# Bonding for Grading/Public Right-of-Way Permits and Maps

INFORMATION BULLETIN
126
September 2025

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This information bulletin explains surety requirements, options, and processes. A surety is necessary to protect the public interest by ensuring that critical infrastructure and survey work are completed to the City's standards in compliance with applicable regulations.

A bond is a type of surety. A performance bond is normally used to guarantee financial obligations for the completion of construction, but this information bulletin explains other surety options.

A bond may be required by other City departments for different purposes. This information bulletin is specific to the Development Services Department's (DSD) bond requirements for Grading/Public Right-of-Way Permits and Maps.

## I. When is a Bond Required?

A bond or other form of surety is required for certain types of work and permit approvals, such as:

1. Grading Permits (SDMC §129.0602 PDF);
2. Public Right-of-Way Permits (SDMC §129.0702 PDF);
3. Subdivision Improvement Agreements (SDMC §129.0602 PDF & §129.0702 PDF);
4. Deferred Improvement Agreements (SDMC 144.0132 PDF);
5. Parcel Maps (SDMC §125.0510 PDF); and
6. Final Maps (SDMC §125.0610 PDF).

## II. When is a Bond Not Required?

SDMC §129.0119 PDF and DSD standard practices do not require a bond or other form of surety for:

1. Standard Public Improvement Right-of-Way Permits on a Construction Plan template;
2. Projects with a Construction Cost Estimate under $50,000.00; or
3. Permits issued to a government agency.

## III. How is the Bond Amount Determined?

The amount of the bond is determined by licensed professionals using the following requirements:

1. A Construction Cost Estimate must be submitted and approved by the DSD Drainage and Grades reviewer as a part of plan review;
2. Estimates are based on the latest Unit Price List PDF; and
3. Estimates must be prepared by a California-licensed Civil Engineer (or Landscape Architect for landscape plans).

## IV. What Types of Sureties are Accepted?

Performance Bonds, Cash Bonds, Improvement Agreement Bonds, and Letters of Credit are accepted.

| Surety Type | Approval Type | DSD Form |
|---|---|---|
| **Performance Bond for Grading and Public Improvements** | Grading Permit<br>Grading Permit-Private<br>Right-of-Way Permit<br>Deferred Improvement Agreement<br>Delayed Monumentation | DS-401 PDF |
| **Cash Bond** | Grading Permit<br>Grading Permit-Private<br>Right-of-Way Permit<br>Deferred Improvement Agreement<br>Delayed Monumentation | N/A |
| **Improvement Agreement Bond** | Subdivision Improvement<br>Deferred Improvement Agreement | DS-402 PDF |
| **Letter of Credit** | Subdivision Improvement<br>Grading Permit<br>Grading Permit-Private<br>Right-of-Way Permit | N/A |
| **Not Required** | Standard Public Improvement Right-of-Way Permit on a Construction Plan | N/A |

### Performance Bond Requirements:

A. The bond must be issued by a company authorized to do business in California;
B. The bond must be in favor of the City of San Diego;
C. The bond must be conditioned on lien-free completion of permitted work;
D. The surety must either:
   1. Complete the work; or
   2. Hire a contractor to complete the work.
E. The issuing surety company must have a credit rating of "A" category or higher by at least one Nationally Recognized Statistical Rating Organization (NRSRO) (i.e. Moody's, S&P, AMBest, Fitch, etc.);
F. Must use the City's form DS-401 PDF, as the City does not accept insurance company letters or other insurance company documents in lieu of the form; and DS-401 PDF must include the following information:
   1. Project Number and Job Location;
   2. Bonding Company/Agency Name;
   3. Premium Amount;
   4. Principal Entity Name (LLC/Corp), signature, and title;
   5. Surety Signature, name, and title;
   6. Notarization of both Principal and Attorney-in-Fact;
   7. Authorization/Proof of Association for the Principal (e.g., Operating Agreement);
   8. Power of Attorney with Digital Seal; and
   9. Digital Seal on 2nd page with:
      I. Surety Letter authorizing seal; and
      II. Sample Seal

### Improvement Agreement Bond Requirements:

1. Must use the City's form DS-402 PDF, as the City does not accept insurance company letters or other insurance company documents in lieu of the form.
2. A Deferred Improvement Agreement (DIA) is required when a property owner is responsible for completing public improvements but is allowed to defer the work as approved by a discretionary action.

This is the general process for a DIA:

1. The property owner submits a conceptual plan for review at the ministerial level.
2. The owner enters into a formal agreement with the City and posts a bond covering the scope of the deferred improvements;
3. The bond remains in effect until the owner submits construction documents for the actual improvements. The City will review the credit rating of the bond at least annually, and if it falls below the City's required "A" category or better rating, then the property owner may need to submit a new bond that satisfies the City's minimum credit rating category requirement; and
4. Once the improvements are permitted and a new bond for the work is in place, the City will initiate the release of the bond associated with the DIA.

