

# Development Security Policy and the Implementation of Development Bonds

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# Overview

- What is Development Security and what forms do we currently use?
- Why we added a new option?
- What are Development Bonds?
- Development Security Policy
- Stakeholder Engagement

# Current Security Options

- Cash
- Certified Cheque – in the City's name
- Irrevocable Letter of Credit (LOC's) – in the City's name by an accredited bank.

# Why Contemplate a New Option?

- Current Economic Environment – COVID uncertainties
- Developer's Cash Flows – if Developers have more cash they can start new developments
- Improve the City's Development Competitiveness in the Region

# What is a Development Bond?

- An agreement with a surety company to pay the required funds if a developer should default on it's development
- The language of the bond is consistent with that of Letter of Credits
- Developers do not need to supply the full value of the developer bond for the development security up front

# Comparing Different Securities

	Cash or Certified Cheque	Letter of Credit	Development Bond
Liquidity	Instant	5 business days notice must be given prior to draw	7 business days notice must be given prior to draw
Developer's requirement	Full security amount required to be paid	Full security amount required to be paid	A fraction of the security funds need to be paid upfront
Administrative requirements	Consistent for all security options	Consistent for all security options	Consistent for all security options
Reviewing developer's financial capabilities	City does not review	City does not review, bank may review	Surety bond company reviews
Risk to the City	No risk, as cash is held	Little risk, payment guaranteed by Bank	Low risk, payment guaranteed by Surety Company

# Development Security Policy

- Draft Policy AP-1054-21 - Development Security
  - Policy outlines the allowable securities for Developments within the City of Spruce Grove – to include Cash/Certified Cheque, Letter of Credits and Development Bonds
  - Policy allows for common language and outlines the expectations for all developers.
  - Allows full transparency in the governing of security for developments and subdivisions.

# Stakeholder Communications

- Request to include Development Bonds was originated by the Urban Development Institute (UDI)
- Having full transparency regarding securities will be well received

# Implications of the Policy and Allowing Development Bonds

- Financial
  - Many surrounding municipalities are already accepting Development Bonds
- Legal/Risk
  - Development Bonds Function like a Letter of Credit
- Program or Service
  - Higher Developer satisfaction level due to allow security options
  - More transparency allowed within a policy
- Organizational
  - No additional time or resources required for typical development process
  - Some additional time to convert existing Letter of Credits to bonds retroactively, if requested

Questions?

