

Acceptance of Surety Bonds Pilot Program

Overview

The City of Port Moody has launched a pilot program to accept surety bonds for a portion of Development and Servicing Agreements. Based on feedback received from the development community, the City is accepting surety bonds in place of letters of credit as an alternative form of security from July 2025-July 2028.

Developers will be eligible to request the use of surety bonds through a surety bond provider, provided that they meet the City's credit rating requirements. The City will decide whether to accept a surety on a case-by-case basis and may accept a portion of the required security in the form of a surety. At any time, the City may require that the surety is changed to another form of security. For mixed security types, the City will prioritize the release of surety bonds first.

Requirements and processes

Surety bonds are only accepted from an Office of the Superintendent of Financial Institutions regulated insurer that is registered with the British Columbia Financial Services Authority and sold through an insurance broker licensed with the Insurance Council of British Columbia. Developers are responsible for meeting financial criteria of surety bond providers.

Surety or bonding companies must maintain the minimum rating noted by two of the four rating agencies, as set out below:

- A.M. Best (minimum A-)
- Fitch Ratings (minimum A-)
- Moody's Investor Services (minimum Aa3)
- Standard and Poor's (minimum AA-)

The City will only accept contracts in its standard template containing the following:

- bond number
- bond amount
- principal: all registered owners on title
- surety company
- obligee: City of Port Moody
- principal's signature
- surety's signature
- seal
- date of issuance
- City building permit number (or reference number) and bond description
- civic address

All surety bonds must:

- be issued in Canadian dollars;
- be executed in a province in which the surety and the principal(s) are licensed to do business and must be duly signed by the surety and the principal;
- have a coverage limit of at least 100 per cent of the required security amount;
- not have an expiry date and stay in full force and effect until the condition(s) stipulated in the surety bond regarding the expiration of the surety's obligation to pay are satisfied;
- allow for partial claims and reductions in the bond amount; and
- be in the form of and on the terms of the applicable surety bond template.

During the pilot period, sureties will be accepted through City Council's consideration of a bylaw variance (via the Development Permit) or through a Development Variance Permit application.

Note that any legal review required during this process will be rebilled to the applicant at cost.

Uses

Surety bonds can be used for:

- on/off-site servicing agreement security (generally for a portion of the total security)
- public art security
- landscaping security
- financial obligations related to Development Cost Charges (DCC) and Amenity Cost Charges (ACC) payments

Excluded uses include:

- damage deposits
- highway encroachment agreement securities
- performance bonds (City contractors)
- labour and material payment bonds
- erosion sediment control plan security

Limitations during the pilot project are as follows:

- During the pilot period, the total value of sureties will be held at 30% of the City's total outstanding securities at any one time.
- The City reserves the right to limit the maximum number of active land development servicing projects with securities held as sureties.
- The City reserves the right to limit the maximum total dollar value of any single security held as a surety. Developers may be required to provide a mix of acceptable securities in the form of surety bonds and letters of credit (or cash) to meet their security obligations.
- Projects with outstanding BC Assessment appeals are ineligible.

Program participation

Contact the development planner you liaise with at the City if you have further questions or are interested in using surety bonds.