



# City of Richmond

## Report to Committee

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**To:** Planning Committee **Date:** June 12, 2025  
**From:** Joshua Reis **File:** 08-4000-01/2025-Vol 01  
Director, Development  
Mike Ching  
Director, Finance  
**Re:** Pilot Program for On-Demand/Irrevocable Surety Bonds

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### Staff Recommendations

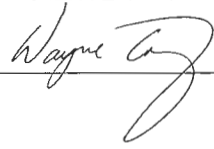

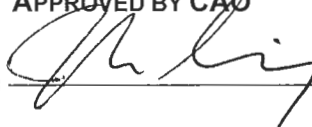
1. That the pilot program outlined in the staff report titled "Pilot Program for On-Demand/Irrevocable Surety Bonds", dated June 12, 2025, from the Director, Development and the Director, Finance, be approved;
2. That Subdivision and Development Bylaw No. 8751, Amendment Bylaw 10685, be introduced and given first, second and third readings;
3. That Development Application Fees Bylaw No. 8951, Amendment Bylaw 10687, be introduced and given first, second and third readings;
4. That Consolidation Fees Bylaw No. 8636, Amendment Bylaw 10688, be introduced and given first, second and third readings;
5. That staff review and report back in one year on the implementation of the pilot program; and
6. That On-Demand/Irrevocable Surety Bonds be approved for use, subject to the Pilot Program Criteria, in Servicing Agreements for any conditionally approved rezoning application, being those for which a zoning amendment bylaw has been given third reading, notwithstanding any executed rezoning considerations letter.

Joshua Reis  
Director, Development  
(604-247-4625)

Mike Ching  
Director, Finance  
(604-276-4137)

June 12, 2025

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REPORT CONCURRENCE		
<b>ROUTED TO:</b>	<b>CONCURRENCE</b>	<b>CONCURRENCE OF GENERAL MANAGER</b>
Risk Management	<input checked="" type="checkbox"/>	
Law	<input checked="" type="checkbox"/>	
Transportation	<input checked="" type="checkbox"/>	
Engineering	<input checked="" type="checkbox"/>	
Parks Services	<input checked="" type="checkbox"/>	
<b>SENIOR STAFF REPORT REVIEW</b>	<b>INITIALS:</b> 	<b>APPROVED BY CAO</b> 

## Staff Report

### Origin

This report seeks Council support for a pilot program that would allow the City of Richmond (the City) to accept the use of On-Demand/Irrevocable Surety Bonds as an alternative form of security, in addition to cash or Letter of Credit (LoC), for the City's Development Cost Charges (DCC) instalment payments, Servicing Agreements (SA), and Development Permit (DP) landscaping securities.

This report supports Council's Strategic Plan 2022-2026 Focus Areas #2 and #4:

Focus Area #2: Strategic and Sustainable Community Growth:

*Strategic and sustainable growth that supports long-term community needs and a well-planned and prosperous city.*

Focus Area #4: Responsible Financial Management and Governance:

*Responsible financial management and efficient use of public resources to meet the needs of the community.*

### Findings of Fact

In accordance with the *Local Government Act (LGA)*, or as an agreed to condition of Rezoning or DP, the City may as a condition of the approval of a Building Permit (BP) or a subdivision of land, require a developer to provide works and services to ensure the approved development is completed as proposed. These are secured via legal agreements and often require payment of a security, which can be accessed and used by the City, if required, to complete any outstanding or deficient works should developers fail to complete their development obligations in full.

The City, like many BC municipalities, have historically taken security as either cash or a LoC to secure a range of works and services. However, an increasing number of municipalities in the Lower Mainland, including the City of Burnaby, the City of Coquitlam and the City of Surrey, are now accepting On-Demand Surety Bonds, on a pilot program basis, as an alternative form of security to cash and LoC, mostly for SA works and DCC instalment payments.

