

NO: L001

COUNCIL DATE: March 6, 2017

REGULAR COUNCIL – LAND USE

TO: **Mayor & Council** DATE: **February 27, 2017**

FROM: **General Manager, Engineering** FILE: **5250-01**
Acting General Manager, Finance & Technology XC: **7914-0348-01**
City Solicitor **7915-0130-01**

SUBJECT: **Update on Pilot Program for Use of Surety Bonds as Alternate Form of Security for Servicing Agreements**

RECOMMENDATION

The Engineering Department, the Finance & Technology Department, and the Legal Services Division recommend that Council:

1. Approve the change of acceptable Surety companies from a minimum of A+ level to a minimum of A level from A.M. Best Rating Services;
2. Approve the change in the maximum number from three to five for land development projects eligible to participate in the pilot program on a first-in-first-selected basis for the use of a Surety Bond when the Developers have been qualified by an acceptable Surety company;
3. Approve the Development Variance Permit No. 7914-0348-01 (Appendix “I”) to vary the definition of “Bond” in the *Surrey Subdivision and Development By-law, 1986, No. 8830, as amended*, to include the use of a Surety Bond for Servicing Agreement No. 7814-0348-00 and to proceed to Public Notification; and
4. Approve the Development Variance Permit No. 7915-0130-01 (Appendix “II”) to vary the definition of “Bond” in the *Surrey Subdivision and Development By-law, 1986, No. 8830, as amended*, to include the use of a Surety Bond for Servicing Agreement No. 7815-0130-00 and to proceed to Public Notification.

INTENT

The purpose of this report is to seek Council’s approval to change the acceptable Surety companies’ rating from A+ to A, to change the number of eligible projects and to vary the definition of “Bond” in the *Surrey Subdivision and Development By-law, 1986, No. 8830, as amended*, to include the use of a Surety Bond for the noted development projects.

BACKGROUND

On December 5, 2016, Council approved Corporate Report R257;2016 titled “Pilot Program for Use of Surety Bonds as Alternate Form of Security for Servicing Agreements”.

DISCUSSION

Upon further discussions with the development industry, it was requested that the Surety companies’ minimum rating be changed from A+ to A. This change is acceptable, as staff have been advised that this will allow more Surety companies in Canada to underwrite Surety Bonds and still meet our expectations.

Two developers have requested that their development projects, which have each provided a Letter of Credit for the respective Servicing Agreement, be permitted to retroactively replace each Letter of Credit with a Surety Bond. Staff support this request, but recommend that only one of each developer’s projects be permitted to implement the replacement. Including these projects will allow a shortened timeline to evaluate the success of the pilot program.

In order to allow the use of Surety Bonds, a Development Variance Permit is required to vary the definition of “Bond” in the *Surrey Subdivision and Development By-law, 1986, No. 8830, as amended*, to include the use of a Surety Bond for each of the two development projects. As a result of the inclusion of these two development projects, staff are recommending that the original maximum number of three projects indicated in Corporate Report R257;2016 be increased to a maximum of five projects.

SUSTAINABILITY CONSIDERATIONS

This pilot program supports the goals of the City’s Sustainability Charter to increase housing options and affordability by allowing improved utilization of developers’ capital funds for reinvestment. In particular, the pilot program supports the Sustainability Charter theme of Inclusion, specifically the following Desired Outcomes and Strategic Directions:

- Housing DO₁₂: Everyone in Surrey has a place to call home;
- Housing DO₁₃: Appropriate and affordable housing is available to meet the needs of all households in Surrey;
- Housing SD₁₀: Increase and maintain the supply of affordable and appropriate rental housing across all Surrey communities; and
- Housing SD₁₁: Ensure development of a variety of housing types to support people at all stages of life.

CONCLUSION

Based on the above discussion, it is recommended that Council:

- Approve the change of acceptable Surety companies from a minimum of A+ level to a minimum of A level from A.M. Best Rating Services;

- Approve the change in the maximum number from three to five for land development projects eligible to participate in the pilot program on a first-in-first-selected basis for the use of a Surety Bond when the Developers have been qualified by an acceptable Surety company;
- Approve the Development Variance Permit No. 7914-0348-01 (Appendix “I”) to vary the definition of “Bond” in the *Surrey Subdivision and Development By-law, 1986, No. 8830, as amended*, to include the use of a Surety Bond for Servicing Agreement No. 7814-0348-00 and to proceed to Public Notification; and
- Approve the Development Variance Permit No. 7915-0130-01 (Appendix “II”) to vary the definition of “Bond” in the *Surrey Subdivision and Development By-law, 1986, No. 8830, as amended*, to include the use of a Surety Bond for Servicing Agreement No. 7815-0130-00 and to proceed to Public Notification.

Fraser Smith, P.Eng., MBA
General Manager,
Engineering

Suzanne Fillion, CPA, CGA
Acting General Manager,
Finance & Technology

Craig MacFarlane
City Solicitor

SSL/cc

Appendix “I” – Development Variance Permit No. 7914-0348-01
Appendix “II” – Development Variance Permit No. 7915-0130-01

CITY OF SURREY

(the "City")

DEVELOPMENT VARIANCE PERMIT

NO.: 7914-0348-01

Issued To: ANTHEM WEST CLAYTON DEVELOPMENTS LTD.

(the "Owner")

Address of Owner: 550 Burrard Street, Unit 300
Vancouver, B.C. V6C 2B5

1. This development variance permit is issued subject to compliance by the Owner with all statutes, by-laws, orders, regulations or agreements, except as specifically varied by this development variance permit.
2. This development variance permit applies to that real property including land with or without improvements located within the City of Surrey, with the legal description and civic address as follows:

Parcel Identifier: 029-981-344
Lot 1 Section 16 Township 8 Plan EPP58670 NWD

18505 and 18530 Laurensen Place

(the "Land")

3. Surrey Subdivision and Development By-law, 1986, No. 8830, as amended, is varied as follows:
 - (a) In Part I – Interpretation – Definitions, “Bond” means cash, an irrevocable Letter of Credit or a Surety Bond in favour of the City.
4. The terms of this development variance permit or any amendment to it, are binding on all persons who acquire an interest in the Land.
5. This development variance permit is not a building permit.

AUTHORIZING RESOLUTION PASSED BY THE COUNCIL, THE DAY OF , 20 .
ISSUED THIS DAY OF , 20 .

Mayor – Linda Hepner

City Clerk – Jane Sullivan

CITY OF SURREY

(the "City")

DEVELOPMENT VARIANCE PERMIT

NO.: 7915-0130-01

Issued To: MOSAIC MORGAN HOLDINGS LTD.

(the "Owner")

Address of Owner: 2609 Granville Street, Suite 500
Vancouver, B.C. V6H 3H3

1. This development variance permit is issued subject to compliance by the Owner with all statutes, by-laws, orders, regulations or agreements, except as specifically varied by this development variance permit.
2. This development variance permit applies to that real property including land with or without improvements located within the City of Surrey, with the legal description and civic address as follows:

Parcel Identifier: 029-932-912
Lot 2 Section 23 Township 1 Plan EPP55262 NWD

15828 – 27 Avenue

(the "Land")

3. Surrey Subdivision and Development By-law, 1986, No. 8830, as amended, is varied as follows:
 - (b) In Part I – Interpretation – Definitions, "Bond" means cash, an irrevocable Letter of Credit or a Surety Bond in favour of the City.
4. The terms of this development variance permit or any amendment to it, are binding on all persons who acquire an interest in the Land.
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