



HOUSE BILL 602: Cities/Require Performance Guarantees.

2017-2018 General Assembly

Committee:	House State and Local Government II	Date:	April 19, 2017
Introduced by:	Rep. Dobson	Prepared by:	Brad Krehely
Analysis of:	First Edition		Committee Co-Counsel

OVERVIEW: *House Bill 602 would authorize cities to require performance guarantees when industrial property is being demolished. The act would become effective July 1, 2017.*

BILL ANALYSIS: House Bill 602 would authorize a city to require performance guarantees when the owner of property classified as industrial under the city's zoning ordinance or property historically used for industrial purposes submits an application for a permit to assure successful completion of demolition and removal of all material from the site. The owner may decide on the type of performance guarantee. The owner, in conjunction with the city, must determine the estimated cost and the time period in which demolition and removal must be completed.

"Performance Guarantee" means any of the following:

- A surety bond issued by any company authorized to do business in this State.
- A letter of credit issued by any financial institution licensed to do business in this State.
- Any other form of guarantee that provides equivalent security to a surety bond or letter of credit.

The performance guarantee must be returned or released when the city acknowledges that the demolition and removal of all material has been completed. If demolition and removal of all material has not been completed and the current performance guarantee is expiring, the performance guarantee must be extended, or a new performance guarantee issued, for an additional period until demolition and removal of all material is completed. The owner must demonstrate good faith progress toward completion of the demolition and removal.

The amount of the performance guarantee must not exceed 125% of the reasonably estimated cost of completion of demolition and removal at the time the performance guarantee is issued. Any extension of the performance guarantee must not exceed 125% of the reasonably estimated cost of completion of the remaining demolition and removal of all material.

The performance guarantee must only be used for completion of the demolition and removal of all material from the site and for no other purpose. Nothing in the act allows a city to require performance guarantees for demolition of residential property.

EFFECTIVE DATE: July 1, 2017.

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