

BIOTECH LEASING PROGRAM, APPLIED PHARMACEUTICAL INNOVATION - LEASE APPROVAL

Recommendation

1. That the lease agreement between The City of Edmonton and Applied Pharmaceutical Innovation on the terms and conditions outlined in Attachment 1 of the August 30, 2023, Financial and Corporate Services report FCS01899, be approved, and that the lease agreement be in form and content acceptable to the City Manager.
2. That Attachment 3 of the August 30, 2023, Financial and Corporate Services report FCS01899, remain private pursuant to section 25 (disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act*.

Requested Council Action	Council decision required		
ConnectEdmonton's Guiding Principle	ConnectEdmonton Strategic Goals		
CONNECTED This unifies our work to achieve our strategic goals.	Regional Prosperity		
City Plan Values	BELONG, THRIVE, CREATE		
City Plan Big City Move	Catalyze and converge	Relationship to Council's Strategic Priorities	Economic Growth
Corporate Business Plan	Transforming for the future		
Council Policy, Program or Project Relationships	<ul style="list-style-type: none"> • The City Plan • Economic Action Plan 		
Related Council Discussions	<ul style="list-style-type: none"> • (Private) October 14, 1997, Agenda Item P.01 Edmonton Development Edmonton and Research Park Lands Agreement • CR_8373, Edmonton Research Park Surrender Agreement, City Council, October 19, 2020 • FCS00886, Edmonton Research Park Overview (K. Tang), Executive Committee, March 23, 2022 		

- UPE01185 Research Park Economic Development Opportunities - Options and Actions, Executive Committee, March 22, 2023

Executive Summary

- This report seeks approval of the biotechnology below market lease to Applied Pharmaceutical Innovation (API) for land within the Edmonton Research Park (“ERP”), as per the 1997 Edmonton City Council approved program.
- API has the right to purchase the lands at any time during the term, at the market value negotiated when signing the lease.
- Administration does not have the delegated authority to enter into this agreement as the lease is below market, outside of the Non Profit Leasing Guidelines and includes a purchase option that could represent a below market sale in the future.
- API is one of the country's largest not-for-profit life sciences commercialization organizations. Based in Edmonton with services and clients nationwide, API provides life sciences and health technology development capacity enabling companies to commercially produce their intellectual property in Edmonton.
- API has \$80.5 million in federal funding to create an integrated research, development and manufacturing cluster in Edmonton, under the Canadian Critical Drug Initiative (CCDI) project. API's proposed facility meets the restrictive covenant registered on title for research intensive use and stringent development standards.
- Administration advertised the lease offering as required under the *Municipal Government Act* and no petitions were received.

REPORT

In 1997, City Council approved a program wherein companies proposing to develop biotech facilities or labs on a site located at the Edmonton Research and Development Park could lease land at less than market rate. During the term of the land lease, the tenant would have the right to purchase the land at the market price that existed when the lease was signed.

This report seeks approval of a new land lease and potential future land sale agreement between the City and API, under the biotechnology leasing program established in 1997 for certain lands located within the ERP. Administration does not have the delegated authority to enter into the lease for two reasons:

1. The lease is for a below market rate. Although API is a not-for-profit corporation, the end users of the facility will be commercial entrepreneurs and startups, which fall outside of the 1999 Non Profit Leasing Guidelines.
2. The land sale price is negotiated at current market value as of 2023, creating the possibility that a sale at the existing negotiated price in future years could be below market.

Administration supports leasing the lands to API under the lease terms and conditions included in Attachment 1. A site plan of the land is included as Attachment 2.

BIOTECH LEASING PROGRAM, APPLIED PHARMACEUTICAL INNOVATION - LEASE APPROVAL

Private Attachment 3 outlines the negotiated potential sale price. Details about the biotech leasing program are in Attachment 4.

In late 2021, API formally launched the CCDI to create Canada's first integrated research, commercialization and manufacturing cluster. In 2022, API took over management of the Biotechnology Business Development Building (BBDC) located within the ERP. In direct implementation of the CCDI project, API intends to develop a life science campus that will support current and future businesses in the ERP, with manufacturing and lab components. The CCDI project is widely supported through economic development organizations such as Edmonton Global and Invest Alberta, the 16 municipalities of the Edmonton Region, industry partners and several post-secondary partners including the University of Alberta, the University of Calgary, the University of Waterloo and Dalhousie University. API's development of the land under the proposed lease will provide modern lab facilities, which are needed as nearly all space within BBDC is being used. API has surveyed current BBDC and prospective campus tenants to inform priorities in their intended development.

Administration recommends the approval of the proposed lease agreement. The lease provides the following advantages and encourages developing a research intensive facility.

- API can direct initial capital funding into the development of its facility. The amount it would otherwise spend on land is deferred during the term of the lease until it is financially ready to purchase the land.
- API has the right to purchase the lands at any time during the term, at a price negotiated when signing the lease.
- API plans to build a facility that will benefit other occupants of the ERP.
- API is implementing the CCDI project, leveraging the federal funding received.
- API anticipates opening of the facility in 2026-2027.
- CCDI and other companies would have access to a higher level of equipment and laboratory spaces than currently provided for or available to use within the ERP.
- API's proposed facility is in accordance with the restrictive covenant, meeting the research intensive criteria.
- Full development of the ERP will be nearly complete. Only one lot remains for development if this lease is approved.

Budget/Financial Implications

The City will assess property taxes on the lands and the facility once they are leased, which could be realized as early as 2026. API will take over responsibility for seasonally required maintenance of the lands.

Fair market value lease or sale revenue concerning these lands was not included within the 2023-2026 Approved Operating Budget, as their status was uncertain during the budget process.

Community Insight

In accordance with the *Municipal Government Act, RSA 2000, c. M-26, Sections 70 and 606 and Part 7* a notice of intention to lease city land for less than market value was placed in the Edmonton Journal October 7 and 14, 2022 with a petition period of 60 days after advertisement posting. The posting stated that The City of Edmonton proposes to lease City land at less than market value to a company or companies using the ERP pursuant to the Biotechnology Lease Program, which provides land at less than market rates to biotechnology firms.

There were no petitions received during the notice period and therefore Council can consider and may approve the recommendations.

GBA+

Administration has previously completed a GBA+ to inform engagement and analysis for the March 22, 2023, Urban Planning and Economy report UPE01185, Research Park Economic Development Opportunities - Options and Actions. Through the engagement process, Administration sought insight to ensure the ERP is a diverse, inclusive and equitable place to do business. The engagement resulted in the following findings:

- Raising awareness of the ERP amongst diverse groups of people could increase the diversity of business ownership in the ERP;
- Seventy six per cent of respondents to the survey said they felt people of all cultures and backgrounds could succeed at the park and feel valued at the ERP; and
- Stakeholders feel the ERP is very culturally diverse but lacks gender diversity, as very few women work within the ERP.

Attachments

1. Lease Terms and Conditions
2. Site Plan
3. Option to Purchase Price (Private)
4. Summary of Biotech Leasing Program