

SANTA CLARA COUNTY -LAND DEVELOPMENT & SURVEYING OFFICE  
INSTRUCTIONS REGARDING THE POSTING OF BONDS

Performance and labor and material men's bonds are required by state law and county regulations for all projects involving subdivision improvements that are to be installed after the recording of the subdivision map. Performance bond is also required for grading and other types of improvements prior to the issuance of the grading and / or construction permit(s). All bonds must be in the amount of 100% plus 10% contingency of the total estimated cost of the required work as determined by the county. The county's bond estimate usually is higher than the developer's cost estimate because it is based on possible future cost to the county, in the event the developer does not perform, including contingency, enforcement and inflation factors. The State mechanic's lien laws require that the labor and material men's (L & M) bonds, which apply only to subdivisions and commercial developments, remain posted for a minimum of ninety days after the work is completed and accepted by the county. The L & M bond is 100% of the full estimated cost of the work. It is very important that individuals posting cash (or equivalent) bonds be fully cognizant of this requirement.

The county land development agreement permits certain incremental releases of portions of the performance bond prior to construction acceptance of the entire work. If savings passbooks or certificates of deposit are used, the depositor must post two or more of them in the exact increment amounts that will match the requested releases. Upon satisfactory completion of the work and expiration of any lien period specified by state law (without claims being filed) the county releases the bonds. Bonds are released only to the originators - not third parties.

Irrevocable Letter of Credit:

The irrevocable letter of credit is a method of bonding whereby a lending institution guarantees payment to the county of a stipulated maximum amount in the event of failure of the developer to perform in accordance with the terms of the land development agreement. County's enclosed sample wording must be used by retyping on Bank letterhead paper. NO TIME LIMITS OR OTHER WORDING IS ACCEPTABLE.