

# Edmonton Research Park Surrender Agreement

## Recommendation

That an agreement between the City of Edmonton and Edmonton Economic Development Corporation (EEDC), as outlined in Attachment 1 of the October 19, 2020, Financial and Corporate Services report CR\_8373, be approved, and that the agreement be in form and content acceptable to the City Manager.

## Executive Summary

As the Edmonton Economic Development Corporation's (EEDC) future mandate no longer includes management of the City's interests at the Edmonton Research Park, Administration has negotiated with EEDC to transition management of the Edmonton Research Park back to the City. This report outlines the proposed surrender and termination agreement as well as associated legal, financial, and operational implications for the transition to occur.

## Report

The Edmonton Research Park (ERP or the "Park") is located south of 23 Avenue NW between 91 Street and Parsons Road. The Edmonton Research and Development Park Area Structure Plan was originally approved by City Council in 1982. In a 1996 agreement between the City and EEDC (the "ERP Agreement"), City Council granted EEDC the authority to manage and operate the Park. Since that time, EEDC has led the promotion, design, development, marketing, lease and sale of City-owned lands and buildings, in accordance with strict research parameters to grow the Park. All available City lands within the Park have since been committed through long-term biotech lease agreements or sale agreements. EEDC also manages an incubator program at the City-owned Advanced Technology Centre building (ATC), which provides a support community for entrepreneurs. Today, there are approximately 60 companies located at the Park engaged in advanced research in medicine, biotechnology, software, petroleum research, cold climate engineering, nanotechnology and clean energy. A map of the Park is available in Attachment 3.

EEDC has managed two other properties at the Park: the City-owned Research Centre One (RC1) building and the Province of Alberta owned Biotechnology Business Development Centre (BBDC). In 2016, the RC1 property was returned to the City. EEDC's management of the BBDC continues as it is independent of its mandate under the ERP Agreement to manage and operate the Park and therefore has not been included in the scope of this report.

## Current State

Following the EEDC verbal report YEG Innovation/Edmonton Global and EEDC Role Clarity at the December 13, 2019, City Council meeting, Council directed that Administration, in consultation with relevant agencies, stakeholders and partners, develop a recommended structure and governance for a distinct entity with a clear mandate to advance the innovation ecosystem within Edmonton. This direction transitions EEDC's role to further focus on conference and tourism and, as a result, EEDC's management of the biotech leases, ATC leases, and its role as the Park Authority will terminate. Administration has been working collaboratively with EEDC for the orderly return of the Edmonton Research Park interests and responsibilities for which EEDC was responsible. To remove EEDC's role as manager and operator of the Park, a formal legal agreement is required that surrenders EEDC's interest in the biotech leases and terminates the ERP Agreement (the "Surrender Agreement").

## Tenant Impacts

As part of transferring the management and operation of the Park from EEDC, the City will assume 24 existing lease agreements within the ATC building and five biotech land leases within the Park. Lease assumptions require coordinating with tenants, managing lease obligations, renewals and property vacancies, overseeing rehabilitation projects and managing communication with tenants. Administration will continue providing building maintenance services and site maintenance will continue through a private contract. Throughout this transition of lease agreements, Administration is committed to minimizing operational impact to tenants and continual communication.

## Park Authority Role

Provided the Surrender Agreement is approved by City Council, the operation and management of the Park will then be transferred from EEDC to the City. Administration will assume responsibilities for Park management. This will include:

- property management,
- marketing,
- lease and sale of City-owned lands and buildings,
- maintenance and capital program services for City-owned properties on site, and
- the review of existing site restrictive covenant, which will guide future development on site.

## Next Steps

All available City lands within the Edmonton Research Park have been committed through long term biotech lease agreements or sale agreements. Plan 8120859 Block

1 Lot 1, a vacant lot within the Edmonton Research Park, has not been transferred to the buyer as the sale agreement is still conditional. If all of the conditions precedent are fulfilled or waived, it is expected that the land sale will close in Q4 2021.

