesses come from the [Government of Alberta's Regional Dashboard](#) for 2018.

A series of Discussion Papers were created in 2020 to support Phase 1 of engagement and may include content that was subject to change as the draft Zoning Bylaw was refined.

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## Case study: Innovative Businesses in Edmonton Supporting New Models to Help Small Businesses Grow

### Sea Change Brewing

If there's one thing the team at Sea Change have learned throughout their experience in setting up a business in Edmonton it's to go with the flow.

The local company originally planned to set up a manufacturing space to produce a relatively high volume of beer with ample storage space for kegs. Canning and selling their beer through a third-party distributor didn't promise viable profit margins for a small business just starting up. Sea Change, like many other small businesses, planned to start slow and grow gradually, hopefully eking out a profit along the way.

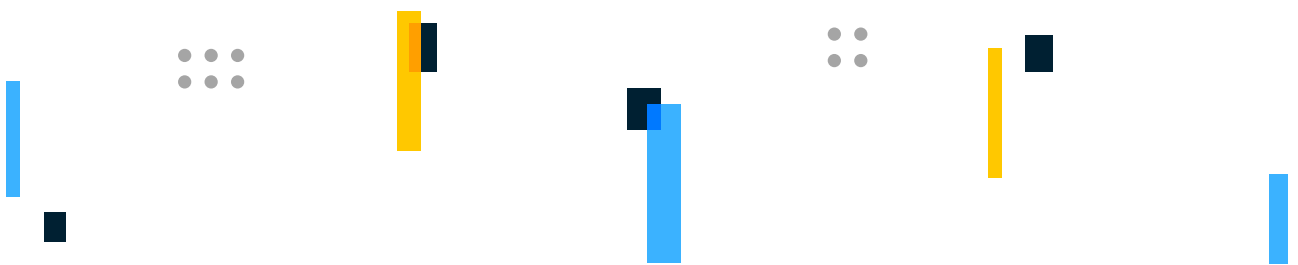
Recognizing the emerging micro-brewing industry, the City of Edmonton had added the "Breweries, Wineries and Distilleries" use category to the Zoning Bylaw as Sea Change was first setting up

shop. With this, Sea Change was able to add a taproom to their brewery, allowing the business to add an additional stream of revenue to their operations.

The taproom was a game changer. The additional stream of revenue provided a financial safety net and allowed Sea Change to take business risks. They went from being a start-up brewery, selling kegs to local restaurants, to canning and selling beer in restaurants and liquor stores across Alberta. Now, Sea Change has two taprooms – one in Edmonton and one in Beaumont. Though they are still considered a small business and lack the economies of scale and profit margins of the big breweries, a more flexible business model has allowed them to take calculated risks and grow at an unexpected pace.

## HOW THE NEW ZONING BYLAW WILL SUPPORT SMALL BUSINESS

The new Zoning Bylaw will serve a range of users, whether a first-time applicant for a small business or an established builder working on their 25th development. The following are some ways the new Zoning Bylaw **can help make it less complicated to open a small business in Edmonton.**



## Encourage risk-taking and innovative business models

Risk is at the heart of innovation, but risk and innovation require a flexible regulatory environment. Currently, Edmonton's Zoning Bylaw doesn't easily accommodate new and innovative business trends. Multi-use commercial spaces and multi-service business models are trending throughout North America, but are often incompatible with the way the current Zoning Bylaw is structured. With our current Zoning Bylaw, converting a warehouse to a microbrewery, cafe, office space and a retail centre demands that the zone allows for each of these use classes, and that permits be issued to operate each of these activities. Even if the zone permits all the uses, it is very unlikely that a new entrepreneur will find a location that has the permitting in place for all of these use classes.

Past changes to the Zoning Bylaw have attempted to account for a wide range of business types, but rather than enabling more adaptability, this has resulted in complicated and exhaustive detail in the bylaw. Because regulations have generally been oriented towards risk avoidance, it has led to a prescriptive approach to land use planning. This means that in practice, the Zoning Bylaw encourages narrow business activities in specific areas, rather than enabling creative and innovative business ideas. This approach results in the over-segregation of activities, making it difficult for local entrepreneurs to open low-risk businesses, like a small cafe, in neighbourhoods zoned for other uses, like residential.