### Letter of Credit (LOC) Requirements:

1. Approved Construction Cost Estimate;
2. LOC template, that can be provided by DSD staff, must be used;
3. LOC dollar amount must match the approved estimate; and
4. Issuing surety company must have a credit rating of "A" category or higher by at least one NRSRO (i.e. Moody's, S&P, AM Best, Fitch, etc.).

### Cash Bond Requirements:

1. Approved Construction Cost Estimate;
2. Issuance staff will need to provide an invoice before making a payment on the cash bond;
3. Payment via personal or cashier's check (payable to City Treasurer);
4. Schedule an In-person appointment for payments at the Mission Valley location.

## V. Changes to a Surety

1. **Bond Rider**

   When a construction change occurs on a project with a bonding requirement, the City may request a Bond Rider to adjust the existing bond amount to reflect the updated scope of work. The Drainage and Grades reviewer will evaluate whether the change impacts the original scope covered by the bond. If so, the reviewer will request a revised cost estimate from the Engineer of Work (EOW). Once reviewed and approved, the reviewer will enter a note in Accela indicating that a Bond Rider is required based on the modified scope.

   After the cost estimate is approved, City issuance staff will forward the necessary documentation to the applicant's designated point of contact. The applicant must then coordinate with their surety company to revise the bond. If required, a fully executed Bond Rider for the revised amount must be submitted to the City before any permits or construction change approvals are issued. This ensures that the bond remains accurate and reflective of the current project requirements.

   If the original bond was a cash bond, any additional funds required will be collected as part of the Construction Change process.

   If the surety was an LOC, the issuing bank must submit an Amendment to the existing LOC to reflect the increase or decrease.

   Please note that hourly charges will be assessed for City staff time spent during this process.

2. **Substitution of Surety**

   During inspections, the owner may request to substitute an existing insurance company bond with a new bond, LOC, or cash bond.

   To proceed with the submission of the new surety and the release of the original bond:

   A. Contact the Resident Engineer (RE);
   B. General Email box: fit_dsd@sandiego.gov or contact 619-446-5242;
   C. If the project is a PTS project, email: DSDBondRelease@sandiego.gov; or
   D. **For Grading PMT-Private approval types, please contact your assigned inspector for coordination.**

   *Please note that hourly charges will be assessed for City staff time spent during this process.*

3. **Partial Bond Release**

   You may request a partial bond release through your RE during inspections if substantial work has been accepted.

   For Grading PMT-Private approval types, please contact your assigned inspector for coordination, and the criteria listed below will apply.

   A. **Eligibility Criteria:**
      a. Partial release shall not exceed 75% of the construction cost estimate.
      b. The engineering permit must be valid.
      c. No partial release will be granted if the permit has expired, or the deposit account is in deficit.
   B. **Required Documents (submit to RE):**
      1. Revised Cost Estimate of the remaining work; and
      2. Form DS-3040 "Application for Partial Release of Surety of Grading and/or Right-of-Way Permit." PDF
   C. **Fees:**
      A non-refundable fee is required, per Information Bulletin 502.

## VI. Bond Release

1. Bonds remain in full force until the As-Builts and/or As-Graded reports are approved and the permit is closed.
2. The City will review the credit rating of the bond at least annually, and if it falls below the City's required "A" category or better rating, then the property owner may need to submit a new bond that satisfies the City's minimum credit rating category requirement.
3. To initiate the release of a Delayed Monumentation Bond, the following documentation must be submitted to the RE:
   A. **Surveyor's Letter**
      A letter from the project Land Surveyor confirming that they have been paid in full for setting all required monumentation.
   B. **City Land Surveyor's Letter**
      A letter from the City Land Surveyor stating that all required monuments have been inspected and accepted.
4. EOW Checklist Before Bond Release
   The following items must be completed and approved prior to bond release:
   A. Valid engineering permit;
   B. Deposit account in positive status and not in deficit; and
   C. The Final Closeout Checklist and As-Built drawings must be approved by the RE.
5. The RE will coordinate most bond releases and account closures. The RE from the DSD Telecom and Utility Division's Field Inspection Team (FIT) is primarily responsible for bond releases.
6. Contact Information
   A. For Accela Grading and/or Right-of-Way Permits, contact your RE directly or email fit_dsd@sandiego.gov, or call 619-446-5242;
   B. For projects related to the Project Tracking System (PTS) that start with "PTS-XXXXXX", or other projects inspected by the Construction Management and Field Engineering Division (CMFE) of the Engineering and Capital Projects Department (E&CP), please contact DSDBondrelease@sandiego.gov. Please provide the PTS Number/Drawing Number associated with the project when emailing; or
   C. For Private Grading Permits (Grading PMT-Permit Approval Type) issued under the authority of the Building Official, please contact your assigned inspection staff to coordinate release of Bonds or call the Building, Construction & Safety inspection office at (858) 581-7111 to obtain inspector contact information.
7. Additional Information
   A. The Accela point of contact on file will be notified of the bond release.
   B. For bonding companies, a system-generated release will be sent to the Accela Point of Contact to facilitate documentation and surety company notification.
   C. If secured by a LOC, the LOC will be returned to the issuing bank with an official release from the City.
   D. For cash bonds, the processing and refund distribution may take 30-40 days following the As-Built approval.