



This Bill Analysis reflects the contents of the bill as it was presented in committee.

HOUSE BILL 721: Subdivision Ordinance/Land Develop. Changes

2015-2016 General Assembly

Committee:	Senate Re-ref to Judiciary II. If fav, re-ref to State and Local Government	Date:	July 13, 2015
Introduced by:	Reps. Bryan, Stam, Bishop, Bradford	Prepared by:	Bill Patterson
Analysis of:	PCS to Second Edition H721-CSTG-37		Committee Counsel

SUMMARY: *The PCS for House Bill 721 would amend and clarify the law regarding performance guarantees developers are required to provide to cities and counties to assure completion of required improvements to subdivided land. The PCS requires the developer to demonstrate reasonable good faith progress toward completion of any improvements that are the subject of a performance guarantee or any extension thereof, caps the amount of any extension of a performance guarantee at 125% of the reasonably estimated cost of completing the improvements that remain outstanding at the time the extension is obtained, and makes other technical and clarifying changes.*

CURRENT LAW: Cities (Part 2 of Article 19 of Chapter 160A) and counties (Part 2 of Article 18 of Chapter 153A) are authorized to adopt ordinances to regulate the subdivision of land within their territorial jurisdiction. These statutes authorize subdivision ordinances to require the construction of "community service facilities". To assure compliance with these and other ordinance requirements, cities and counties are authorized to provide for performance guarantees to assure successful completion of required improvements. Performance guarantees are financial assurances that guarantee funds if the developer fails to complete the agreed-to improvements. If a guarantee is required, the developer can choose from a range of different types of assurance.

BILL ANALYSIS: Section 1 of the PCS for House Bill 721 would provide that a performance guarantee is required at the time the plat is recorded and that the type of performance guarantee would be at the election of the developer.

Section 1 would also create a new subsection, G.S.160A-372(g), that applies to performance guarantees for both cities and counties. The new subsection would:

- Define "performance guarantee" as any of the following: a surety bond issued by any company authorized to do business in the state, a letter of credit issued by any financial institution licensed to do business in the state, or any other form of guarantee of equivalent security than a surety bond or letter of credit
- Require a performance guarantee to be returned at the time the city or county acknowledges that the improvements for which the guarantee is being required are complete
- Would require extension of the performance guarantee or issuance of a new performance guarantee if the improvements are not complete at the time the current performance guarantee is expiring
- Require the developer to demonstrate reasonable, good faith progress toward completion of the improvements that are the subject of the performance guarantee or any extension

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- Cap the amount of a performance guarantee or extension thereof at 125% of the reasonably estimated cost of completion at the time the performance guarantee or extension is issued
- Clarify that the performance guarantee must only be used for completion of the required improvements and not for repairs or maintenance after completion

Section 2 of the PCS would prohibit cities and counties from withholding issuance of a building permit or certificate of occupancy that otherwise would be eligible to be issued in order to compel completion of work for a separate permit or to compel compliance with land use regulations with respect to another property or parcel.

EFFECTIVE DATE: This act becomes effective October 1, 2015, and applies to performance guarantees or extensions of performance guarantees issued on or after that date.

Kelly Tornow, counsel to House Judiciary IV, substantially contributed to this summary.