



REQUEST FOR DECISION

MEETING DATE: January 17, 2022

TITLE: Development Security Information

DIVISION: Planning & Infrastructure

SUMMARY:

The purpose of this report is to provide Council with an update on the types of Development Security utilized by Engineering for development and subdivision. This update includes the addition of using Development Bonds.

PROPOSED MOTION:

A motion is not required

BACKGROUND/ANALYSIS:

Administration has in the past identified development securities in our development agreement. After reviewing the agreement, and wanting to make changes and additions, it was determined that a Development Security Policy be developed to outline the acceptable types of security that will be accepted by the City. Due to the content of the policy being operational in nature, it has been developed as an Administrative Policy which is approved by the City Manager.

Administration has included an additional security option by allowing the use of Development Bonds which, along with Letter of Credits (LOC) and cash, will be the only types of development security the City will accept. The adoption of development bonds has been asked for by the Urban Development Institute (UDI) and has been adopted by other municipalities. It is critical that the City includes the use of Developer Bonds as form of security to remain competitive with the surrounding communities that have already adopted the change.

OPTIONS / ALTERNATIVES:

n/a

CONSULTATION / ENGAGEMENT:

The request to allow the option of using Development Bonds for security for developments was initiated by the UDI so it is anticipated to be well received by the development community.

The City of Edmonton, City of St. Albert, Strathcona County and the City of Leduc have recently implemented the use of Development Bonds.

The City consulted legal counsel for legal opinion and comments to reduce any risk to the City and that is being reflected through implementation and the administrative policy that will be reviewed and approved through the City Manager.

IMPLEMENTATION / COMMUNICATION:

A meeting will be held with the UDI to inform them of the policy and the ability to use Development Bonds as a form of security. There will also be an item on the website to bring the new changes to the attention of developers.

IMPACTS:

Economic:

The City of Edmonton began accepting Development Bonds on a 5 year pilot basis in 2020, the City of St. Albert in the summer of 2020, and Strathcona County and the City of Leduc in January 2021; it is critical that the City adopts a similar security policy so that developer's decision criteria towards developing within the City of Spruce Grove are not negatively impacted, especially during the uncertainty caused by the COVID-19 pandemic.

Legal/Risk:

Development Bonds have been tailored to function similar to Letters of Credit when a municipality asserts a deficiency, and is payable upon demand. This eliminates traditional concerns around the ability to draw on a Letter of Credit quickly versus having to submit and justify a claim with a bonding company.

Program or Service:

It is anticipated that this will result in higher levels of developer satisfaction as developers will have the option of acquiring a Development Bond from an approved surety company instead of being required to have funds locked in with a financial institution which issued the Letters of Credit. Creating the policy regarding security allows for transparency in the requirements of security within the City.

Organizational:

Enabling the use of Development Bonds is not expected to require additional time or resources from Administration as it relates to the typical development process. There will be some additional effort required initially of Administration to convert existing Letters of Credit to Development Bonds for those developers that wish to apply the bonds retroactively to existing Developer Agreements.

FINANCIAL IMPLICATIONS:

There is no additional financial costs for the City.

STRATEGIC VISION ELEMENT:

n/a

RELATED GOAL:

The City has well developed relationships with key stakeholders in the community and the region who impact the economic success of the City's business sector.