



July 22, 2025, City Council Meeting

Title

Consider Adoption of New Cost Basis for Bond Estimates — Matthew Huston, Community Development

Summary

The City requires that private developers post bonds to assure the timely construction and completion of public infrastructure and erosion and stormwater management practices in accordance with approved plans. The City provides a spreadsheet tool to allow a straightforward and consistent way of determining bond amounts. The last time this spreadsheet's unit costs were updated was in 2014. Construction costs have increased substantially since the last update, to the point that the unit costs in the spreadsheet are now unrealistic. If a developer were to default on its responsibilities, the City could make claim on the bond and complete construction itself. Bond amounts should provide the funds needed to complete construction. Staff have updated the bond cost estimate spreadsheet tool, increasing the unit cost basis across the board and drawing on several sources to arrive at the new unit costs. Staff present the updated bond cost estimate spreadsheet tool to City Council for adoption.

Recommendation

1. Option 1. Adopt the new bond cost estimate spreadsheet as presented by staff.

Fiscal Impact

N/A

Context & Analysis

State law (§ 15.2-2241.A.5. and § 62.1-44.15:34.A.4.) allows localities to require private developers to post bonds to ensure the construction of public infrastructure and installation of erosion and stormwater management practices as part of development projects. The City requires the posting of bonds prior to approval of a subdivision or engineered comprehensive site plan approval to assure the timely construction and completion of public infrastructure and erosion and stormwater management practices in accordance with approved plans. The City provides a

spreadsheet tool to allow a straightforward and consistent way of determining bond amounts.¹ The last time this spreadsheet's unit costs were updated was in 2014. Even the 2014 update contained unit costs that had not changed since 2004. Since the last update, construction costs have increased substantially, to the point that the unit costs in the spreadsheet are now unrealistic.

The purpose of bonding is to ensure that private developers construct infrastructure and install erosion and stormwater management practices that are required for the development project. If the developer were to default on these responsibilities, the City could make claim on the bond in order to complete construction itself. However, with unrealistically low bond unit costs, City staff are concerned about having the necessary funds to complete the work. If the amount in the bond was insufficient to cover the City's costs, the City could pursue reimbursement from the developer through a court process, which could be lengthy and complicated. Rather, it would be preferable that the bond amounts be based on realistic unit costs.

In response, staff have updated the bond cost estimate spreadsheet tool. The proposed update includes several items that did not appear in previous versions. Examples include newer erosion control practices and more commonly required items such as bicycle racks and refuse collection facility screening. Also, the unit cost basis has increased across the board. Several sources were used to arrive at the new unit costs, including recent bids on City and Virginia Department of Transportation (VDOT) projects, recommendations from the Departments of Public Works and Public Utilities, consultation with suppliers, and Consumer Price Index adjustments.

To evaluate the effect of the proposed unit cost increases, staff analyzed seven development projects of varying scales that were bonded over the past three years. The increase in project bond amounts ranged from 123 percent to 250 percent, as indicated in the table below. The names of the development projects have been replaced by a descriptor.

Project	Year	Accepted Bond Cost	Proposed New Bond Cost	Difference in Bond Cost	Percentage Increase
Commercial, small	2024	\$ 63,132.13	\$ 154,943.53	\$ 91,811.40	145%
Commercial, large	2023	\$ 144,599.85	\$ 352,437.22	\$ 207,837.37	144%
Commercial, large	2022	\$ 200,378.00	\$ 447,273.07	\$ 246,895.07	123%
Residential, small	2024	\$ 41,086.05	\$ 91,747.00	\$ 50,660.95	123%
Residential, large	2024	\$ 229,708.82	\$ 637,192.35	\$ 407,483.53	177%
Commercial, large	2025	\$ 232,045.85	\$ 613,038.55	\$ 380,992.70	164%
Commercial, small	2024	\$ 72,725.54	\$ 254,701.46	\$ 181,975.92	250%

¹ Design and Construction Standards Manual, Section 1.3.7.1. "The Developer or his agent shall submit a detailed, itemized cost estimate of all erosion control, stormwater management and public facilities required for the proposed project to the Department of Community Development with the final construction plans. Cost estimate for bonding shall be based upon City standard unit prices, a listing of which is available from the City Engineer or from the Department of Community Development website."

On May 15, 2025, staff sent a memorandum to its contact list of local engineers and developers who have submitted Engineered Comprehensive Site Plans with the City. The memorandum outlined the proposed changes to the bond cost estimate basis and included a copy of the spreadsheet containing the proposed new unit costs. Staff requested comments on the proposal to be submitted by June 13, 2025. No comments were received.

Staff propose that the new bond cost estimate spreadsheet tool become effective August 1, 2025. Bonds put in place before that date would continue to be based on the 2014 version of the spreadsheet. The spreadsheet tool would reside with the Department of Community Development's Engineering Division and would be published on the City's website.

Additional Information

Bonding is initiated, tracked, and released by the Department of Community Development's Engineering Division as part of administering the Engineered Comprehensive Site Plan process. Developers have three options for posting bonds: cash on deposit with the City, letter of credit from a bank, or surety from an insurance company. Bonding is tied to substantial completion of public infrastructure items. Bonds cannot be released until items have been tested and accepted by the Departments of Public Works and Public Utilities and until the necessary public easements have been dedicated. Bonding is also tied to Certificates of Occupancy (CO). Certain items required under the Zoning Ordinance as a condition of the CO can be bonded to allow CO to be issued prior to installation of the required items. Bond amounts can be reduced throughout the duration of construction as items are completed and accepted by the City. Even though a bond estimate is developed based on quantities of items, the estimate does not constitute a line-item budget. Funds from claiming the bond may be used by the City to complete any infrastructure item or erosion control or stormwater management element the bonded project is required to provide.

Further information can be found at <https://www.harrisonburgva.gov/bonding-info>.

Options

1. Adopt the new bond cost estimate spreadsheet as presented by staff.
2. Reject the new bond cost estimate spreadsheet and keep the current (2014) bond cost estimate spreadsheet.
3. Reject the new bond cost estimate spreadsheet as presented by staff and adopt a bond cost estimate spreadsheet with a different basis for escalating unit prices.

Attachments

1. Memorandum to local engineers and developers "Bond Cost Estimate Spreadsheet Update" dated May 14, 2025
2. Proposed New Bond Cost Estimate Spreadsheet