2023 System Development Charges (SDC): Frequently Asked Questions

*Updated as of 6/6/23

- What is a System Development Charge (SDC)?
- How much are SDCs increasing?
- Why was the SDC increase delayed from July 1?
- When will these changes go into effect?
- When will I know how much SDCs will be starting October 1?
- Can I pay for a current tap fee charge before the SDC increase in 2023?
- Will SDC payment be accepted for new development prior to July 1?
- How long does my current tap fee or SDC cost last?
- Why is there a significant increase in SDCs?
- How were the new SDCs calculated?
- Why are SDCs increasing now?
- Who gets a discounted SDC?
- Can I get a refund for my SDC?

What is a System Development Charge (SDC)?

A System Development Charge (SDC), previously referred to as a “tap fee”, is the charge that developers pay when connecting new water and wastewater (sewer) piping to the City’s existing system to deliver water and remove wastewater from the new building.

How much are SDCs increasing?

The City is currently working on updating the modeling and calculations. When the SDC amounts are finalized they will go through City Council for approval and implementation beginning October 1. Please check back on the Utilities Transparency webpage for updates.

Why was the SDC increase delayed from July 1?

Several years of diligent work and thoughtful planning went into the implementation of these new SDC amounts. Since the updated SDCs were approved in October, the City continued to perform additional quality checks to the calculations used to determine the increased amount. Recently, the City team has found a possible discrepancy in the calculations model that would be implemented on July 1. To ensure that the City has the appropriate time to investigate any discrepancy City Council passed a resolution delaying the implementation of the new SDC amounts until October 1, 2023.

SDCs are the primary source of revenue to support planned development and the needs to expand the capacity of water and sewer infrastructure. Therefore, it is critically important that SDCs are accurately and completely calculated to be representative of costs to the City.

When will these changes go into effect?

New SDC costs will begin October 1, 2023. This cost will be applied to new development requiring water and wastewater connection when the building permit is approved. As of January 1, 2023, SDCs, or tap fees, are being accepted at the time a building permit is approved, rather than at the time a foundation is inspected.

*This means a building permit can be issued and SDCs paid at the 2022 rate through September 30, 2023.*
**When will I know how much SDCs will be starting October 1?**

We anticipate publishing an updated proposal for SDCs by early September, for adoption by City Council before October 1. At this time, the City team does not anticipate that the updated proposal will be higher than the SDCs initially adopted for July 1, 2023.

**Can I pay for a current tap fee charge before the SDC increase in 2023?**

Yes, to accommodate development currently in the planning process, beginning January 1, 2023 SDCs, or tap fees, can be paid at the time a building permit is issued with no rate change.

The new SDC will go into effect on October 1, 2023. At that time, any building permit issued will pay the increased 2023 SDC.

**Will SDC payment be accepted for new development prior to October 1?**

Beginning January 1, 2023, tap fees can be paid at the time a building permit is issued. This means, tap fees will be accepted at the 2022 rate through September 30, 2023. Beginning October 1, 2023, SDCs will be paid at the new rate at the time your building permit is approved and issued.

**How long does my current tap fee or SDC cost last?**

SDCs paid January 1, 2023 or later will be associated with your building permit. You will pay the SDC cost when receiving your building permit. This also means, if your building permit expires, when you go to renew you will be subject to any difference in SDC.

**Why are SDCs increasing?**

The City’s philosophy about SDCs is that growth pays for growth. The City works with independent financial advisors to update the City’s System Development Charges (SDC). This ensures that the City is charging the appropriate SDC, no more and no less. The City’s SDCs are based on:

- A review of the value of water rights.
- Existing and future infrastructure needed to serve the customers being added to our water and wastewater systems.
- The financing to pay for increased capacity needs for new customers.

This type of review is an industry best practice that the City had not completed recently. The City has committed to continuing this practice on a regular basis moving forward to ensure SDCs increase to reflect the infrastructure that will be constructed to meet the needs of our growing community.

**How are the updated SDCs being calculated?**

The city is working with independent financial advisors to update the City’s System Development Charges (SDCs). This review is based on industry best practice, followed industry standards and will be continued on a regular basis going forward. The advisors’ review will be based on the following items:

- Cost of the City’s current water rights portfolio, along with the cost of water rights in the Denver Gross Reservoir Expansion project.
- Existing infrastructure that has some remaining capacity left to serve new customers.
- Upcoming capital projects that need to be constructed to serve new capacity.
- Timing for when this funding is required to meet development demand.
Why are SDCs increasing now?

The City is increasing SDCs to address the current planned development demand and expected future growth over the next 25 to 30 years. This is the timeframe in which the City is projected to be “built-out”, or to have reached the infrastructure capacity based on land and water supply that can support the Arvada community. Further, the City’s existing water and wastewater infrastructure was largely constructed between 1960 to 1980. Many of the systems are reaching the end of their useful life. The City is planning for capacity expansion alongside needed reinvestment in the existing infrastructure.

Historically, the City was able to maintain at a very low cost for development. This increase reflects the need to right size our infrastructure—water and wastewater systems—to serve a fully built out City as we plan for the future of Arvada.

Who gets a discounted SDC?

Discounted SDCs are based on three components: (1) contributed water rights, (2) contributed money for existing facilities and (3) contributed money for future facilities (where applicable).

Can I get a refund for my SDC?

No, the City does not refund SDCs. The SDC remains associated with the property moving forward.