

CS-17-23

To: Mayor and Members of Council
City of Burlington
426 Brant Street

October 4, 2023

WE HBA Letter: City of Burlington HATF Recommendations Response – Surety Bonds

WE HBA would like to thank the City of Burlington for its ongoing commitment to collaboration and communication with the residential construction and development industry. WE HBA appreciates the work of staff and members of Council to promote open dialogue as we collectively work to increase housing supply, reduce barriers to new housing opportunities and ensure Burlington is a city where all current and future residents have access to the housing options that meet their needs at all stages of life, and that are attainable at all income levels.

WE HBA appreciates that the work done by City Staff to support many of the provincial Housing Affordability Task Force recommendations contained in the February 2022 report, put forward by the Provincial panel of industry leaders and housing experts. We encourage the City to take bold action and support all of the recommendations contained within the report. **However, we especially would like to draw Council's attention to the opportunities presented by enabling the use of Pay on Demand Surety Bonds in lieu of the typical Letters of Credit.**

The challenge developers face when using Letters of Credit is that it requires the developer to collateralize that credit, dollar for dollar, against the value of the municipal works to be provided. Under a Surety Bond model, developers have greater liquidity (as they are not required to hold back cash they could be investing in future projects), while the City retains the assurance that the necessary site improvements will be made by the developer.

Should the City need to draw on the bond, modern Surety Bonds are proven to provide the same benefits and security as a Letter of Credit. Burlington would 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 capital for re-investment in new infrastructure and housing projects, provide for more units per development, and accelerate the delivery of housing of all types. In this way, Surety Bonds provide the required security while not tying up capital that can be used for investment in additional development projects. The allowance for Surety Bonds in lieu of the typical Letters of Credit has been permitted in Hamilton since 2021. It is largely regarded as a successful program that has significantly increased our members' ability to reinvest capital and finance multiple projects at one time.

WE HBA would be pleased to collaborate with the City of Burlington to enable the use of Modern Pay on Demand Surety Bonds. **We are therefore requesting the Mayor and Council amend the draft Task Force Recommendation Chart to indicate "support" for Item 30: Require municipalities to provide the option of pay on demand surety bonds and letters of credit.** At a future point in time, WE HBA would be pleased to share our experience working with the City of Hamilton in their adoption of Modern Pay of Demand Surety Bonds with City of Burlington staff.

Sincerely,

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