

Re: Audit, Finance and Administration Committee Meeting

June 2nd 2021

City of Hamilton Audit, Finance and Administration Committee

Meeting #: 21-009

Date: June 3, 2021

Time: 9:30 a.m.

Discussion Item 10.1. Development Agreement Surety Bonds (FCS21056 / LS21021) (City Wide)
(Outstanding Business List Item)

Masters would like to thank the Audit, Finance and Administration Committee for the opportunity to participate in this meeting as a stakeholder.

When approving a proposal to develop real estate, municipalities look for assurance that the necessary site improvements will be delivered in a timely fashion and warranted by the developer. To ensure that the developer has the necessary financial resources to deliver and pay for the required site improvements, municipalities typically require financial security from the developer.

In Ontario, the most common form of security has historically been limited to a very narrow range of instruments. Most typically, municipalities will require the posting of cash, a certified cheque or an irrevocable standby letter of credit.

Subdivision Bonds have been an acceptable form of security for municipal subdivision agreements. Several Canadian municipalities have now adopted policies to allow Subdivision Bonds to be accepted.

Subdivision Bonds guarantee the developer's obligations to the municipality under the Subdivision Agreement and have been designed to incorporate the core demand elements of a letter of credit. The feasibility of Subdivision Bonds as security are further discussed in the attached *Subdivision Bonds V Letters of Credit* Report, dated November 16, 2020.

The report was submitted to the Development Industry Liaison Group (DILG). In the months that followed, Masters consulted with the City of Hamilton and the Surety Industry to determine what, if any, Subdivision bond template language would be acceptable. Masters submitted bond template language for the City's and the Industry's consideration and review.

On Tuesday, May 11, 2021, the City of Hamilton's Financial Planning, Administration and Policy Department returned the bond template language with proposed changes. Ultimately, the changes were reviewed and accepted without any further comment from Masters.

Mike Naples
Director
Masters Insurance Limited