

# Implementation of Development Bonds for Security

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Presented by:

**John Reid**

Manager of Development Engineering

*Engineering Services*



# Overview

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- 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

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- 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?

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- 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?

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- 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

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- 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

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- 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

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- 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

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- 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

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- 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

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- 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

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- 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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