The City takes securities for a range of works and services, including, but not limited to:

- **DCC Installment Payments:** DCCs are collected by the City from developers to cover the costs related to increased demand on City services and infrastructure resulting from new development. The Province's *LGA* and associated regulations provide that DCCs are paid at the time of subdivision or building permit issuance, and allows them to be paid in installments where the charge is over \$50,000. Provincial regulations requires that when a developer elects to pay DCCs in instalments, that:
  - One-third (1/3) of the DCC value is paid at the time of subdivision or BP approval
  - Provide a security for the remaining two-thirds (2/3), with half payable prior to the first anniversary and the remaining balance paid prior to the second anniversary.

- SA Works: To facilitate new development, it is common that improvements and upgrades to City infrastructure are required. This includes, but is not limited to, upgraded and/or new street frontage, sanitary, water, road infrastructure, and parks development. To ensure the required infrastructure is built to the specifications approved by the City, a developer is required to enter into an SA and to provide a security to cover the estimated construction cost of the agreed works plus a contingency. The SA and associated security ensure the development is built in accordance with the approved plans, and enables the City to complete and/or rectify any deficiencies should the developer not fulfill their contractual obligations.
- DP Landscaping: Similar to the function of a SA, a landscape agreement and security is secured by the City prior to DP issuance to ensure on-site landscaping works are implemented in accordance with approved plans, and to require the developer to monitor and manage the ongoing performance of the approved landscaping for a defined period. The landscape agreement and associated security enable the City to complete and/or rectify any deficiencies should the developer not complete the works as per the approved plans.

## Analysis

### Comparing On-Demand Surety Bonds with LoC or Cash

An On-Demand Surety Bond is a three-party agreement between the Developer, Surety Bond Insurer (“Surety”) and the City. Similar to the arrangement of a LoC, it obligates the Surety (where in the case of a LoC, it obligates the issuing bank) to pay the City monies on-demand, if required, to complete outstanding and deficient works, or pay for amounts owing to the City.

The following compares the three different forms of securities:

- Cash: Greatest assurance to the City but ties up the developer’s capital.
- LoC: Strong assurance to the City but ties up the developer’s liquidity.
- On-Demand Surety Bond: If structured properly, it balances strong assurance to the City while not tying up the developer’s capital.

The following summarizes some of the benefits of accepting On-Demand Surety Bonds in addition to cash or LoC as a form of security:

- Provides a wider range of financing options for developers to choose from, while maintaining the City’s financial interests.
- They are often more cost-efficient for a developer to maintain than a cash deposit or LoC.
- Provides developers with more flexibility and access to working capital to fund other development projects, including housing.

### Proposed On-Demand/Irrevocable Surety Bond Pilot Program Criteria

The On-Demand/Irrevocable Surety Bond Pilot Program provides an opportunity to introduce the use of On-Demand Surety Bonds as a form of security in addition to cash or LoC, in a targeted and managed manner, and to monitor the uptake of their use.

To ensure that the alternative form of security does not increase the City's risks in comparison to cash or LoC, Staff recommend the proposed On-Demand/Irrevocable Surety Bond Pilot Program require that the On-Demand Surety Bonds be irrevocable and on-demand, and be issued by:

- Surety companies that are BC Financial Services Authority (BCFSA) registered;
- Surety companies that are listed as Primary Surety Writer members of the Surety Association of Canada; and
- Surety companies that have an A.M. Best Credit Rating of A+ or higher (A.M. Best is the largest credit rating agency in the world, specializing in the insurance industry).

The On-Demand Surety Bond can only be cancelled if the City receives an acceptable replacement security.

