

## EDMONTON RESEARCH PARK OVERVIEW (K. TANG)

### RECOMMENDATION

1. That the March 23, 2022, Financial and Corporate Services report FCS00886, be received for information.
2. That Attachment 3 of the March 23, 2022, Financial and Corporate Services report FCS00886, remain private pursuant to sections 16 (disclosure harmful to business interests of a third party), 24 (advice from officials) and 25 (disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act*.

### Report Purpose

#### Information only

### Previous Council/Committee Action

At the November 22, 2021, City Council meeting the following inquiry was made:

Can Administration please provide the following information:

1. What buildings and land within the Edmonton Research Park are owned by the City of Edmonton? What are the vacancy rates, what types of and how many businesses are set up within these buildings?
2. Who oversees the operation and maintenance of these City-owned properties (including what services are provided to the facility tenants and what ways tenants can contact the property managers)?
3. What is the current status and terms of the sales of the buildings that the City owns? Provide a budget breakdown (i.e. revenue and sources, expenses etc.) of the information available.

### Executive Summary

- There are 24 separate titled properties located within the Edmonton Research Park boundaries containing 18 different buildings.
- Of the 18 different buildings constructed in the Edmonton Research Park, the City owns two: the Research Centre One (RC1) and the Advanced Technology Centre (ATC) buildings. These

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buildings need extensive rehabilitation, requiring approximately \$32 million of capital investment to continue operations.

- Over the summer of 2021 Administration prepared the public listings of the ATC and RC1 properties. On October 29, 2021, the listings became public, and the City accepted offers to purchase until December 17, 2021.

### **REPORT**

In 1982, City Council approved the creation of the Edmonton Research Park, and a restrictive covenant was registered against all Edmonton Research Park properties to ensure activities aligned with that Council's strategic direction. This covenant restricts the use of each property and its future development to specific uses that support research activities. These restrictions limit the properties' development potential and uses, in addition to the limited permitted uses allowed under the zoning bylaw applicable for each Edmonton Research Park parcel.

In 1996, City Council granted Edmonton Economic Development Corporation (EEDC) the authority to manage and operate the Edmonton Research Park. Between 1996 and 2020, EEDC led the promotion, design, development, marketing, lease and sale of City-owned lands and buildings following strict research parameters to grow the Edmonton Research Park.

In late 2020, City Council focused EEDC's mandate, resulting in EEDC transferring the management of the Edmonton Research Park to the City of Edmonton as part of its restructuring to become Explore Edmonton. The management handover resulted in the City becoming the Edmonton Research Park Authority and taking over existing lease agreements within the ATC building, the RC1 building and the biotech land leases. The tenants that currently lease building space conduct work consistent with the Research Park Restrictive Covenant and Guidelines.

### **Edmonton Research Park Building and Lands**

There are 24 separate titled properties within the Edmonton Research Park boundary totalling approximately 41 ha (Attachment 1). The City of Edmonton owns 10 of the properties.

All 10 City-owned properties fall into one of four categories:

- Two properties with buildings (ATC and RC1 properties) and tenants totalling 3.2 ha.
- Four vacant properties, which have biotech leases in place. The leaseholders have the option to purchase the land at the end of the lease term, totalling 4.9 ha.
- Three vacant lots available for purchase, totalling 2.8 ha and
- One utility lot owned by the City of 0.9 ha.

Eighteen buildings are located across the 24 titled Edmonton Research Park properties. These buildings total approximately 101,000 sq/m in gross area. Two of the 18 buildings are City-owned: the ATC building at 9650-20 Avenue NW and the RC1 building at 9411-20 Avenue NW. The two buildings total approximately 8,424 sq/m, approximately eight per cent of the total building gross area.

### **Vacancy Rates within City-owned buildings**

There are 29 current tenants in the two City-owned buildings (Attachment 2).

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Nine tenants occupy space in the RC1 building through commercial lease agreements on three-year terms. The current tenants' industries include pharmaceutical and health care production, oilsands research, retail technology and engineering. Forty-five per cent of available tenant space is vacant, though approximately 500 sq/m (14 per cent) of building space needs renovation before it can be leased.

Twenty tenants occupy space in the ATC building on month-to-month commercial lease agreements, and 39 per cent of the available tenant space is vacant. The current tenants' industries include software development, data analytics, and government and medical research.

