
SUBJECT: Pay-on-Demand Development Bonds Policy Update

TO: Pipeline to Permit Committee

FROM: Finance

N/A

Report Number: FIN-13-25

Wards Affected: N/A

Date to Committee: July 10, 2025

Date to Council: July 15, 2025

Recommendation

Approve the revised Pay-On-Demand Development Bond Policy attached as Appendix A to allow transfers of letters of credits currently held by the City to surety bonds.

Authorize the Director, Community Planning, to execute amendments to development agreements entered into to amend contractual language related to acceptable forms of security, in a form satisfactory to the Commissioner, Legal and Legislative Services / City Solicitor.

Executive Summary

The City's Pay-On-Demand Development Bond Program Policy was approved by Council as part of [Report F-28-24](#), Pay-on-Demand Development Bonds Policy on November 19, 2024 and establishes the requirements of accepting surety bonds as security in accordance with eligible development agreements as defined in the policy. In addition, a Council motion was also approved for staff to connect with the development industry and report back on how to incorporate the option of transferring letters of credit to surety bonds.

After consultation with the development community, staff recommend that the City provides an option to eligible existing development agreement applicants to transfer or convert the letters of credit (LC) currently held by the City to surety bonds.

Purpose of report:

To address the Council motion to connect with the development industry and report back on how to incorporate the option of transferring letters of credit to surety bonds.

Key findings:

- The City is currently holding approximately \$19.5M in 150 LCs that would be eligible to transfer to surety bonds
- Development community is supportive of this initiative as it will provide financial flexibility to further encourage creation of housing units
- A high-level scan of local municipalities was conducted, only Hamilton and Milton allows conversions of existing letters of credits to be transferred to surety bonds
 - Oakville, Halton Hills, Halton Region, as well as Guelph and Ottawa do not currently allow conversions and only accept surety bonds on new eligible development applications

Implications:

- The intended outcome of this policy change is to support development activities to proceed sooner. No clear indication that this will encourage additional development activities in the City
- Staff resources are limited and may be challenged depending upon actual uptake
- City is exposed to more financial risk as letters of credit is exchanged for surety bonds

Recommendation Report

Background

On November 19, 2024, Council approved the revised Pay-On-Demand Surety Bond Pilot Program Policy through [Report F-28-24](#) for the acceptance of pay-on-demand surety bonds of up to five (5) new site plan agreements. The next day, on November 20, 2024, the Surety Bonds regulation (O.Reg. 461/24) came into force under the Planning Act, which provided the option to provide surety bonds as a financial security for all land-use planning approvals.

As authorized by Council, the surety bond policy and template were revised to reflect the legislated requirement to accept surety bonds and references to a pilot program was removed. However, existing development agreements were not yet permitted to substitute existing financial securities with surety bonds.

As defined in the Pay-On-Demand Development Bond Program Policy, the City can accept surety bonds to meet financial conditions for Site Plan, Subdivision and Consent applications. At the time of writing this report, the City has not yet received any surety bonds.

Analysis

The City is currently holding a total value of \$21.0M in LCs, in which approximately \$19.5M across 65 development projects would be eligible to be transferred to surety bonds. On average, each project contains 2-3 LCs, which would total an estimated 150 LCs that could potentially be transferred. LC amounts range from \$2,500 to over \$1.0M.

Benefits:

Allowing transferring of LCs to surety bonds demonstrates the City's support of the development community by providing financial flexibility in light of the current economic conditions, while optimistically encouraging construction of housing units and other development activities in the City.

However, there is no financial benefit to the City in allowing the transfer of existing securities to surety bonds. The City would be taking on more risk, as cash-equivalent instruments are transferred to bonds.

Considerations:

Consultation with Finance and Legal staff were conducted and capacity is a concern. Staff received a few inquiries regarding transfer of LCs but actual uptake is difficult to predict.

Additional resources are not recommended at this time but staff capacity is limited and service levels may be challenged depending on actual volume.

Community Engagement and Communications:

The City met with the West End Home Builders' Association (WEHBA) in March 2025 and Building Industry and Land Development Association (BILD) in May 2025 to discuss the approach to the transferring of existing LCs to surety bonds. Both groups were highly supportive of this initiative and emphasized that the development industry has been hardhit by the state of the economy and the implementation of this program would allow developers to continue development by enabling access much-needed capital during this difficult time.

Recommendation Details

Staff recommends approving the transfer of existing LCs for eligible existing development projects to surety bonds.

Section 4 in the Pay-On-Demand Surety Bond Policy, attached as Appendix A, has been added to allow for the exchange of an existing security for a Surety bond.

Key Dates & Milestones

- March 19, 2024 - Council approved motion to explore implementing a Surety Bond Program
 - June 18, 2024 – Council approval of Report F-13-24 Pay-on-Demand Development Bonds, established a pilot program to implement acceptance of surety bonds for a maximum of 3 site plan development applications, maximum bond value of \$1M and one bond per developer
 - November 19, 2024 – Council approval of Report F-28-24 Pay-on-Demand Surety Bonds, revised the pilot program to accepting a maximum of 5 new site plan development applications and minor revisions to the City's Letter of Credit policy.
 - November 20, 2024 – the Surety Bonds regulation (O.,Reg. 461/24) came into force under the Planning Act
 - March and May 2025 - Engagement with development community (WEHBA and BILD)
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Implications

In order to facilitate this portion of the program, additional staff time and resources will be required from the Finance and Legal departments. Surety bonds will need to be collected and processed, and corresponding LCs will have to be released. Amendments would be required to existing development agreements, and these amending agreements will need to be

registered on title. As per the City's Rates and Fees Bylaw, each registration of an amended agreement would be subject to the Legal Administrative fee of \$450 plus search and registration costs. Finance staff will be proposing an administrative fee for all security transfers in the 2026 budget to help offset processing costs.

It is important to note that by implementing this program, the City will be taking on more financial risk, as cash securities will be exchanged for surety bonds. Furthermore, there is no clear indication that this will help encourage development activities, as the freed funds are for development projects that are already underway.

References

- [Report F-13-24 Pay-On-Demand Bonds](#)
- [Report F-28-24 Pay-On-Demand Development Bonds Policy](#)

Strategic Alignment

- ☐ Designing and delivering complete communities
- ☒ Providing the best services and experiences
- ☐ Protecting and improving the natural environment and taking action on climate change
- ☐ Driving organizational performance

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Appendices:

A. Pay-on-Demand Development Bond Program Policy

Report Approval:

All reports are reviewed and approved by the Commissioner, Head of Corporate Affairs, Chief Financial Officer, and Commissioner of Legal and Legislative Services/City Solicitor.