



Modern Pay-on-Demand Surety Bonds

June 3, 2021

WE HBA contributes

- 27000+ jobs
- \$ 1.7 billion in wages
- \$ 3 billion in investment value

to the local economy.

History of Modern Pay-on-Demand Surety Bonds in Hamilton

- The recommendation for enabling use of modern pay-on-demand surety bonds emerged from the Mayor's Task Force on Economic Recovery.
- The Task Force recommended the City accept modern surety bonds as financial security for projects to secure municipal agreements. This can increase the speed at which new housing supply is delivered in Hamilton.
- Enabling the use of modern surety bonds represents a process improvement and will allow for expedition and improvement in contract deliveries and execution when it comes to our member's development projects.
- Hamilton has an important opportunity to be leaders in this space and achieve a competitive advantage, while setting a precedent for the adoption of modern surety bonds in other municipalities throughout Ontario.

Benefits of Modern Pay-on-Demand Surety Bonds

- When approving a development proposal modern surety bonds can be used as assurance that the necessary site improvements will be made by the property developer.
- Historically, it was common practice that municipalities accepted surety bonds as financial security for subdivision agreements and site plans. Since the 1980's, municipalities had 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 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 requirements.
- Modern surety bonds provide the required security while not tying up capital that could be used for investment in additional development projects.

Supporting Re-investment in Hamilton's Economy

- Modern pay-on-demand surety bonds are proven to provide the same benefits and security as a letter of credit.
- 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.
- This proposed change can unlock millions of dollars of private sector financial liquidity for re-investment in new infrastructure and housing projects, provide for more units per development and accelerate the delivery of housing of all types.

Collaboration on Housing Attainability

- As Hamilton emerges from the COVID-19 Pandemic and continues to grow, WE HBA is very supportive of the City of Hamilton enabling the use of modern surety bonds to secure development agreements.
- 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 economic recovery of the City of Hamilton through the reinvestment of funds into other much needed housing projects.



members need the City of Hamilton's support to deliver **110, 300** new housing units by 2051.