

## BELOW MARKET SALE TO APPLIED PHARMACEUTICAL INNOVATION

### Recommendation

1. That the March 3, 2026, Financial and Corporate Services report FCS03214, be received for information.
2. That Attachment 3 of the March 3, 2026, Financial and Corporate Services report FCS03214 remain private pursuant to sections 19 (disclosure harmful to business interests of third parties), 26 (disclosure harmful to intergovernmental relations) and 29 (advice from officials) of the *Access to Information Act*.

<b>Requested Action</b>	Information only
<b>ConnectEdmonton's Guiding Principle</b>	<b>ConnectEdmonton Strategic Goals</b>
<b>CONNECTED</b> This unifies our work to achieve our strategic goals.	<b>Regional Prosperity</b>
<b>City Plan Values</b>	BELONG. THRIVE. CREATE.
<b>Corporate Business Plan</b>	Serving Edmontonians
<b>Council Policy, Program or Project Relationships</b>	<ul style="list-style-type: none"> <li>• The City Plan</li> <li>• Economic Action Plan</li> </ul>
<b>Related Council Discussions</b>	<ul style="list-style-type: none"> <li>• October 14, 1997, Agenda Item P.01 Edmonton Development Edmonton and Research Park Lands Agreement</li> <li>• October 19, 2020, Financial and Corporate Services report CR_8373, Edmonton Research Park Surrender Agreement</li> <li>• March 23, 2022, Financial and Corporate Services report FCS00886, Edmonton Research Park Overview (K. Tang)</li> <li>• March 22, 2023, Urban Planning and Economy report UPE01185, Research Park Economic Development Opportunities - Options and Actions</li> <li>• August 30, 2023, Financial and Corporate Services report FCS01899, Biotech Leasing Program, Applied Pharmaceutical Innovation - Lease Approval</li> <li>• June 19, 2024, Urban Planning and Economy report UPE01837, Research Park Economic Development Opportunities - Next Steps</li> <li>• June 19, 2024, Financial and Corporate Services report FCS02378, Biotech Leasing Program, Applied Pharmaceutical Innovation - Lease Approval</li> </ul>

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### Previous Council/Committee Action

At the September 16, 2025, City Council meeting, the following motion was passed:

That Administration provide a report to Committee outlining the risks and potential benefits, along with the required policy exemptions, for advancing a nominal sale of the lands legally described as Plan 242 0043 Block 2 Lot 9 and 8120859 Block 2 Lot 5 to Applied Pharmaceuticals Innovation (API) including a recommended term sheet with proposed conditions to facilitate the sale.

### Executive Summary

- This report outlines the risks and benefits of a below market sale to Applied Pharmaceuticals Innovation (API).
- API requested a nominal sale to help fund development.
- Administration does not have the delegated authority to enter into a below market sale.
- API, through its current below market biotechnology leases, has the option to purchase the lands at a predetermined market value at any time during the 10-year term.

## REPORT

Applied Pharmaceuticals Innovation (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 commercialize 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 is intended to further strengthen Edmonton's established and provincially recognized life sciences industry. API has estimated that the total investment in the two parcels and the Edmonton Research Park will be approximately \$198.5 million, by the time construction is completed<sup>1</sup>.

In 2023 and 2024, Executive Committee approved two land lease agreements between API and the City: Plan 242 0043, Block 2, Lot 9 (the First Parcel) and Plan 8120859, Block 2, Lot 5 (the Second Parcel) (Attachment 1 - site plan), both located within the Edmonton Research Park (ERP) as part of the biotechnology leasing program (Attachment 2 - summary of the program). The lease agreements are for a 10-year term at \$1.00 per year and include a purchase option based on the market value of the lands on the lease execution dates, which the tenant can exercise at any time during the lease term. If the purchase option is not exercised within the 10-year lease term, the tenant will pay market rent for the lease upon the term's expiry.

API successfully met all conditions precedent outlined in the lease agreement for the First Parcel, at which time the lease term officially commenced on July 8, 2024. These included:

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<sup>1</sup>  
<https://www.canada.ca/en/innovation-science-economic-development/news/2025/03/canada-supports-biomanufacturing-capacity-to-advance-next-generation-medicines.html>

## **BELOW MARKET SALE TO APPLIED PHARMACEUTICAL INNOVATION**

- Providing evidence of API's ability to construct and pay for the facility to be built on the lands.
- Obtaining a Phase II Environmental Site Assessment for the lands.
- Mutual approval of the plans to develop the site and the facility according to the Guidelines for developments in the ERP.
- Obtaining a development and building permit for the facility.
- Providing the City with a deposit as security to ensure the facility will be completed.

API broke ground on the facility on the First Parcel on June 20, 2024, with construction planned for completion in 2026 and fit-out anticipated by August 2027.

The Second Parcel lease contains the same conditions as the first. At this time, the lease term has not officially commenced, as it remains conditional until March 31, 2026. The 10 year lease term will commence upon the conditions being met or waived. Despite completing the First Parcel's shell structure, API has a funding gap to complete development. They state that the current lease structure complicates securing financing, even with additional funding they have secured. API is now requesting an unconditional nominal value land sale without any development timelines to help them obtain financing for the fit-out. A summary on completing the fit-up and build-out of the development on the First Parcel is in Private Attachment 3.

For their Second Parcel lease term to begin, all conditions must be met or waived, including confirmation of funding, development and building permits and receipt of the deposit. Instead, API is requesting a below market nominal purchase price for both the First and Second Parcels (Attachment 4). API has requested unconditional purchase terms, with no further commitments regarding construction for the Second Parcel or any other consideration provided to the City.

