

# Downtown DynaLIFE Location

## Potential Relocation of a Major Tenant

### Recommendation

That the November 28, 2017, Regional and Economic Development Report CR\_5162, be received for information.

### Previous Council/Committee Action

At the August 29, 2017, City Council meeting the following motion was passed:

That Administration provide a report on the following:

- any interactions to date between the Province and the City, or with economic development agencies, regarding the proposed new 'super lab' and the benefits of locating it on DynaLIFE's current site.
- the owner of DynaLIFE's downtown location and any action it has taken to retain or replace this major tenant.
- estimates on the economic impact to the downtown of losing 500-plus management and union employee jobs.
- any other recent or anticipated relocations affecting provincial employees being moved out of Downtown.

### Executive Summary

This report addresses City Council questions related to DynaLIFE Medical Laboratories' downtown location. The DynaLIFE downtown location is a Province of Alberta tenant located at 10150 102 St NW #200 with over 500 employees. DynaLIFE's downtown location was rumored for relocation; however, Administration has learned from the owner of the site that DynaLIFE's lease has been extended. The length of this lease extension has not been disclosed.

In addition, this report also addresses other anticipated relocations affecting provincial employees moved out of downtown. The Province of Alberta is expected to reduce its leased space in downtown office buildings over the next few years. The potential and future net loss of jobs in Edmonton's downtown could have an impact on local business, ancillary services, and downtown vibrancy.

### Report

Cities continuously evolve and shift as a result of changing markets and economies. One of the outcomes of these changes can include the location of jobs and tenants. In Edmonton, there have been a number of recent changes that have impacted jobs and tenant locations, including a shifting economy and new downtown developments. Evaluating the potential impacts of the relocation of a tenant such as DynaLIFE should be undertaken with consideration to this broader context.

Responses to the points raised in Council's motion are outlined below.

1. Any interactions to date between the Province and the City, or with economic development agencies, regarding the proposed new 'super lab' and the benefits of locating it on DynaLIFE's current site.

Response: There have been no interactions to date between the Province and the City or with Edmonton Economic Development Corporation regarding locating a proposed 'super lab' at DynaLIFE's current site.

2. The owner of DynaLIFE's downtown location and any action it has taken to retain or replace this major tenant.

Response: The owner of the 10150 102 St NW #200 location is Alberta Investment Management Corporation, a crown corporation of the Province of Alberta. A lease extension was recently completed to retain DynaLIFE in the existing space.

3. Estimates on the economic impact to the downtown of losing 500-plus management and union employee jobs.

Response: There would be economic impacts related to losing 500-plus management and union employee jobs in the core. As a result of job loss, there would be impacts on ancillary services and other businesses. It is expected there would be cumulative impacts that could adversely affect daytime vibrancy in the downtown core. These impacts are minimized by the relocation of new major tenants to the core. It is difficult to estimate the direct economic impact of 500 jobs. A larger scale would be required to accurately determine trends and impacts.

4. Any other recent or anticipated relocations affecting provincial employees being moved out of Downtown.

Response: From April 2015 to March 2017, the Province of Alberta reduced its leased space in downtown Edmonton buildings by approximately 4,500 square metres

(48,000 sq. ft.). In the coming years, the Province of Alberta is planning to make further reductions in downtown office space, largely the result of increases to space density for office employees. The specific numbers associated with these changes have not been finalized with respect to leased space or the number of provincial employees potentially being affected.

**Financial Implications**

It is expected that increased downtown office vacancy could impact efforts around downtown vibrancy, while potentially contributing market weakness in Edmonton’s office market. Increased vacancy could negatively impact assessment values of downtown office properties, putting downward pressure on revenue associated with property tax and business licensing. Alternatively, increased vacancy could support emerging opportunities for new businesses and opportunities for building re-purposing. Given that DynaLIFE’s lease has been renewed, these implications are not expected.

On July 4, 2017, Administration presented a report to Executive Committee, CR\_4190 Alternative Downtown Tower Uses, summarizing work underway in collaboration with Edmonton Economic Development Corporation to address downtown office vacancy more generally. A report on the progress of initiatives designed to mitigate the overall impact of changes in Edmonton’s downtown office market will be brought back to Executive Committee in July 2018.

**Corporate Outcomes and Performance Management**

<b>Corporate Outcome(s): Edmonton is attractive and compact</b>			
<b>Outcome(s)</b>	<b>Measure(s)</b>	<b>Result(s)</b>	<b>Target(s)</b>
Advance a thriving, resilient, sustainable economy and environment	Downtown office vacancy rates	17.2% Q3 2017 (Avison Young Q3 2017)	Reduced vacancy rates
	Edmonton small to medium-sized business	-0.4% in 2016	Positive growth rate by 2018

**Others Reviewing this Report**

- T. Burge, Chief Financial Officer and Deputy City Manager, Financial and Corporate Services
- C. Campbell, Deputy City Manager, Communications and Engagement
- L. McCarthy, Deputy City Manager, Urban Form and Corporate Strategic Development