



FCL Integrated Ag Complex Additional Land Option

Date	April 27, 2022
To	Executive Committee
From	Financial Strategy & Sustainability
Service Area	Financial Strategy & Sustainability
Item No.	E22-9

RECOMMENDATION

The Executive Committee recommends that City Council:

1. Approve the City of Regina entering into an agreement granting an option to Federated Co-operative Limited to purchase at fair market value the City owned lands shown in Appendix A as FCL Additional Option Lands.
2. Authorize the Executive Director of Financial Strategy & Sustainability to negotiate and approve any other commercially relevant terms and conditions of the land option agreement and any amendments to the agreement that do not substantially change what is described in this report and any ancillary agreements or documents required to give effect to the Agreement.
3. Authorize the City Clerk to execute the necessary agreements after review and approval by the City Solicitor.
4. Approve these recommendations at its meeting on May 4, 2022.

ISSUE

On November 10, 2021, City Council approved granting Federated Co-operative Limited (“FCL”) a one-year option to purchase lands owned by the City of Regina (“City”) as shown on Appendix A

("FCL Optioned Lands") for the development of a Hydrogenated Renewable Diesel Plant ("HRD") with potential development of complementary agriculture processing services. On January 17, 2022, FCL announced its intentions to move forward with development of an Integrated Agriculture Complex ("IAC") which includes the construction and operation of a 15,000 barrel per day HRD, a hydrogen plant with carbon capture, utilisation and storage technology, a feedstock pre-treatment unit and a canola crush plant (in a joint venture with AGT Foods and Ingredients). Through FCL's planning for the IAC, FCL has been challenged to the extent that it is unlikely they will be able to find a configuration that allows rail, vehicle, pipeline and utility connections between the FCL Optioned Lands and the existing refinery complex. The connectivity between parcels was discussed during the negotiation of the original option; however, as design has progressed the configuration of the FCL Optioned Lands has proven to be a significant barrier for the viability of the project.

FCL has requested that the City extend the original option to allow it to purchase additional lands in the area as shown on Appendix A as FCL Additional Option Lands. The FCL Additional Option Lands consist of 105 hectares (259 acres) of City owned land located between the current refinery and the City landfill. Sale of these lands has not previously been recommended as the City has approval from the Ministry of Environment to expand the landfill westward on to the lands.

The FCL Additional Option Lands are comprised of 52 hectares (128 acres) of land appraised at \$49,421/ha and 53 hectares (131 acres) of land appraised at \$37,066/ha. If the option is exercised the purchase price would be approximately \$4,540,000 less any deductions for land retained by the City for the Ring Road Rail Relocation Project ("RRRRP") and Fleet Street and McDonald Street widening, which may be close to 20 per cent of the land area.

As the proposed land option agreement would result in the sale of land without a public offering pursuant to *The Regina Administration Bylaw*, approval of Council is required.

IMPACTS

Economic

The estimated cost to construct the IAC is in excess of \$2 billion dollars. The IAC is projected to create 2,750 jobs during construction and 300 full time jobs once operating. Economic Development Regina estimates the will IAC add \$1.52 billion dollars (or approximately 10 per cent) in annual GDP to the Regina economy.

The IAC development aligns with City Council's Economic Prosperity Strategic Priority, Regina's 2030 Growth Plan, Economic Development Regina's Agriculture and Food Innovation Strategy and the Government of Saskatchewan's Growth Plan.

Environmental

Development of the IAC using the FCL Additional Option Lands is anticipated to improve the overall operating efficiency of the IAC by reducing travel distances throughout the site and allowing pipeline connections rather than transportation by railcar of certain process materials.

Development of the IAC and related environmental impacts remain consistent as previously reported in EX21-74.

Landfill

The City obtained Ministry of Environment approval in 2010 to expand the existing landfill westward onto the lands shown as FCL Additional Option Lands in Appendix A. The current landfill area is estimated to have 27 years (or 42 per cent) of capacity remaining prior to expansion being required. The life of the landfill continues to be extended as recycling, diversion and composting efforts improve. With the sale of this land, the City will incur cost to redesign the existing landfill plan or to find an alternate location for a future landfill.

Urban Planning

Certain urban planning benefits are anticipated should the IAC develop primarily on lands along Fleet Street, including the FCL Additional Option Lands. The benefits are:

- An increased separation distance between the heavy industrial processes associated with the IAC and the existing residential neighbourhood of Uplands and proposed residential neighbourhood of Somerset;
- A reduction in anticipated truck traffic associated with the IAC on Winnipeg Street adjacent to the residential areas. Truck traffic will be directed primarily to Fleet Street and McDonald Street entrances which are along existing major roadways; and
- Emergency response routes to the IAC will be less circuitous.

