

June 3, 2021

Hamilton City Hall
71 Main Street West
Hamilton, ON L8P 4Y5

Chair and Members of the Audit, Finance and Administration Committee:

RE: The Adoption of Modern Pay on Demand Surety Bonds in Hamilton

The West End Home Builders' Association (WE HBA) is the voice of the land development, new housing and professional renovation industries in Hamilton and Halton Region. The WE HBA represents approximately 300 member companies made up of all disciplines involved in land development and residential construction, including: builders, developers, professional renovators, trade contractors, consultants, and suppliers. The residential construction industry employed over 27,300 people, paying \$1.7 billion in wages, and contributed over \$3.0 billion in investment value within the Hamilton Census Metropolitan Area in 2019.

Our industry is constantly facing challenges that affect our ability to build the necessary supply of new housing to meet growing demand for a variety of housing options in Hamilton. In February, WE HBA wrote to the Mayor supporting the recommendations in the report of the *Mayor's Task Force on Economic Recovery*. WE HBA had a direct role on the *Mayor's Task Force on Economic Recovery*, where WE HBA 1st Vice President Terri Johns worked collaboratively to provide our recommendations within a multi-sector approach to guide Hamilton's recovery. The task force recommended the City accept modern pay-on-demand surety bonds as financial security for projects to secure municipal agreements. To that effect, WE HBA is now writing in support of the City's adoption of modern pay-on-demand surety bonds, which emerged as a recommendation from the Mayor's Task Force.

Should the City of Hamilton enable the use of modern pay-on demand surety bonds, this represents a significant process improvement, and will allow greater capital liquidity to invest in the City of Hamilton. When approving a development proposal modern pay-on-demand surety bonds can be used as assurance that the necessary site improvements will be made by the developer.

Historically, it was common practice that Ontario municipalities accepted surety bonds as financial security for subdivision agreements and site plans. Since the 1980's, municipalities have moved away from accepting surety bonds as a form of financial security and today almost exclusively require letters of credit from a chartered bank. The problem with letters of credit is that developers are often required to collateralize the letter of credit dollar for dollar against the value of the municipal works. Often this means developers can only afford to finance one housing project at a time because of the letter of credit financial security requirements through the financial institution. Modern pay on demand surety bonds provide the required municipal financial security, while not tying up private capital that could be used for investment in additional development projects that support well



paying jobs in the skilled trades. Encouraging private investment and supporting job creation in Hamilton was a key objective of the Mayor's Task Force and Economic Recovery and this tool will have a direct impact to support the attractiveness of investing private capital in the City of Hamilton.

Modern pay-on-demand surety bonds are proven to provide the same benefits and security as a letter of credit. The City of Hamilton will have access to all the features of a letter of credit while enjoying the added benefit of professional underwriting, carried out by licensed bonding companies, ensuring that the developer is qualified to fulfill its obligations under the municipal agreement. Most importantly, from a municipal perspective, is the financial obligation is secured and if a problem were to arise, the secure bond is fully payable by the bond company on demand. This proposed change could unlock millions of dollars of private sector financial liquidity for investment in new infrastructure and housing projects, provide for more units per development and accelerate the delivery of housing of all types.

As Hamilton emerges from the COVID-19 Pandemic and continues to grow, WE HBA is very supportive of the City of Hamilton allowing the use of modern pay-on-demand surety bonds to secure development agreements. Recovering from the impacts of COVID -19 and understanding the significant growth pressures our region is experiencing, allowing the use of modern pay-on-demand surety bonds will help our members positively contribute to the recovery of our city through the reinvestment of funds into other much needed housing projects. Today, Hamilton has an important opportunity to be leaders in this space and achieve a competitive advantage, while setting a precedent for the adoption of surety bonds in other municipalities throughout Ontario.

Sincerely,

Michael Collins-Williams, MCIP, RPP
Chief Executive Officer
West End Home Builders' Association

Terri Johns, MCIP, RPP
First Vice President
West End Home Builders' Association

