

SUPPORT HB24-1463: Restrictions on Excessive Special District Tap Fees

House Bill 24-1463, bipartisan legislation sponsored by Speaker Pro Tem deGruy-Kennedy and Representative Hartsook, and Senators Hansen and Kirkmeyer, requires water and sewer districts to limit the fee charged to a property owner for service connection to only the amount related to the actual cost of that connection.

Colorado needs 100,000 new housing units to address the unaffordable housing crisis. A significant cost in housing development is the cost to connect to water and sewer systems. Unfortunately, under current law there is no uniform standards for determining these fees, and no transparency on how fees are set by districts. House Bill 24-1463 corrects this by applying an existing Colorado Supreme Court standard to these fees, allowing local governments to request information on how the fees were set, and allowing a property owner to challenge excessive fees.

The bill allows special districts to assign to developers a portion of the costs associated with new development or redevelopment while ensuring districts have sufficient funding to manage and operate their water and sanitation systems. A tap fee must be reasonably related to anticipated costs of development. Districts should consider professional analysis in setting these fees.

A district cannot refuse to provide water or sanitation services to new development or redevelopment projects that have been approved by the relevant land use jurisdiction for reasons unrelated to the district's capacity.

A district must assess the costs of increasing capacity and purchasing water rights, and require developers to bear those costs, thereby ensuring that service is not denied arbitrarily and is provided in accordance with the district's ability to expand capacity.

The bill also permits an applicant for water or sanitation services to file a declaratory judgment action to determine whether tap fees or system development fees imposed by the board are reasonably related to the anticipated costs of development and services as set forth in the bill.

Finally, if any local government within the boundaries of the district requests, the district must within 30 days provide the rate schedule for tap fees, system development fees, or other fees, and provide a detailed written justification for the fees including any professional analyses that were relied upon in setting those fees.

House Bill 24-1463 requires a fair uniform rate setting approach, increases transparency on government fee setting, and empowers property owners to challenge excessive connection fees.