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February 28, 2025

Joshua Reis  
Director, Development  
City of Richmond  
6911 Number 3 Road  
Richmond, BC V6Y 2C1

Dear Mr. Reis,

***Re: Supporting Housing Development Through the Adoption of On Demand Surety Bonds***

On behalf of the Urban Development Institute (UDI), I am writing to encourage the City of Richmond to adopt On-Demand Surety Bonds, also known as Irrevocable Demand Bonds, as an alternative to letters of credit (LOCs) for securing development obligations. For further clarity, “Irrevocable Demand Bonds”, are irrevocable, unconditional and without limitation Surety Instruments, that vary to traditional Surety Bonds. At a time when municipalities across British Columbia are working to accelerate housing delivery, adopting more flexible and efficient financial security tools, without the municipalities having to compromise on risk, will help ensure that much-needed new housing projects proceed without unnecessary financial constraints.

Several municipalities in British Columbia have already successfully implemented the use of On-Demand Surety Bonds. Surrey recently expanded its Surety Bond Pilot Program from 30 to 50 eligible land development projects, demonstrating the program’s success and the City’s increasing confidence in surety bonds as a reliable financial security tool. Surrey has specifically noted that this Pilot Program has been successful in attracting participation with qualified developers who have been able to reduce their fees related to securities for engineering works and use their freed up working capital for reinvestment in development activities in the City. Burnaby has also implemented Irrevocable Surety Bonds for servicing agreements and Development Cost Charge (DCC) payments. Additionally, Mission approved their use in July 2024, citing reduced administrative costs, improved financial flexibility, and continued municipal protection. Most recently, City of Vancouver’s GM of Planning publicly noted that the City is also looking to advance their Surety Bond Program, and in the Township of Langley, a motion was approved by Council on February 24 to direct staff to explore the use of Surety Bonds.

## How Irrevocable Demand Bonds Enable Development

### **Providing Strong Financial Security While Enabling Housing Supply**

Irrevocable Demand Bonds provide similar financial security as LOCs but offer greater flexibility. These bonds are payable on demand, automatically renewable, and allow for partial drawdowns and reductions as projects progress. They ensure municipalities have immediate access to funds when needed, without the administrative complexities of cashing LOCs. In Mission's approval process, the City found that on-demand surety bonds effectively balance assurance and cost-efficiency while ensuring financial security for municipal commitments.

### **Improving Oversight and Developer Accountability**

Unlike LOCs, which only require collateral, Irrevocable Demand Bonds involve a prequalification process where the surety assesses a developer's financial stability, historical performance, and ability to complete the project. This additional vetting strengthens the development process and mitigates risks for municipalities. Developers are also strongly incentivized to fulfill their obligations, as failure to do so could impact their ability to secure future bonds.

### **Reducing Administrative Burden for Municipalities**

Managing LOCs can be cumbersome, involving extensive documentation, claim processing, and bank fees. Municipalities such as Mission and Burnaby have identified administrative savings by adopting On-Demand Surety Bonds. Unlike LOCs, which may require full cashing in cases of dispute, Irrevocable Demand Bonds allow for partial claims and reductions, simplifying financial management and ensuring security is aligned with project progress.

### **Increasing Liquidity to Support Development and Economic Growth**

LOCs typically require full collateralization, tying up significant financial resources that could otherwise be reinvested into active projects. Irrevocable Demand Bonds, by contrast, provide security without restricting a developer's working capital, ensuring that funds can be used for construction and other investments that support economic growth.

### **A Proven and Growing Best Practice in BC**

With Surrey's expansion, Burnaby's acceptance, and Mission's formal approval, On-Demand Surety Bonds are increasingly becoming a standard tool for municipalities looking to facilitate development while ensuring financial security. These bonds are already widely used in other regions of North America as an accepted form of security

under Development Agreements. By adopting this approach, Richmond can align with proven best practices that help to get projects off the ground in today's difficult economic climate and housing crisis, while maintaining financial protections and facilitating housing delivery.

By incorporating Irrevocable Demand Bonds into its financial security framework, the City of Richmond can ensure housing projects move forward while maintaining the necessary protections for municipal commitments. This approach has been tested and successfully implemented in other BC municipalities, providing a strong precedent for adoption. We encourage Richmond to explore this opportunity, and we welcome the chance to further discuss its implementation.

Yours sincerely,



Anne McMullin  
President and CEO, Urban Development Institute