Narrowly-defined or specialized uses can mean the difference between a business being able to open or not. The Zoning Bylaw currently has 127 different land uses, including some that are for niche or antiquated activities. For instance, the Major and Minor Amusement Establishments uses were created to control where arcades could be located in the 1980s. Clearly the abundance of arcades is no longer a relevant concern, yet the sheer variety of specialized uses in the Zoning Bylaw creates challenges for a business to find leasable space in their preferred location, because the specific use they are looking for needs to be allowed in that zone.

If a business owner chooses to continue to pursue a specific business activity in an area that isn't zoned for their needs, they must assume additional risks and extended timelines. To proceed, they may need to pursue variances or rezoning as the only paths forward to open in their desired location. The outcome of these variances and the corresponding appeals process, is that the time it takes from 'idea' to 'operation' is at best prolonged, and at worst halted entirely. At times, a 'quick' rezoning application could take up to six months, meaning the business owner is either paying rent or will need to move on from that location. Often, lease agreements will include conditional periods for business owners to obtain appropriate permits, however these conditional periods rarely extend to six months. In many cases, the business owner has no guarantee that they are able to build or operate in their desired location.

Even when the use is allowed, a new small business will often need to apply for a development permit to change the use of the space they are looking to lease. This even happens when the new business is similar or even lower-impact than the previous business that occupied that space. This process takes time and costs potential entrepreneurs money, and the carrying costs can make or break the ability of the small business to get started.

The new Zoning Bylaw will combine uses into broader use categories which can allow a greater range of activities to occur in a particular building or space. This will encourage risk-taking and support new business models by creating more opportunities for potential new businesses to find a home or existing businesses to quickly and easily shift their business model without the added time and cost associated with permitting. A major consideration of this new approach to use classes is land use impacts - what is the impact of the proposed activity on its surroundings, and is the activity different enough or impactful enough that it deserves to be regulated differently? Grouping activities with generally similar impacts into fewer use categories will create a more versatile Zoning Bylaw with fewer barriers to business.

## Attracting business and regional competitiveness

An agile, less prescriptive Zoning Bylaw will allow Edmontonians greater ability to respond to major shifts in how we use land, office space and housing. While not all of the factors that affect Edmonton's competitiveness can be addressed by zoning, the new Zoning Bylaw should enable greater speed to market, increased clarity for industry, and a wider range of development options. This is particularly relevant today, given COVID's impact on the local economy.

Administration has heard from the development and business communities that the Zoning Bylaw is complex and that the process to obtain permits can be unpredictable and inconsistent. This perception negatively impacts the City's reputation as a preferred destination for capital, innovators, and entrepreneurs. This results in an increased risk for business, and therefore reduced competitiveness of Edmonton to attract and retain investment.

An example of how the Zoning Bylaw has been amended to support a more competitive business environment is the recent change to eliminate minimum parking requirements. This change removes a potential cost barrier to new construction and allows new businesses to move into existing commercial space without the need for a potentially costly and time consuming variance process. Similar opportunities to remove unnecessary or ineffective regulatory barriers will be sought for the new Zoning Bylaw, such as by simplifying sign requirements or removing permitting requirements for home-based businesses.

## Level the playing field

The new Zoning Bylaw will aim to level the playing field so that all entrepreneurs are able to navigate the regulatory environment in order to open a business, rather than relying on businesses and stakeholders to have the expertise, experience and/or funds to work through the system. This can be accomplished by adopting a user-focused model and mindset in both creating the regulations and delivering accessible, empathetic and high-quality customer service. This means standing in the shoes of the applicant to understand their experience and adjusting our approach to zoning and its related services to better meet the needs of a range of different users.

The new Zoning Bylaw will also help to level the playing field by reducing the level of expertise required to understand the rules, through a variety of approaches including the use of simpler language, better layout and interface, and a streamlined approach to regulation. In addition, broader uses will help remove barriers to adaptability and innovation, creating better opportunities for small businesses to diversify revenue streams and compete with operations with larger economies of scale.



## IN CLOSING

The Zoning Bylaw Renewal Initiative has a role to play **in supporting Edmonton businesses and our local economy**. Creating broader use categories will allow for **greater flexibility to accommodate new and diverse business models and minimize permitting requirements**, and a small business perspective will inform **the user interface and approach to regulations**. In these ways the new Zoning Bylaw will create a more simplified and streamlined regulatory environment for residents, developers and businesses that want to invest in our community.

## GET INVOLVED!

- **Submit your feedback about this discussion paper at [engaged.edmonton.ca](https://engaged.edmonton.ca)**
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