Rail

The rail configuration associated with RRRRP is particularly complex as it crosses the CN rail line. If FCL develops the IAC using the FCL Additional Option Lands it is anticipated that the RRRRP rail configuration will be simplified and reduce future costs associated with the project. Further, as FCL and RRRRP rail configuration plans progress, Administration anticipates there may be opportunities to leverage some of FCL's rail investment to support the RRRRP, similar to the agreement the City has reached with Viterro to leverage their rail investment to support the future RRRRP.

OTHER OPTIONS

Executive Committee could decide to not approve the option agreement which may result in FCL pursuing other geographical locations for this development resulting in the loss of the economic opportunity. Further, it may impact FCL's view of the City's support of FCL which already has a significant economic presence in the City including being a major employer, community contributor and tax payer.

COMMUNICATIONS

Council is required to give public notice prior to considering approval of an option to purchase City owned lands without a public offering. Notice was advertised on April 23, 2022, on the City website, public notice board and in the CityPage section of the Leader Post in accordance with *The Public Notice Policy Bylaw, 2020*. The decision of City Council will be provided to FCL.

DISCUSSION

FCL has encountered significant challenges planning the IAC across various parcels of land. FCL has requested an option agreement to purchase the FCL Additional Option Lands to provide flexibility in planning the development and related connections for road, rail, utilities, and pipelines between the land parcels and the existing refinery complex.

While the sale of these lands would require the City to form an alternate plan for expansion of the landfill, there is sufficient time to consider various options. In 2016, the City purchased the half section of land directly east of the landfill for the City's Waste Management Center, Public Works Facility and other City services. In considering FCL's current request, the City met with the Ministry of Environment to discuss the possibility of expanding the landfill eastward. The Ministry outlined a formal process through which application must be made to alter the current approval. The Ministry also confirmed that no significant legislative changes have occurred that would indicate that such an approval could not be obtained. If the Option to purchase the FCL Additional Option Lands is exercised by FCL, the City will review current land use plans for the lands east of the landfill and undertake the work required to consider an alternate landfill expansion plan. Though additional work is involved in pursuing regulatory approval, there may be a significant savings to the City in eliminating the Fleet Street realignment required to accommodate an expansion of the landfill to the west. Should FCL not proceed with development of the IAC, the City shall have the right to take back the Additional Option Lands at the same price as optioned to FCL.

Administration recommends that Council grant FCL the option to purchase the FCL Additional Option Lands on the terms outlined in this report, noting that the City needs to retain ownership of

certain portions of the City owned lands to accommodate the RRRRP and potential widening of Fleet Street and McDonald Street as shown on Appendix B as Additional Protected Rail Land.

Key terms that would be included in the land option agreement are:

- The land purchase option would be for 105 hectares of land within the City as shown on Appendix A noted as FCL Additional Option Lands, less any land required for RRRRP and potential Fleet Street and McDonald Street widening.
- The sale price shall be at the fair market value of \$49,421/ha for land in the southern parcel and \$37,066/ha for land in the northern parcel.
- The option would need to be exercised by January 27, 2023, making it consistent with the previously executed option agreement.
- The City would have the right to take back the FCL Additional Option Lands on the same terms as sold if no material work has commenced on construction of the IAC within 2 years of transfer of the lands to FCL. FCL would be provided the ability to extend the take back period by an additional 2 years providing that FCL can demonstrate they are actively working to construct the IAC on the FCL Optioned Lands or the FCL Additional Option Lands (the intent is to recognize FCL has significant feasibility work to undertake, while balancing the need for the lands not to be tied up if development is not going to occur).
- The ability of FCL to acquire any portions of the Protected Rail Land and Additional Protected Rail Land that becomes available once the rail routes are finalized, on the same terms and price.
- The return of optioned lands (including the original optioned lands) that are not required for the development of the IAC to the City at the same sale price as sold to FCL so that such lands may be developed or sold by the City.

Administration has based its recommendation on the following considerations:

1. The positive economic impact associated with the development of the IAC. Should it proceed within the City of Regina, the IAC will produce a significant number of employment opportunities for residents, generate significant property tax revenue for the City, produce meaningful land sale revenue well in advance of anticipated development, and increase the GDP of the Regina region by upwards of 10 per cent.
2. The planned landfill expansion is not an immediate need and improvements in waste management practices continue to extend the life of the current landfill. A modification to the current expansion plan may permit an eastward expansion though no certainty will be available during the timeframe in which Council must decide this matter.
3. Locating the IAC along Fleet Street increases the separation between existing and proposed residential development and industrial uses, as well as it locates the facility along an existing major roadway.
4. Locating the IAC along Fleet Street may reduce the complexity of the rail alignment in the RRRRP thereby limiting the cost of the RRRRP.

DECISION HISTORY

On November 10, 2021, City Council approved entering into an option agreement with FCL for the purchase of 222 hectares of land (CR 21-151).

Respectfully submitted,

Respectfully submitted,


Chad Jedlic, Director, Economic & Business Development


Barry Lacey, Exec. Director, Financial Strategy & Sustainability

Prepared by: Chad Jedlic, Director, Economic & Business Development