

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 June 19, 2024, Financial and Corporate Services report FCS02378, be approved, and that the lease agreement be in form and content acceptable to the City Manager.
2. That Attachment 3 of the June 19, 2024, Financial and Corporate Services report FCS02378, 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 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(s)	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 • October 19, 2020, CR_8373, Edmonton Research Park Surrender Agreement, City Council • March 23, 2022, FCS00886, Edmonton Research Park Overview (K. Tang), Executive Committee 		

- March 22, 2023, UPE01185 Research Park Economic Development Opportunities - Options and Actions, Executive Committee
- August 30, 2023, FCS01899, Biotech Leasing Program, Applied Pharmaceutical Innovation - Lease Approval
- June 19, 2024, UPE01837, Research Park Economic Development Opportunities - Next Steps

Executive Summary

- This report seeks approval of a second biotechnology below market lease to Applied Pharmaceutical Innovation (API) for additional 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.

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 land lease term, 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. The lands proposed to be leased under this report are in addition to lands already approved and leased to API, per the August 30, 2023, Financial and Corporate Services report FCS01899, Biotech Leasing Program, Applied Pharmaceutical Innovation - Lease Approval. These second lands are contiguous to the first, and would allow API to expand their development.

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 facility's end-users will be commercial entrepreneurs and startups, which fall outside of the 1999 Non Profit Leasing Guidelines.
2. The land sale price is negotiated at the current market value as of 2024, creating the possibility that a sale at the existing negotiated price in future years could be below-market.

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

Private Attachment 3 outlines the negotiated potential sale price. Attachment 4 details the biotech leasing program.

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API is one of Canada'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.

In late 2021, with \$80.5 million of federal funding, API formally launched the Canadian Critical Drug Initiative (CCDI) to create Canada's first integrated research, commercialization and manufacturing cluster. This project will further strengthen Edmonton's established and provincially-recognized life sciences industry. API expects the projects to support the growth of at least 60 early-stage life sciences and bio-manufacturing companies, the creation of more than 350 high quality jobs, and the training of 175 skilled workers. In 2022, API took over management of the Biotechnology Business Development building 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 the Biotechnology Business Development building is being used. API has surveyed current and prospective campus tenants to inform them of their intended development priorities.

In 2023, API showed its commitment to the future of the Edmonton Research Park in several ways. Alongside City Administration, API co-chaired the ERP Advisory Group, established to address the Executive Committee motion made upon discussion of the March 22, 2023, Urban Planning and Economy report UPE01185 Research Park Economic Development Opportunities - Options and Actions. Per FCS01899, API was granted a lease from the City to develop a research intensive facility to support ERP occupants and others. API is the proposed ERP Steward resulting from the November 2023 process further described in another June 19, 2024 report, Urban Planning and Economy UPE01837, Research Park Economic Development Opportunities - Next Steps.

Administration recommends the approval of the proposed second lease agreement. The lease provides the following advantages and encourages expansion of API's 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 lease term 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 expand a facility which would further benefit other occupants of the ERP.
- API is implementing the CCDI project, leveraging the federal funding received.
- API anticipates opening of expansion to the facility in 2028-2029.
- API intends to provide access to additional state-of-the-art equipment and laboratory spaces than currently provided for or available to use within the ERP.

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- API's proposed facility expansion must comply with the restrictive covenant, meeting the research intensive criteria.
- If this lease is approved, this will be the final lot to be sold or leased for development and all available City-owned land in the ERP will be committed under contract.

Since approval and execution of the first biotechnology below market lease with API at the ERP, API has completed many of the conditions precedent under this first lease agreement and is on track to commence active construction in 2024 with the facility set to open by 2027.

Budget/Financial Implications

The City will assess property taxes on the lands and the facility once leased, which could be realized as early as 2028. API will take over responsibility for seasonally required maintenance of the lands. API may seek a property tax exemption on the property once fully constructed, but this will need to be evaluated once the property is operational.

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 July 21 and 28, 2023 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; therefore, Council can consider and may approve the recommendations.

The broader ERP community also received invitations to join the ERP Advisory Group. During meetings held in 2023, the ERP Advisory Group discussed API's development. The ERP community, as represented by the Advisory Group, is supportive of this continued investment in ERP.

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

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- Stakeholders feel the ERP is culturally diverse but lacks gender diversity, as very few women work within the ERP.

Attachments

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