City of Richmond

Report to Committee

To:	Planning Committee	**Date:**	September 25, 2026
From:	Wayne Craig General Manager, Planning and Development	**File:**	08-4105-01/2025-Vol 01
Re:	**Pilot Program for On-Demand / Irrevocable Surety Bonds – One-Year Implementation Review**		

Staff Recommendation

That the report titled "Pilot Program for On-Demand / Irrevocable Surety Bonds – One-Year Implementation Review", from the General Manager, Planning and Development, dated September 21, 2026, be received for information.

Executive Summary

On July 14, 2025, Council approved a Pilot Program to permit the use of On-Demand / Irrevocable Surety Bonds as an alternative form of security, in addition to cash or Letter of Credit, for City Development Cost Charge (DCC) instalment payments, Servicing Agreement (SA) and Development Permit (DP) landscaping securities. On October 27, 2025, Council approved adding tree survival securities to the Pilot Program. The Pilot Program was also amended to align with new Provincial Surety Bond regulations for City DCC instalment payments that became effective on January 1, 2026.

To date, the City has approved three Surety Bond applications for City DCC instalment payments and SA securities, with the current value of Surety Bonds held by the City totalling approximately $18.93 million. An additional nine Surety Bond applications are pending approval and represent a total security amount of approximately $33.37 million.

Staff do not recommend any changes to the Pilot Program at this time and will continue to monitor the uptake and implementation of the Pilot Program.

Staff Report

Origin

On July 29, 2025, Council approved a Pilot Program to permit the use of On-Demand / Irrevocable Surety Bonds ("Pilot Program") as an alternative form of security, in addition to cash or Letter of Credit (LoC), for City Development Cost Charges (DCC) instalment payments, Servicing Agreement (SA) and Development Permit (DP) landscaping securities. On October 27, 2025, Council approved an expansion of the Pilot Program to permit the use of Surety Bonds for tree survival securities.

In 2025, the Province also introduced changes to DCC instalment regulations which took effect on January 1, 2026. The changes required local governments to accept the use of on-demand surety bonds, subject to certain criteria, as an acceptable form of security for DCC installments. The Pilot Program was amended accordingly to align with new Provincial Surety Bond regulations.

As part of Council's approval of the Pilot Program, staff were directed to review and report back to Council in one year on the implementation of the Pilot Program. This report provides a review of the implementation of the Pilot Program in the City of Richmond to date.

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.*

Analysis

On-Demand / Irrevocable Surety Bonds

An On-Demand / Irrevocable 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 amounts owing to the City.

Accepting On-Demand / Irrevocable 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, including offering greater access to working capital to fund development projects. Surety Bonds also maintain the City's financial interests, as the issuing Surety is required to meet certain financial criteria prior to the City's acceptance of the Surety Bond, and a Surety Bond, once issued, is on-demand and irrevocable. These factors assist in reducing the City's exposure to risk.

On-Demand / Irrevocable Surety Bond Pilot Program Criteria

The Pilot Program was designed to be implemented in a targeted, managed manner that provides a wider range of financial security options while protecting the City's interests, and is applicable to:

- City DCC instalment payments;
- SA securities;
- DP landscaping securities; and
- Tree survival securities.

The Pilot Program has the following limits:

- There are no limits or restrictions applicable to City DCC instalment payments that are paid in accordance with *Local Government Act* DCC Instalment Regulations;
- An aggregated and combined total of $50 million for SA, DP landscaping and tree survival securities; and
- Available to developers on a first-come, first-served basis, with a limit of no more than a total of four On-Demand Surety Bonds per developer for SA, DP landscaping and tree survival securities.

The Pilot Program is available for new securities and the replacement of existing securities, subject to the program limits and criteria noted above. The replacement of existing securities may require legal undertakings to modify or replace legal agreements registered on Title prior to acceptance of the Surety Bond.

