

# RM OF REYNOLDS POLICY

**Title: Letter of Credit – Development Agreement**

**Policy No. 50**

## **PURPOSE:**

The purpose of this policy is for developers to bear the costs and risk of proposed development within the Rural Municipality of Reynolds. If the development is successful, the Municipality will receive new assessment, offset in part by increased servicing costs.

Development agreements require the developer to pay for and construct municipal services which may ultimately become the municipalities responsibility. The Municipality counts on the developer to carry out this work. If the services are not constructed or are done badly, people who buy lots or houses will look to the Municipality to remedy the problem.

Proper security is therefore crucial to guarantee the developers obligations. This will ensure that no matter what goes wrong, the Municipality can ensure the work gets done without having to use the Municipality's own funds or sue the developer in court.

## **PROCEDURE:**

An Irrevocable Letter of Credit must be provided to the Municipality on behalf of the developer through a bank or credit union, in an amount based on all the costs of building the municipal services and meeting other obligations with the value of the letter of credit determined by the Municipality.

The Letter of Credit shall be provided prior to the commencement of any construction work within the development area as outlined in the development agreement. The value of the letter of credit as determined by the RM shall stay in effect until final acceptance of the construction work has been certified.

If the developer fails to comply with the development agreement, the Municipality will make a simple demand to the bank or credit union. The Municipality is entitled to the whole amount, or whatever portion it determines is needed.

The Municipality can then determine how and when to do the work and will not have to go through court to get the money.

This includes but is not limited to: roads, drainage, bridges, lighting, sidewalks, anything that constitutes infrastructure installation of sewer and water connections where applicable.

March 28, 2023

23/094

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Implementation Date:

Resolution: