

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2019

H.B. 873  
Apr 16, 2019  
HOUSE PRINCIPAL CLERK

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HOUSE BILL DRH40382-ST-27

Short Title: System Development Fee/Clarify Time of Charge. (Public)

Sponsors: Representatives Arp, Boles, and McNeill (Primary Sponsors).

Referred to:

1 A BILL TO BE ENTITLED  
2 AN ACT TO CLARIFY THE TIMING OF COLLECTION OF SYSTEM DEVELOPMENT  
3 FEES FOR EACH CATEGORY OF NEW DEVELOPMENT.

4 The General Assembly of North Carolina enacts:

5 SECTION 1. G.S. 162A-213 reads as rewritten:

6 "§ 162A-213. Time for collection of system development fees.

7 (a) Land Subdivision. – For new development ~~involving the subdivision of land, as~~  
8 ~~defined in G.S. 162A-201(6)a., the system development fee shall be collected by a local~~  
9 governmental unit shall specify in the resolution or ordinance adopting the system development  
10 fee at the later of either of the following: which of the following events the system development  
11 fee shall be collected:

12 a. The time of plat recordation.

13 b. When water or sewer service is committed by the local governmental unit.

14 (b) ~~Other~~ New Construction Development. – For ~~all other new development,~~  
15 development as defined by G.S. 163A-201(6)b. or c., the local governmental unit shall collect  
16 specify in the resolution or ordinance establishing the system development fee at which of the  
17 following events the system development fee at the earlier of either of the following: shall be  
18 collected:

19 a. The time of application for connection of the individual unit of development  
20 to the service or facilities.

21 b. When water or sewer service is committed by the local governmental unit.

22 (c) Reconstruction and Redevelopment. – For new development as defined by  
23 G.S. 163A-201(6)d., the local governmental unit shall collect the system development fee at the  
24 time of issuance of the permit under Part 4 of Article 18 of Chapter 153A of the General Statutes  
25 or Part 5 of Article 19 of Chapter 160A of the General Statutes. If the local governmental unit  
26 collecting the system development fee is not the same as the one issuing the permit under Part 4  
27 of Article 18 of Chapter 153A of the General Statutes or Part 5 of Article 19 of Chapter 160A of  
28 the General Statutes, the one issuing the permit shall notify the local governmental unit imposing  
29 the fee of the application for a permit.

30 (d) Default. – If the resolution or ordinance establishing the system development fee is  
31 silent as to the time of collection, the system development fee shall be collected at the time water  
32 or sewer service is committed by the local governmental unit.

33 (e) Amount of Fee. – When imposing and collecting any system development fee, the  
34 amount of the system development fee to be imposed is the system development fee, as adopted  
35 by the local governmental unit, in effect on the date the new development action occurs."

36 SECTION 2. G.S. 162A-201 reads as rewritten:



## "§ 162A-201. Definitions.

- 1 ...
- 2
- 3 (2) Capital rehabilitation project. – Any repair, maintenance, modernization,
- 4 upgrade, update, replacement, or correction of deficiencies of a facility,
- 5 including any expansion or other undertaking to increase the preexisting level
- 6 of service for ~~existing development~~.
- 7 (3) ~~Existing development. – Land~~ subdivisions, structures, and land uses in
- 8 existence at the start of the ~~written system development fee analysis process~~
- 9 ~~required by G.S. 162A-205, no~~ and more than one year prior to the adoption
- 10 of a system development fee.
- 11 ...
- 12 (6) New development. – Any of the following ~~occurring after the date a local~~
- 13 ~~government begins the written analysis process required by G.S. 162A-205,~~
- 14 ~~no more than one year prior to the adoption of a system development fee,~~
- 15 actions with respect to real property which increases the capacity necessary to
- 16 serve that development:
- 17 a. The subdivision of land.
- 18 b. ~~The construction, reconstruction, redevelopment, conversion,~~
- 19 ~~structural alteration, relocation, or enlargement of any structure~~ Initial
- 20 construction on undeveloped property which increases the number of
- 21 service units.
- 22 c. Any use or extension of the use of land which increases the number of
- 23 service units.
- 24 d. Reconstruction, redevelopment, conversion, structural alteration,
- 25 relocation, or enlargement of any structure on developed property
- 26 which requires an expansion of capacity.
- 27 ...
- 28 (9) System development fee. – A charge or assessment for service imposed ~~with~~
- 29 ~~respect to~~ upon new development to fund costs of capital improvements
- 30 necessitated by and attributable to such new development, to recoup costs of
- 31 existing facilities which serve such new development, or a combination of
- 32 those costs, as provided in this Article. The term includes amortized charges,
- 33 lump-sum charges, and any other fee that functions as described by this
- 34 definition regardless of terminology. The term does not include any of the
- 35 following:
- 36 a. A charge or fee to pay the administrative, plan review, or inspection
- 37 costs associated with permits required for development.
- 38 b. Tap or hookup charges for the purpose of reimbursing the local
- 39 governmental unit for the actual cost of connecting the service unit to
- 40 the system.
- 41 c. Availability charges.
- 42 d. Dedication of capital improvements on-site, adjacent, or ancillary to a
- 43 development absent a written agreement providing for credit or
- 44 reimbursement to the developer pursuant to G.S. 153A-280,
- 45 153A-451, 160A-320, 160A-499 or Part 3A of Article 18, Chapter
- 46 153A or Part 3D of Article 19, Chapter 160A of the General Statutes.
- 47 e. Reimbursement to the local governmental unit for its expenses in
- 48 constructing or providing for water or sewer utility capital
- 49 improvements adjacent or ancillary to the development if the owner or
- 50 developer has agreed to be financially responsible for such expenses;

