

Staff Report



To:	General Committee
Subject and Ward(s):	FIN012-25, Surety Bonds (Wards - All)
Date:	August 13, 2025
Department Head Approval:	C. Smith, Interim Director of Finance
Executive Management Approval:	J. Schmidt, General Manager of Community and Corporate Services
CAO Approval:	M. Prowse, Chief Administrative Officer

Recommendation(s):

1. That the Surety Bond Policy attached as Appendix A to Staff Report FIN012-25, be approved.

Executive Summary:

The purpose of this report is to recommend a Surety Bond Policy (Appendix A) to assist the development community in bringing on more homes and infrastructure in an expedient manner.

Key Findings:

Background

The City collects financial securities from developers to ensure that any required works undertaken by them are completed in accordance with municipal standards.

When developers build subdivisions or large projects, municipalities want to ensure that infrastructure such as roads, sidewalks and stormwater systems will be properly built, even if the developer runs into financial trouble or fails to finish the work. To guarantee this, municipalities typically require the developer to provide financial security that can be drawn on to complete the work if necessary.

Traditionally, financial securities have been provided in the form of a Letter of Credit (LOC) or Certified Cheque. However, recent changes to the Planning Act and the enactment of Ontario Regulation 461/24 now allow developers to choose the type of security they provide, including the use of a Surety Bond, a form of security that the City did not

previously accept.

Surety Bond like an insurance policy

Similar to insurance, a Surety Bond provides a safety net in case obligations are not met:

- A surety company guarantees the municipality that the work will be completed or the financial obligation met;
- If the developer defaults, the surety pays the municipality (up to the bond amount) or arranges to finish the work.

Surety Bonds improve liquidity for developers, but still protect the City

1. Improves liquidity for developers:

- Letters of Credit or cash deposits tie up a substantial amount of money or credit capacity;
- Surety Bonds are less financially demanding and so free up cash and borrowing power for the developer, allowing them to reinvest in other projects, pay contractors, or accelerate development;
- This method of security can assist in delivering housing and infrastructure faster, aligning with the City's policy goals to increase housing supply.

2. Widely accepted best practice:

- Many municipalities across North America already accept Surety Bonds as equivalent security;
- They are regulated instruments, backed by reputable surety companies, and their use is standard in the construction industry.

3. Still protects municipal interests:

- The bond ensures that the municipality is able complete the work if the developer fails;
- Some argue that reputable sureties provide as much (or more) due diligence than banks issuing LOCs;
- Municipalities are able to set conditions (e.g., only A-rated sureties) to ensure the bonds are reliable.

4. Supports smaller developers:

- Large upfront cash deposits or LOCs can be especially burdensome for small or mid-sized builders;
- Surety Bonds can help level the playing field.

Financial Implications:

There are no financial implications associated with the recommendation in this report.

Alternatives:

The following alternative is available for consideration by General Committee:

Alternative #1 – Committee could choose to not endorse the above recommendation.

This alternative is not recommended as the recommended policy helps with delivering housing and infrastructure faster, which aligns with the City's policy goals to increase housing supply.

Strategic Plan Alignment:

Affordable Place to Live	X	Encourage a range of housing options to make housing attainable Open for business environment to help support job creation
Community Safety		
Thriving Community		
Infrastructure Investments		
Responsible Governance	X	Ensure accountability

Additional Background Information and Analysis:

Not Applicable.

Consultation and Engagement:

There was no public consultation required in relation to this Report.

Environmental and Climate Change Impact Matters:

There are no environmental and/or climate change impact matters related to the recommendation.

Appendix:

Appendix A – Surety Bond Policy FIN-25-012

Report Author:

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File #:

C11

Pending # (if applicable):

Not Applicable.