### **Typical Below Market Terms and Conditions**

In instances where Council has approved the sale of developable land at below market value, typically conditions precedent, buy-back options and, often, performance fees are included.

Under a typical buy-back option the City can repurchase the site if development does not commence by a specific date, and the performance fee is tied to development completion and an environmental standard requiring sustainability beyond basic building codes.

The inclusion of standard terms and conditions, such as soil conditions, development funding and development permit conditions, along with a buy-back and performance fee, helps ensure that land sold by the City is developed promptly for the originally intended purpose, and meets the City's sustainability goals. The intent of these tools is to limit the purchaser's ability to hold the parcel indefinitely or to purchase and sell it at a higher value without completing construction.

### **Advantages of Accepting API Terms**

- Development of the Second Parcel will increase property tax revenue for the City.
- A sale under API terms could be viewed as the City removing additional barriers to research-intensive economic development.

## BELOW MARKET SALE TO APPLIED PHARMACEUTICAL INNOVATION

- API has indicated that ownership would help API obtain capital funding for the development of its second facility.
- API plans to expand a facility that would further benefit other occupants of the ERP and potentially offer new space for new research-intensive start-ups.
- API is implementing the CCDI project, leveraging the federal funding received.
- API intends to provide access to additional state-of-the-art equipment and laboratory spaces that are not available for use within the ERP.
- If this sale is approved, this will be the final lot sold or leased for development, and all available City-owned land in the ERP will be committed under contract (lease or sale).

### Risks of Accepting API Terms

- The City is not able to limit API's ability to hold the parcel indefinitely or to purchase and sell it at a higher value without completing construction.
- Providing City land to a group at a nominal rate could be viewed as similar to providing a grant, as the City would be forgoing revenue and land is an asset.
- When the City offered these sites on the open market, it intended that any successful proponent would be required to enter into a Biotech lease. This raises concern of reputational risk, as the City did not allow other similar organizations to apply to purchase these sites for below market value.
- API's proposed terms do not align with the requirements for a below market value or direct sale under Administration's Standard, Disposal of City Owned Interests in Land,<sup>2</sup> which guides the City's disposal of land in an open and transparent manner. However, Administrative Standards are not binding on City Council, and when being applied by Administration, exceptions may be considered based on an acceptable justification.
- A below market sale creates preferential treatment compared to others within the biotechnology leasing program. One of the biotechnology tenants purchased their land upon expiry of their lease, based on the market value predetermined in their lease agreement. Two other tenants are still leasing their lands and have options to purchase at a market value set out in their lease agreements.
- Selling developable land at a nominal value without contractual obligations regarding construction timelines, future use and energy requirements would set a precedent. This sale could lead to other organizations requesting below market dispositions for developable land throughout the City, negating any anticipated revenue recoverable from the market value.

### Next Steps

Unless otherwise directed, Administration will not negotiate a land sale with API for either parcel. Both parcels will continue to be subject to the terms and conditions of the existing leases, under

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<sup>2</sup>[edmonton.ca/sites/default/files/public-files/DisposalofCityOwnedInterestsInLandStandard.pdf?cb=1769618462](https://edmonton.ca/sites/default/files/public-files/DisposalofCityOwnedInterestsInLandStandard.pdf?cb=1769618462)

## **BELOW MARKET SALE TO APPLIED PHARMACEUTICAL INNOVATION**

which API has an option to purchase the lands.

Should Council wish to move forward with a below market sale, a motion would be required that provides direction on the terms to be included.

### **Budget/Financial Implications**

As the site is currently leased at a nominal rate with the tenant bearing the site's operating costs, the disposition of these lands will not affect the ongoing tax levy operating budgets.

The sale of these properties, at a nominal value, will result in a loss for Land Enterprise. The market value of the sites is approximately \$4.8 million. While this loss can be absorbed by Land Enterprise Retained Earnings without requiring funding through the tax levy, the reduction in revenue will mean less funds available to reinvest in other Council priority land development projects.

Under Council Policy C511A - Land Development, Land Enterprise will pay an annual dividend to the City of Edmonton in the second quarter of each year based on 2.5 per cent of the year-end balance of Land Enterprise Retained Earnings for the previous year. The loss incurred on this sale will result in an overall reduction in Land Enterprise Retained Earnings and a corresponding reduction in the dividend payment. The dividend is typically paid in the second quarter of the year following the land transfer.

### **Community Insight**

Public engagement was not completed for this report. Given the sensitive and private nature of negotiations, Administration does not conduct engagement with the general public for individual sales.

### **GBA+**

GBA+ was not completed specific to this report, as it relates to the potential sale or continued lease of the site by the current occupant. The sale of the land below market value would be inequitable compared to others within the biotechnology leasing program who have not been offered the same opportunities.

### **Environment and Climate Review**

The environmental impacts of development are dependent on the private developer and will be considered as part of the planning and permitting process. As part of the terms outlined in the existing leases, the development is required to achieve a LEED BD+C Silver Certification from the U.S. Green Building or such other environmental certification as agreed to by the City and the Buyer on or before the Development Completion Date. This condition is not included in API's preferred terms of sale.

### **Attachments**

1. Site Plan
2. Summary of the Biotechnology Leasing Program
3. Private - Summary of First Parcel Development

## **BELOW MARKET SALE TO APPLIED PHARMACEUTICAL INNOVATION**

### 4. Edmonton Research Park - API's Preferred Sales Agreement Terms and Conditions