In addition, staff propose the following program limits:

- The acceptance of On-Demand Surety Bonds as an alternate security is limited to (i) the City's DCC instalment payments, (ii) SA works and (iii) DP landscaping securities.
- The pilot program will limit the City's acceptance of such bonds up to an aggregated and combined total of \$50 million for SA and DP landscaping securities.
- The Pilot Program is available to developers on a first-come-first-serve basis, with a limit of no more than a total of four On-Demand Surety Bonds per developer for SA and DP landscaping securities.
- The Pilot Program be made available for new securities and the replacement of existing securities, subject to adhering to the program limits set out in this report.
- There will be no limits or restrictions imposed on On-Demand Surety Bonds accepted for both of the City's DCC instalment payments that are paid in accordance with *Local Government Act DCC Instalments Regulation (B.C. Reg. 166/84)*.

### Risk Management

The proposed eligibility criteria will enable the City to manage and mitigate the risks related to the use of On-Demand Surety Bonds as a form of security, by:

- Only accepting On-Demand Surety Bonds from prequalified Surety companies that can demonstrate the required accreditations, financial stability and track record.
- Ensuring that the On-Demand Surety Bond has clear terms and conditions and stipulations regarding its on-demand and irrevocable nature to avoid legal ambiguities and processing delays.
- Ensuring that the underlying legal obligations secured by the On-Demand Surety Bond are clear and unambiguous.

- Regularly monitoring its use and effectiveness. Staff will report to Council after one year on the ongoing results of the pilot program and present recommendations for its continued use.

#### Consultation with the Development Community

The Urban Development Institute (UDI) has been a proponent of the use of surety bonds as an alternative form of security for SA and DCC instalment payments. Staff have met with UDI members in March and June of 2025 to discuss the application of Surety Bonds in the City. The UDI members present at those meetings generally expressed support for the City considering their use.

#### Next Steps

Should Council endorse the pilot program, draft Surety Bond Templates will be prepared for the three pilot categories to ensure all terms and conditions are acceptable to the City.

Where the Surety Companies and City cannot agree on the legal documentation, then a Surety Bond will not be permitted, and the City will require cash or a LoC from the developers. In addition, the Pilot Program criteria and related information will be provided in the form of a Bulletin, which will be available on the City's website for reference. Staff recommend reviewing the Pilot Program in one year's time to assess the uptake in use of this form of security and consideration on whether the Pilot Program should be extended to other securities.

#### Proposed Surety Bond Administration Fee

To support the administrative costs of the pilot program, staff recommend that a Surety Bond Administration Fee of \$750.00 be added to the Consolidated Fees Bylaw No. 8636. The developer will be required to pay this fee prior to the adoption of the rezoning bylaw, issuance of the DP, approval of the subdivision, or issuance of the building permit to which the obligation (SA, landscaping, or DCC instalments) relates.

#### Proposed Bylaw Amendments

Should Council endorse the acceptance of On-Demand Surety Bonds on a pilot basis, staff recommend the following bylaw amendments to enable the proposed pilot program:

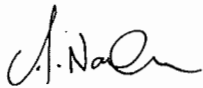
- Subdivision and Development Bylaw No. 8751 to add "On-Demand Surety Bonds" to the definition of a Security.
- Development Application Fees Bylaw No. 8951 to add a new section to the Administration Fees that charges applicants the new Surety Bond Administration Fee.
- Consolidation Fees Bylaw No. 8636 to set the value of the new Surety Bond Administration Fee.

#### **Financial Impact**

None. The proposed On-Demand/Irrevocable Surety Bonds Pilot Program will result in no direct financial implications to the City. Administrative costs associated with the implementation of the pilot program will be recovered via the proposed Surety Bond Administration Fee.

## **Conclusion**

Staff recommend approval of the On-Demand/Irrevocable Surety Bonds Pilot Program as outlined in this report. This pilot program provides an opportunity to introduce the use of On-Demand Surety Bonds as an alternative form of security, in addition to cash and LoC, for the City's DCC instalment payments, SAs and DP landscaping securities, in a targeted and managed manner.

A handwritten signature in black ink, appearing to read 'A. Norton', with a stylized flourish at the end.