### **Operating and maintenance of City-owned properties**

Administration acts as the Edmonton Research Park Authority, managing the process to list the properties for sale and providing property management services in the City-owned buildings. Administration's services include:

- ensuring City lease obligations are met,
- assisting tenants with questions regarding their lease responsibilities such as emergency response plans,
- addressing building maintenance questions or concerns and
- helping with insurance claim processes.

The property management team hosts regular tenant meetings to strengthen working relationships and hear tenant feedback and insights into building operations and maintenance. In addition to these formal meetings, tenants can contact property management staff at any time with concerns.

### **Sale of City-owned buildings**

At its July 5, 2021, meeting, City Council directed Administration to publicly offer the city-owned buildings for sale through a competitive bid process assessing submissions based on criteria that contribute to Research Park objectives and city-building outcome (Option 2, as outlined in the June 28, 2021, Financial and Corporate Services report FCS00541, Future Use of Research Park Buildings).

Over the summer of 2021, Administration prepared the public listings of the ATC and RC1 properties for sale. On October 29, 2021, the listings became public and the City accepted offers to purchase until December 17, 2021.

Administration has evaluated all the offers received against five criteria:

- mandatory criteria of conforming to the restrictive covenant registered against each title,
- real estate transaction and price,
- purchaser feasibility,
- proposed plans and future use and
- alignment with the City of Edmonton's strategies and City Plan.

Using the evaluation criteria, Administration has information about potential buyers for each property in the March 23, 2022, Financial and Corporate Services report, FCS00737 City-Owned Research Park Buildings - Competitive Public Offering Update.

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### Budget/Financial Implications

Annual property revenue and expense details are included within the approved operating budget of the Real Estate Branch on an ongoing basis. A summary of expenses and revenues for the RC1 and ATC buildings is shown on the table below. Detailed information on operating expenses from previous years is limited, as EEDC managed the Edmonton Research Park. The source of revenue is tenant lease agreements.

	2020 Expenses	2020 Revenue	2020 Net Position	2021 Expenses	2021 Revenue	2021 Net Position
<b>RC1 Building</b>	\$358,168	\$280,837	-\$77,331	\$359,540	\$392,769	\$33,229
<b>ATC Building</b>	\$386,134	\$344,423	-\$41,711	\$318,777	\$454,482	\$135,705

Building condition assessment reports prompted more detailed building investigations in early 2021 once the Research Park was transferred to the City from EEDC. These investigations indicate the RC1 and ATC buildings need extensive capital rehabilitation funding to continue operations. These two City-owned buildings require an estimated \$32 million (estimated accuracy of -50 per cent to +100 per cent) in capital funding to be rehabilitated: \$9 million for the RC1 building and \$23 million for the ATC building. The 2021 net position improved due to lower building repair costs reported in that year and due to the recovery of 2020 tenant rent forbearance in 2021. Operational repairs costs for these buildings are forecast to continue to increase until building capital rehabilitation occurs.

The City's sale price expectations for both buildings in as-is condition must remain confidential to not negatively prejudice future negotiations (Private Attachment 3). In the event the ATC and RC1 buildings are sold, Administration would no longer need to budget for the associated operating costs and projected and future capital rehabilitation costs.

### COMMUNITY INSIGHT

Administration surveyed tenants in May 2021 to gather perspectives about the City's management of the buildings and leases. The majority of tenants were neutral in their response and the majority of the responses indicated that the tenant impact from third party building management would be neutral. The feedback informed report FCS00541 Future Use of Research Park Buildings.

Administration has listed these two properties through a competitive public offering process. As discussed in FCS00737 City-Owned Research Park Buildings - Competitive Public Offering Update, one of the evaluation criteria is the alignment to the City of Edmonton's strategic goals. As those strategic goals were set following significant engagement with the public, Administration is honouring those perspectives in the Competitive Public Offering process.

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### **GBA+**

GBA+ considerations for the sale of the two City-owned Edmonton Research Park buildings are outlined in FCS00737 City-Owned Research Park Buildings - Competitive Public Offering Update.

### **ATTACHMENTS**

1. Edmonton Research Park Land Ownership
2. Tenants in City-owned Buildings
3. Projected sale proceeds - PRIVATE