

City of Edmonton accepts Development Bonds

The City of Edmonton has announced the acceptance of Development Bonds as an alternative form of security within all servicing agreements for the 2020 construction season. This will allow Developers another option for security, as the City previously only accepted irrevocable letters of credit issued by a bank, or cash security.

WHAT THIS MEANS FOR DEVELOPERS

In advance of an anticipated April 1, 2020 implementation, an update to the Servicing Agreement and the City's Guidelines for Establishing Security in Servicing Agreements are currently being prepared, along with a Development Bond Agreement to support the City's monitored five year pilot program. Developers can prepare for this change and consider Development Bonds for future projects which offer the following benefits:

- **Off-balance Sheet Security:** Development bonds are considered "off-balance sheet security", meaning they do not encumber a developer's balance sheet.
- **Access to Unproductive Cash:** Letter of credit is usually fully collateralized by cash by the end of the project; a bond is not. In turn, the developer is better positioned to satisfy the cash-flow requirements of the development project.
- **Greater Credit Availability:** The developer gains access to additional bank financing that can be used to grow the company's business and improve its liquidity. More financial flexibility.
- **Choice:** The developer can choose which form of security to provide the municipality – a bond or letter of credit. The availability of LOCs are becoming more restrictive, so the need for alternative solutions is growing.



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Contact Lloyd Sadd today to find out more about Development Bonds and how you can use them on your upcoming projects.

LET US HELP YOU MANAGE YOUR RISK

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