EEDC is a party to the land sale agreement because it is obligated to review and ensure the development proposal and the resulting development comply with the restrictive covenant under the terms of the ERP Agreement. If the recommendations are approved, Administration will also enter into an amending agreement with the buyer and EEDC to remove EEDC as a party to the land sale agreement.

In November 2020, Administration will present CR\_8299 Follow Up with EEDC (Tourism and Convention) to Executive Committee outlining the plans for the innovation entity as presented in the Urban Form and Corporate Strategic Development report CR\_7861, Innovation Ecosystem Entity discussed at the May 11, 2020 City Council meeting.

## **Budget/Financial Implications**

The City and EEDC have a market net lease agreement for the ATC building. Approving the Surrender Agreement will have an impact on the tax levy funding required to meet the net operating requirement of the Edmonton Research Park. If City Council approves the recommended surrender agreement, Administration will bring forward a budget adjustment request of \$638,473 as part of the Fall 2020 Supplemental Operating Budget Adjustment to cover the incremental annual costs EEDC was paying to the City and adjust the Corporate Programs budget to reflect this transfer of funds.

The City has previously agreed to assume capital renewal responsibility for all Edmonton Research Park facilities controlled by EEDC. This operating budget adjustment amount does not include any additional resources that may be required in the future to manage ERP and ATC Building.

## **Public Engagement**

Public engagement is not required to complete the surrender agreement. Administration and EEDC have provided joint communication to subtenants.

## **Corporate Outcomes and Performance Management**

<b>Corporate Outcome(s): Edmonton Region is a catalyst for industry and business growth</b>			
<b>Outcome(s)</b>	<b>Measure(s)</b>	<b>Result(s)</b>	<b>Target(s)</b>

The City of Edmonton has an interconnected, evolving and robust innovation ecosystem that builds wealth, diversifies the economy, that creates and retains jobs.	The City of Edmonton shows a commitment to entrepreneurs and innovators through a variety of tax funded infrastructure at the Edmonton Research Park	All 24 tenants are conducting research at the ATC center in 2020	100% of firms leasing space are required to conduct research on site.
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## Risk Assessment

Risk Element	Risk Description	Likelihood	Impact	Risk Score (with current mitigations)	Current Mitigations	Potential Future Mitigations
Commercial	Demand for Research Park tenant space will be affected by the pandemic and economic downturn that the City has experienced.	4- Likely	3- Major	12- Medium	Build close working relationship with existing tenants and leverage their knowledge to identify and approach possible new tenants	Expanding the use of lease space beyond innovation may be considered to reduce vacancies and costs associated with site operations
Commercial	Difficult to create revenue forecast/projection as all existing ATC lease agreements are month-to-month with 30 days termination clause.	4- Likely	3- Major	12- Medium	Administration will explore longer lease terms when renewing agreements to mitigate this risk.	Remain flexible to maximize attraction of entrepreneurs or seek larger more established future tenants
Customer	Rehabilitation work may disrupt and limit tenants activities.	4- Likely	2- Moderate	8- Medium	Possible disruption areas will be identified and provided assistance for alternative accommodation	Leverage RC1 and other Research Park locations to provide temporary space
Legal	City will be assuming two registrations relating to an unresolved builder's lien for one of the biotech leases.	5 - Almost Certain	1- Minor	4 - Low	None.	The City may look to make a court application to remove the registrations from title.

Customer	Current tenant relationships may deteriorate after surrender is approved	3- Possible	1- Minor	3- Low	A communication plan to establish working relationships between each tenant and the new property manager	City obtain estoppel certificates for each of the subleases
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## Attachments

1. Edmonton Research Park Surrender Agreement - Terms and Conditions
2. Edmonton Research Park Leases and Subleases
3. Research Park Map

## Others Reviewing this Report

- C. Owen, Deputy City Manager, Communications and Engagement
- J. Meliefste, Acting Deputy City Manager, Integrated Infrastructure Services
- S. McCabe, Deputy City Manager, Urban Form and Corporate Strategic Development
- B. Andriachuk, City Solicitor