



October 15, 2024

Attention: Ruchi Parkash  
Municipal Finance Policy Branch  
Ministry of Municipal Affairs and Housing  
College Park 13th Floor, 777 Bay St  
Toronto, ON  
M7A 2J3

## Public Works

10 Peel Centre Dr.  
Suite A  
Brampton, ON  
L6T 4B9  
tel: 905-791-7800

[peelregion.ca](http://peelregion.ca)

Dear Ruchi Parkash:

### **Re: 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)**

Peel Region appreciates the opportunity to comment on the Use of Pay-on-Demand Surety Bonds to Secure Land-Use Planning Obligations. Peel Region staff questions and comments are included below.

#### **PEEL REGION STAFF QUESTIONS AND COMMENTS**

- It is unclear if this regulatory change would impact Peel Region's public works projects, given that there is sometimes cross-over between land use planning and land development. Peel Region is a two-tier municipality where the regional level of government is responsible for water and wastewater infrastructure and regional roads (including storm sewers on those roads) and lower-tier (local) municipalities are responsible for local roads and storm sewers.

Typically, the securities held for new water, wastewater, and regional roads infrastructure that are to be constructed under a development application is in the form of a Letter of Credit, collected and held by the local municipality, that Peel Region can draw upon. The Letter of Credit amount encompasses both the regional and local municipalities' new infrastructure total cost. Under this proposed regulation, would Peel Region hold and collect on its own pay-on-demand bond for our infrastructure work, or would it be able to be named as an obligee on a bond along with one of the lower-tier municipalities?

- The current level of protection in a Letter of Credit is two-fold, as it allows immediate action to be taken to draw on the funds and rectify a deficiency without objection from the landowner/homebuilder. This level of protection also serves as a deterrent to improper action. If the level of security is weakened, the deterrent is weakened; therefore, the frequency with which Peel Region would have to rely on its security to rectify deficiencies could increase. Will the regulatory body investigate and resolve complaints where a surety fails to satisfy a demand?

Sureties will have to be relied upon to provide payment in a timely and reliable manner. Peel Region therefore asks the regulation to clearly specify that the pay-on-demand surety bond issued provides complete and timely payment to the municipality, at the municipality's sole discretion, as indicated in the proposal.



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- Do pay-on-demand surety bonds currently exist as a standardized product? If they are not readily available, then consideration should be given to delaying the effective date of the regulation until the insurance market is ready.
- The proposal indicates that the pay-on-demand bond instrument would allow partial drawdowns but doesn't indicate the permissible duration of remaining holdbacks. It is Peel Region's current practice to allow for a 90% reduction of the Letter of Credit once the infrastructure has been constructed and passes preliminarily acceptance, with 10% held for a 2-year maintenance period. At final acceptance for the works, Peel Region allows the remaining Letter of Credit monies to be fully released. Can bonds be reduced in a similar fashion and a 10% holdback be held for 2 years?
- The use of pay-on-demand bonds remains untested. If significant costs and legal impacts related to bonds arise, it will be important to clearly specify who will be responsible for overall costs and administration of bonds.

## CONCLUSION

Peel Region asks that the Ministry consider the questions and comments provided herein to inform its decisions on the approach to securing assurances that home builders construct the required public infrastructure per municipal standards. Should the proposal advance, Peel Region looks forward to participating in the consultation on the draft regulation.

If you have any questions or require more information, please contact me at [anthony.parente@peelregion.ca](mailto:anthony.parente@peelregion.ca).

Kind Regards,

Signed by:  
  
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Anthony Parente, P.Eng.  
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Region of Peel, Public Works