City Actions to Support On-Demand / Irrevocable Surety Bond Pilot Program

To raise awareness of the City's Pilot Program and to assist the development community with applying to use a Surety Bond, staff have undertaken the following actions:

- **Surety Bond Bulletin:** A Surety Bond bulletin has been published on the City's website with information about the Pilot Program, its eligibility criteria and application process.
- **Surety Bond Application Form:** A Surety Bond-specific application form has been developed to support ease of use and timely processing of Surety Bond applications. The application form is available for download on the City's website.
- **Surety Bond Agreement Templates:** Surety Bond Agreement templates have been developed for DCC instalment payments, SA, DP landscaping and tree survival securities. The agreement templates include the City's approved terms and conditions and have been developed to support efficiency and provide standardization in the application submission and review process. The Surety Bond Agreement templates are available for download on the City's website.
- **Development Community Consultation:** Staff continue to meet regularly with the development community to create awareness of City initiatives like the Pilot Program and to discuss industry feedback. One such organization is the Urban Development Institute (UDI), who continues to express their support for the City's Pilot Program.

One-Year Implementation Summary

Since the commencement of the Pilot Program, surety bonds have been used to secure a total of $18.93 million in developer commitments. An additional estimated value of $33.37 million in surety bonds have been received but have not yet been finalized. Of this amount, $20.3 million is associated with DCC instalment payments that are only finalized at the time of Building Permit (BP) issuance. These surety bonds have been applied for ahead of BP issuance, understanding that there are outstanding requirements that they must fulfill before the permits can be issued. The remaining pending securities are subject to the finalization of associated legal agreements, which are actively being advanced.

The applications received to date, both approved and pending, include new securities and the replacement of existing securities.

Table 1 provides a summary of the approved and pending Surety Bond applications, including the current value of Surety Bonds held by the City or under staff review.

Table 1 – Surety Bond Application Summary (as of September 25, 2026)

Security Type	Surety Bonds held by City (Approved)	Pending (Estimate)	Program Limit	Remaining Capacity
	Bond Amount	Bond Amount		
DCC Instalments	$5.34 M	$20.30 M	**N/A**	**N/A**
SA	$13.59 M	$9.03 M	**$50 M**	**$23.35 M**
DP Landscaping	$0	$4.04 M		
Tree Survival	$0	$0		
Total	**$18.93 M**	**$33.37 M**		

While the acceptance of Surety Bonds has provided more options for developers, a majority of developers continue to use traditional forms of securities (i.e. LoCs and Cash) for their SA, DP landscaping and tree survival securities.

Pilot Program Limits

The Pilot Program limits the value of the Surety Bonds held by the City to an aggregated and combined total of $50 million for SA, DP landscaping and tree survival securities. It is estimated that there is approximately $23.35 million of remaining capacity.

Based on the rate of uptake in the Pilot Program to date, there is sufficient remaining capacity within the existing $50 million limit. Furthermore, as projects progress through to occupancy and complete required works and maintenance, the approved Surety Bond amounts will be reduced as securities are released.

Staff do not recommend any changes to the Pilot Program at this time. Staff will continue to monitor the uptake and implementation of the Pilot Program, which is expected to remain a Pilot until the City has been able to observe a number of Surety Bond applications throughout their lifecycle (i.e. approval, monitoring and release of the Surety Bond). Should amendments to the Pilot Program be identified, staff will report back to Council with recommended changes for their consideration.

Budgetary Implications

None. The Pilot Program results in no direct financial implications to the City's budget. Administrative costs associated with the implementation of the Pilot Program are recovered through a Surety Bond Administration Fee.

Conclusion

The On-Demand / Irrevocable Surety Bond Pilot Program enables the City to accept Surety Bonds as an alternative form of security, in addition to cash and LoC, for City DCC instalment payments, SA, DP landscaping and tree survival securities in a targeted, managed manner. Staff will continue to monitor the implementation of the Pilot Program, including the program's eligibility criteria and limits.

Respectfully submitted,

Joshua Reis, Director, Development

Report Contributors

This report was prepared by Andrew Norton, Manager, Development - West and reviewed by the Finance Department.

Endorsed by Serena Lusk, CAO