

The following Motion and Documents were considered by the Board of Governors during the Open Session of its Friday, December 9, 2022 meeting:

Agenda Title: **Enterprise Square: Disposition via Lease**

APPROVED MOTION: THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee:

- a) approve the disposition of up to 6,000m² (64,583 ft²) of space within Enterprise Square, (on land legally described as Plan 9023489, Block 2, Lot B in the City of Edmonton, Alberta), via leases with terms not to exceed 15 years (including renewal options), on terms and conditions acceptable to the Vice-President (Facilities and Operations); and
- b) make an application to the Minister of Infrastructure for the required approval via Ministerial Order.

Final Item: 8d.

**Governance Executive Summary
Action Item**

Agenda Title	Enterprise Square: Disposition via Lease
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Motion

<p>THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee:</p> <p>a) approve the disposition of up to 6,000m² (64,583 ft²) of space within Enterprise Square, (on land legally described as Plan 9023489, Block 2, Lot B in the City of Edmonton, Alberta), via leases with terms not to exceed 15 years (including renewal options), on terms and conditions acceptable to the Vice-President (Facilities and Operations); and</p> <p>b) make an application to the Minister of Infrastructure for the required approval via Ministerial Order.</p>
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Item

Action Requested	<input checked="" type="checkbox"/> Approval <input type="checkbox"/> Recommendation
Proposed by	Andrew Sharman, Vice-President (Facilities and Operations)
Presenter(s)	Andrew Sharman, Vice-President (Facilities and Operations)

Details

Office of Administrative Responsibility	Office of the Vice-President (Facilities and Operations)
The Purpose of the Proposal is <i>(please be specific)</i>	<p>To seek an exemption to Section 67 of the Post-secondary Learning Act (PSLA) and to approve the disposition via long-term lease of space within Enterprise Square to give the VP F&O flexibility to negotiate leases most beneficial to the university.</p> <p>This exemption would provide the university with the ability to enter into lease agreements up to fifteen (15) years without the prior approval of the Minister of Infrastructure.</p>
Executive Summary <i>(outline the specific item – and remember your audience)</i>	<p>Background</p> <p>Lease agreements that do not fit the definition of “support services”, as defined in the Post-secondary Learning Act Land Use Regulation, cannot exceed five years without the prior approval of the Minister of Infrastructure. Prospective tenants exploring opportunities to, essentially, co-locate adjacent to the university have been discouraged by the limited term the university can offer or, alternatively, processes necessary to secure the Minister’s approval for a longer term lease. This is particularly acute for a tenant who may need to invest in space improvements with a need to secure a lease long enough to reasonably amortize the financing expense.</p> <p>Analysis</p> <p>Despite considerable efforts to dramatically increase the number of university staff working at Enterprise Square, space remains available for consideration of external leases. Coincidentally, the university frequently receives requests to lease space to entities that operate in ventures complementary to the university’s goals and objectives.</p>



Item No. 8d

	<p>Risk Mitigation & Opportunities</p> <p><i>Loss of potential long-term revenue source</i> The current process discourages and limits prospective tenants from considering leases at Enterprise Square. The ability for the university to act quickly and of its own accord would open up new, long-term revenue sources.</p> <p>Leases would not be offered at a rate that failed to cover the university's cost of ownership. Additional benefits of this recommendation include defraying operating costs for space the university already owns, and excess revenue gained by these agreements would be available to support other university infrastructure.</p> <p><i>Loss of access to the commercial real-estate market</i> The university's ability to be nimble in, essentially, a commercial real-estate market, is hampered by the current restrictions within the Post-secondary Learning Act. However, with a more broad approval window for entering into leases in Enterprise Square, the university can ensure it is able to respond to mutually-beneficial requests for space and also generate revenue for space that is otherwise surplus to the university's immediate needs.</p>
Supplementary Notes / context	

Engagement and Routing (Include meeting dates)

<p>Consultation and Stakeholder Participation (parties who have seen the proposal and in what capacity)</p> <p><For information on the protocol see the Governance Resources section Student Participation Protocol></p>	<p><u><i>Those who are actively participating:</i></u></p> <ul style="list-style-type: none"> • Vice-President (Facilities and Operations) • Vice-President (Research and Innovation) <p><u><i>Those who have been consulted:</i></u></p> <ul style="list-style-type: none"> • <p><u><i>Those who have been informed:</i></u></p> <ul style="list-style-type: none"> •
Approval Route (Governance) (including meeting dates)	<ul style="list-style-type: none"> • Board Finance and Property Committee - November 29, 2022 • Board of Governors – December 9, 2022

