

Implementation of Development Bonds for Security

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Overview

- What is Development Security and what forms do we currently use?
- Why are we contemplating a new option?
- What are Development Bonds?
- Recommended changes to existing Council Policies and previous Council Motions
- Stakeholder Engagement
- Implications of the Recommendations
- Alternatives Considered
- Final Recommendation

Current Securities Options

- Cash
- Certified Cheque – in the City's name
- Letter of Credit – in the City's name by an accredited bank. Details are outlined in the Council policy as well as the language of the Development Agreement

Why Contemplate a New Option?

- Current Economic Environment – Results of COVID in the Housing Industry
- Developer's Cash Flows – More cash on hand for developers to start new developments
- Improve our Development Competitiveness in the Region

What is a Development Bond?

- An agreement with a surety company to pay the required funds if a developer defaults
- Language of bond is consistent with Letter of Credit
- Developers do not need to supply full value of the development security

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 |

Recommended Change 1

- Update to City Council Policy C-P&E-03
Letter of Credit/Security
 - Changing the policy name to Development Security
 - Multiple changes to include the language of the use of Development Bonds

Recommended Change 2

- Revision to Council Policy C-CAO-01
Chief Administrative Officer Delegations.
 - Removal of the requirement to use the council approved standard template for Development Agreements

Recommended Change 3

- Rescind Council Motion C95-2016:
 - That the Development Agreements as Attachments 1 and 2 to the February 22, 2016 agenda report entitled “Standard Development Agreement Template, Final Engagement Feedback” be approved for use as the City’s new standard form development agreements.

Stakeholder Communications or Engagement

- Requested formally by the St. Albert Committee of the Urban Design Institute (UDI)
- Flexibility in the Development Agreement Template will be well received

Implications of Recommendations

- Financial
 - COE is already accepting Development Bonds
- Legal/Risk
 - Functions like a Letter of Credit
- Program or Service
 - Higher Developer satisfaction level
- Organizational
 - Time required to convert existing LOC to bonds

Alternatives and Implications Considered

- Alternative 1
 - That the agenda report Development Bonds be received as information
- Alternative 2
 - Approve changes to Policy C-P&E-03 but not approve the changes to the Policy C-CAO-01 and Council Motion C95-2016 be rescinded.

Recommendation

- That the Committee recommend to council to approve all three recommendations in the Agenda Report
 - A win-win situation for developers and economic development within the City
 - Minimal new risk for the City
 - No change in current administrative time or costs
 - Following the lead by other larger municipalities
 - Include ability to convert existing Letters of Credit to a Development Bond

Questions?

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