Andrew Norton  
Manager, Development  
(604-276-4138)

AN:js



**Development Application Fees Bylaw No. 8951  
Amendment Bylaw 10687**

The Council of the City of Richmond, in open meeting assembled, enacts as follows:

1. Development Application Fees Bylaw No. 8951, as amended, is further amended at Section 1.16 ADMINISTRATION FEES, as follows:

a) by inserting the following as new Section 1.16.11:

“1.16.11 Where an **applicant** requests to use an **On-Demand/Irrevocable Surety Bond** as an alternative form of security to cash or a letter of credit in respect of an obligation where the use of such alternative security has been endorsed by **Council**, the applicable fee specific in the Consolidated Fees Bylaw No. 8636 must be paid. The City’s acceptance of an **On-Demand/Irrevocable Surety Bond** as an alternative form of security is subject to the **applicant** and the **On-Demand/Irrevocable Surety Bond** meeting the **City’s** applicable qualifications and conditions to be published by the **City** from time to time and which may vary based on the obligation which the **On-Demand/Irrevocable Surety Bond** secures. For the purpose of this section 1.16.11, an **applicant** includes any person paying development cost charges pursuant to section 1.4.2 of *Development Cost Charges Imposition Bylaw No. 9499*.”

2. Development Application Fees Bylaw No. 8951, as amended, is further amended at Section 2.1 by inserting the following new definition in alphabetical order:

**“ON-DEMAND/IRREVOCABLE  
SURETY BOND**

**means an on-demand surety bond (i) in Canadian Dollars only, (ii) without expiry date and which is in full force and effect until the conditions therein are satisfied, (iii) provided by an insurer meeting the qualifications set by the City from time to time, and (iv) in the City’s standard form.”**

3. This Bylaw may be cited as **“Development Application Fees Bylaw No. 8951, Amendment Bylaw 10687”**.



FIRST READING

SECOND READING

THIRD READING

ADOPTED

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CITY OF RICHMOND
APPROVED by <i>J. N. [Signature]</i>
APPROVED by Director or Solicitor <i>[Signature]</i>

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MAYOR

\_\_\_\_\_  
CORPORATE OFFICER



**Subdivision and Development Bylaw No. 8751,  
Amendment Bylaw No. 10685**

The Council of the City of Richmond, in open meeting assembled, enacts as follows:

1. Subdivision and Development Bylaw No. 8751, as amended, is further amended at Section 1 by deleting the definition of "Security" and replacing it with the following:

**"SECURITY** means, in Canadian dollars only,:

(i) cash;

(ii) a clean, unconditional, irrevocable and automatically renewing letter of credit drawn on a charter bank or credit union having a branch in the City of Richmond, at which demand may be made on the letter of credit; or

(iii) on application of the **Developer** and at the sole discretion of the **General Manager, Engineering and Public Works**, an on-demand surety bond that is (A) without expiry date and which is in full force and effect until the conditions therein are satisfied, (B) provided by an insurer meeting the qualifications set by the City from time to time, and (C) in the City's standard form."

2. This Bylaw may be cited as **"Subdivision and Development Bylaw No. 8751, Amendment Bylaw No. 10685"**.

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MAYOR

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CORPORATE OFFICE



**Consolidated Fees Bylaw No. 8636  
Amendment Bylaw 10688**

The Council of the City of Richmond, in open meeting assembled, enacts as follows:

1. The Consolidated Fees Bylaw No. 8636, as amended, is further amended within the SCHEDULE – DEVELOPMENT APPLICATION FEES, as follows:

a) Inserting the following at the end of the “Administration Fees No. 8951” table:

Section 1.16.11	On-Demand/Irrevocable Surety Bond, as alternative security	\$750.00	Not Applicable
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2. This Bylaw may be cited as **“Consolidated Fees Bylaw No. 8636, Amendment Bylaw 10688”**.

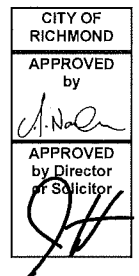
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MAYOR

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