Strategic Alignment

Alignment with <i>For the Public Good</i>	<p>SUSTAIN: 23. OBJECTIVE: Ensure that the University of Alberta's campuses, facilities, utility, and information technology infrastructure can continue to meet the needs and strategic goals of the university.</p> <p>i. Strategy: Secure and sustain funding to plan, operate, expand, renew, and optimize the use of campus infrastructure to meet evolving teaching and research priorities.</p>			
Alignment with Core Risk Area	<p>Please note below the specific institutional risk(s) this proposal is addressing.</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Enrolment Management <input type="checkbox"/> Faculty and Staff <input checked="" type="checkbox"/> Funding and Resource Management <input type="checkbox"/> IT Services, Software and Hardware <input type="checkbox"/> Leadership and Change <input checked="" type="checkbox"/> Physical Infrastructure </td> <td style="width: 50%; vertical-align: top;"> <input checked="" type="checkbox"/> Relationship with Stakeholders <input checked="" type="checkbox"/> Reputation <input checked="" type="checkbox"/> Research Enterprise <input type="checkbox"/> Safety <input type="checkbox"/> Student Success </td> </tr> </table>		<input type="checkbox"/> Enrolment Management <input type="checkbox"/> Faculty and Staff <input checked="" type="checkbox"/> Funding and Resource Management <input type="checkbox"/> IT Services, Software and Hardware <input type="checkbox"/> Leadership and Change <input checked="" type="checkbox"/> Physical Infrastructure	<input checked="" type="checkbox"/> Relationship with Stakeholders <input checked="" type="checkbox"/> Reputation <input checked="" type="checkbox"/> Research Enterprise <input type="checkbox"/> Safety <input type="checkbox"/> Student Success
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Legislative Compliance and jurisdiction	<ul style="list-style-type: none">• Post-secondary Learning Act (PSLA)• Board Finance and Property Committee Terms of Reference 2p
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Attachments:

1. Briefing Note (2 pages)
2. Site Plan (1 page)
3. Board Resolution (1 page)

Prepared by:

Gordon Weighell
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Background

Enterprise Square (ESQ) is a 41,850m² (450,000 ft²) facility that serves as the University of Edmonton's downtown campus. Previously serving as the Hudson's Bay Building, in 2005 the university purchased the building and fully renewed the site. Since then, ESQ has been the home to many university functions ranging from the Faculty of Extension and the School of Business to TEC Edmonton. As several institutional priorities come together, ESQ is entering its next stage of service to the university.

Current State

With a view to maximizing best use of high-value / high-cost space on North Campus, ESQ will soon accommodate up to 600 staff performing a multitude of centralized administrative services. Additionally, space is being prepared for (research, commercialization, etc.)

Additionally, the university frequently receives requests to enter into lease agreements in ESQ. In some instances, these requests relate to research that commenced at the university and is on the path to commercialization. Others come from industries with a strong desire to be in close proximity to university research activities. Either way, the ability to consider leases in any form (except those narrowly exempted under the Post-secondary Learning Act, is subject to the provisions contained within Section 67:

1. *A board shall not, without the prior approval of the Minister,*
 - (b) *lease for a term that exceeds 5 years any land held by the board unless the lease is to a person that will use the land for the purpose of providing support services to the students, faculty or staff of the public post-secondary institution.*

Lease agreements that do not fit the definition of "support services", as defined in the Post-secondary Learning Act Land Use Regulation, cannot exceed five years without the prior approval of the Minister of Infrastructure. Prospective tenants exploring opportunities to, essentially, co-locate adjacent to the university have been discouraged by the limited term the university can offer or, alternatively, processes necessary to secure the Minister's approval for a longer term. This is particularly acute for a tenant who may need to invest in tenant improvements with a need to secure a lease long enough to reasonably amortize the financing expense.

Objective

The ability to offer lease agreements in ESQ that can exceed five years, without the time constraints of gaining approval from both the Board of Governors and the Minister of Infrastructure for each instance, would provide the university with the flexibility to respond to lease requests and build / maintain long-lasting working relationships.

Very similarly to the special dispensation that was granted to the university with respect to retail leases at the Saville Community Sports Centre in 2018, discussions with the Government of Alberta indicate a degree of willingness to support the University to seeking a 'blanket' approval in which leases

exceeding five years could be offered within Enterprise Square. Such an approval, if granted, would be an exception to Section 67 of the Post-Secondary Learning Act.

The lease parameters within which the University could reasonably operate that are responsive to market conditions while still respecting the spirit of the Post-secondary Learning Act would be leases up to 6,000 m² (64,583 ft²) for terms up to 15 years.

Recommendation

That the university (Board Finance and Property Committee recommendation to the Board of Governors) seek blanket approval for the disposition via lease of up to 6,000 m² (64,583 ft²) of space within Enterprise Square on terms and conditions acceptable to the Vice-President (Facilities and Operations).

Prepared by: Gordon Weighell
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Enterprise Square



Address: 10230 Jasper Avenue, Edmonton Alberta

Legal Description: Plan 9023489, Block 2, Lot B



**UNIVERSITY
OF ALBERTA**

RESOLUTION OF

The Governors of the University of Alberta

IT IS HEREBY RESOLVED:

THAT, subject to the prior approval of the Minister of Infrastructure under section 67 of the *Post-secondary Learning Act*, The Governors of the University of Alberta authorizes and approves the disposition of up to 6,000 m² (64,583 ft²) of space within Enterprise Square, via leases with terms not to exceed 15 years (including renewal options) on terms acceptable to the Vice-President (Facilities and Operations). Enterprise Square is contained within the parcel legally described as Plan 9023489, Block 2, Lot B.

I hereby certify that this resolution has full force and effect on the ____ day of _____, 20__.

Chair, the Governors of the University of Alberta