1                                    however, such reimbursement shall be credited to any system  
2                                    development fee charged as set forth in G.S. 162A-207(c).

3                                    ...."

4                                    **SECTION 3.** G.S. 162A-203(a) reads as rewritten:

5                                    "(a) A local governmental unit may adopt and impose a system development fee for water  
6                                    or sewer service on new development only in accordance with the conditions and limitations of  
7                                    this Article."

8                                    **SECTION 4.** G.S. 162A-205 reads as rewritten:

9                                    "**§ 162A-205. Supporting analysis.**

10                                    (a) A system development fee shall be calculated based on a written analysis, which may  
11                                    constitute or be included in a capital improvements plan, that:

- 12                                    (1) Is prepared by a financial professional or a licensed professional engineer  
13                                    qualified by experience and training or education to employ generally  
14                                    accepted accounting, engineering, and planning methodologies to calculate  
15                                    system development fees for public water and sewer systems.
- 16                                    (2) Documents in reasonable detail the facts and data used in the analysis and their  
17                                    sufficiency and reliability.
- 18                                    (3) Employs generally accepted accounting, engineering, and planning  
19                                    methodologies, including the buy-in, incremental cost or marginal cost, and  
20                                    combined cost methods for each service, setting forth appropriate analysis as  
21                                    to the consideration and selection of a method appropriate to the  
22                                    circumstances and adapted as necessary to satisfy all requirements of this  
23                                    Article.
- 24                                    (4) Documents and demonstrates the reliable application of the methodologies to  
25                                    the facts and data, including all reasoning, analysis, and interim calculations  
26                                    underlying each identifiable component of the system development fee and  
27                                    the aggregate thereof.
- 28                                    (5) Identifies all assumptions and limiting conditions affecting the analysis and  
29                                    demonstrates that they do not materially undermine the reliability of  
30                                    conclusions reached.
- 31                                    (6) Calculates a final system development fee per service unit of new  
32                                    development and includes an equivalency or conversion table for use in  
33                                    determining the fees applicable for various categories of demand.
- 34                                    (7) Covers a planning horizon of not less than five years nor more than 20 years.
- 35                                    (8) Is adopted by resolution or ordinance of the local governmental unit in  
36                                    accordance with G.S. 162A-209.

37                                    (b) For purposes of this section, new development shall include only that new  
38                                    development occurring after the date a local government begins the written analysis process  
39                                    required by G.S. 162A-205, no more than one year prior to the adoption of a system development  
40                                    fee."

41                                    **SECTION 5.** G.S. 162A-209(b) reads as rewritten:

42                                    "(b) After expiration of the period ~~for posting~~, in subsection (a) of this section, the  
43                                    governing body of the local governmental unit shall conduct a public hearing prior to considering  
44                                    adoption of the analysis with any modifications or revisions. system development fee. Notice of  
45                                    the public hearing shall be published not less than 10 days nor more than 25 days before the date  
46                                    fixed for the public hearing in a newspaper having general circulation in the area and may be  
47                                    published on the Web site of the local government."

48                                    **SECTION 6.** This act becomes effective July 1, 2019, and applies to fees imposed  
49                                    on or after that date.