



Greater Ottawa Home Builders' Association
Association des constructeurs d'habitations d'Ottawa

#108 – 30 Concourse Gate, Nepean, ON K2E 7V7
Tel: (613)723-2926 Fax: (613)723-2982

October 15, 2024

The Hon. Paul Calandra
Minister of Municipal Affairs and Housing
777 Bay St., 13th Floor
Toronto, ON M7A 2J3

Re: ERO 019-9198 Enabling the Use of Pay-on-Demand Surety Bonds to Secure Land-Use Planning Obligations under Section 70.3.1 of the Planning Act.

Dear Minister Calandra,

Please accept the below from the Greater Ottawa Home Builders' Association (GOHBA) and its members as a submission to the government's request for feedback on 'Enabling the Use of Pay-on-Demand Surety Bonds to Secure Land-Use Planning Obligations under Section 70.3.1 of the Planning Act' (ERO 019-9198).

GOHBA is supportive of the government's continued efforts to address our housing affordability and supply crisis with outcomes-focused and relevant solutions that directly target steps to support the increase of housing supply in Ontario. We applaud all efforts from the government that encourage the development of processes to modernize and improve how new housing approvals are administered.

GOHBA, along with the OHBA and other home builder associations have long advocated for alternative financial security tools that would help home builders unlock capital for new housing projects. We applaud ERO 019-9198 for highlighting pay on demand surety bonds (PODSB) as an effective and viable alternative to letters of credit (LOC) when securing financing. The outcome of this proposal presents the potential for builders to free up capital that could in turn be invested in additional home-building projects.

GOHBA provides the following comments and recommendations:

Specific Comments on Proposed Use of a Pay-on-Demand Surety Bond

GOHBA recommends the government consider the following when enabling the use of Pay-on-Demand Surety Bonds to secure land-use planning obligations:

- ensure that builders currently using LOCs can easily transition to surety bonds to free up essential capital for new projects,
- re-consider the minimum credit rating required for any surety issuing bonds under the new protocol,

- and ensure the government's municipal partners are fully educated and informed about the benefits of surety bonds and provided with proper guidance for enabling their use in a timely manner.

Transition Provision from LOC's to PODSB

First, we recommend that the ministry include a provision for builders who are currently using LOC's to be able to easily transition to the proposed surety bonds. This would free up essential capital for new projects- contributing to the over all goal of building more homes, faster. Often, it can take years for an LOC to be cleared and for that capital to be released so it is essential that any builder tied up in this process has a transition clause that could easily convert a LOC agreement to a PODSB.

Minimum Credit Rating

GOHBA supports the consideration that has been raised by the Surety Association of Canada (SAC) regarding the minimum credit rating required for any surety issuing bonds under the new protocol. Under the proposed mandatory elements of a PODSB, item number 2 speaks to 'credit rating requirements', stating that to minimize credit risk to municipalities, an insurer would be required to meet one of the listed minimum credit ratings. SAC has identified a potential issue with the minimum A credit rating by AM Best, as it is overly restrictive.

SAC argues that the credit rating requirement - as proposed - would mean that large, US based and multinational providers would have preferential opportunities at the expense of various equally qualified and reputable Canadian based sureties who may not meet that onerous minimum criteria.

As a result, the number of surety providers could be limited and would, in turn, minimize the competition and choice available to our home builders. We look to SAC for their expertise in this space and support their recommendation that maintaining a minimum credit rating requirement should be lowered to an A- for AM Best's minimum rating.

Educate and Inform

Finally, GOHBA reiterates how important it is that proper education and guidance be provided to our municipal partners. It is imperative that all levels of elected and non-elected municipal officials and staff are informed about the opportunities and benefits of surety bonds.

We recommend that any resistance or apprehension is efficiently and properly addressed and mitigated, that guidance as to how to utilize and accept surety bonds instead of LOCs be provided, and that the government ensure municipalities understand how to transition from an existing LOC to a surety bond.

Conclusion

GOHBA is supportive of the work that has been undertaken to highlight the advantages of surety bonds as an effective tool for both the industry and municipalities. PODSB provide municipalities with the protection they need, without undercutting the financing capacity of the builder to bring additional projects and housing supply forward at the same time. We are eager to collaborate with municipalities to support the adoption of this modern financial instrument.

Thank you for the opportunity to provide comments on this proposal. We are pleased to answer questions or provide further information as requested.

Sincerely,



Jason Burggraaf
Executive Director