

### Information about Landscape Development Bonds

Performance securities such as certified cheques, letters of credit, performance bonds and development bonds, are used by the City to protect itself from the risk of developer's default. A bond is a tripartite agreement between a principal, a surety and an obligee. For landscape securities, the principal would be a security provider and the obligee would be the City of Edmonton.

A principal seeking to obtain a bond from a lending institution would be issued a bond upon a satisfactory review of the project financials and payment of an upfront fee. Bonds come in different forms and characteristics. As an example, construction bonds are performance-based and follow the contractual obligations of the developer. Therefore drawing from performance bonds goes through a detailed process by the issuer before the security is provided to the City and may be challenged if specific terms are not satisfied. Whereas for development bonds, the City sets the terms of the bond arrangement, such as when the bond can be drawn upon by the City in the event that landscaping is not installed, or when the bond can be released. This would make the development bond payable on demand and act as liquid instruments such as certified cheques or letters of credits with no to minimal risk to the City.

#### Details

- The developer (principal) pays a surety to provide a development bond using a City developed bond template
- In the event that a principal does not uphold their obligations, a surety would fulfill the financial obligation for the City and reclaim the loss themselves. This ensures that the City has access to the finances required to undertake the necessary landscaping work.
- The City of Edmonton already accepts development bonds for servicing agreement securities.
- Bonds are accepted from A-rated sureties only, as determined by the rating agencies.
- An option to provide bonds as a method of landscape security payment would be made available at any security amount to keep the security payment method equitable.

#### Benefits

- Development bonds reduce the financial impact of securities to the developer, since they don't impact a developer's available capital or assets.

## Attachment 5

- The developer's liquidity can therefore be used toward other aspects of a project rather than the security.
- Development bonds accepted by the City of Edmonton could be drawn on demand that makes the bond to act as a liquid instrument such as certified cheque or letters of credit. This reduces the financial risk to the City.
  - The developer goes through the due diligence process by the sureties before the development bond is issued to ensure the developer has the capacity and resources to fulfill their obligations. This reduces the risk of non-performance and default to the City.

### Drawbacks

- Not everyone can qualify for a bond. It depends on if the surety assesses the principal/developer to have the resources and capacity to fulfill their obligations.
- This due diligence by the sureties may delay the process of issuing a bond if the proper financial records are not in place (if required by surety).