

System Development Charges (SDC): Frequently Asked Questions

**Updated as of 9/14/23*

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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 combined water and wastewater SDCs by building type, effective October 1, 2023, have been updated as follows:

- Single family: \$45,850
- Duplex : \$35,360
- Multi-family : \$21,620 per unit and Metro Water Recovery SDC (*this will depend on the meter size as required by Metro Water Recovery and is applicable to all new development*)

Please find the complete list of in-city and out-of-City SDCs on the Utilities [Rates and Fees page](#).

Why are SDCs increasing?

Several years of diligent work and thoughtful planning went into the implementation of these new SDC amounts. The City performs quality checks to the calculations used to determine the increased amount.

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?

Updated SDC costs go into effect **October 1, 2023**. This cost will be applied when the building permit is approved. As of January 1, 2023, SDCs are being tied to building permit approval, rather than foundation inspection.

This means any building permit approved **by the close of business on September 29, 2023 will pay the current SDC amounts**. Any building permit approved or renewed after this date will pay the newly updated amounts.

When is my SDC cost determined?

SDC costs are tied to the issuance of your building permit. The SDC amount is determined based on the date a building permit is approved.

- If your building permit is approved by the close of business on September 29, 2023, SDCs will be accepted at the current rate. Beginning October 1, 2023, SDCs will be paid at the new rate when your building permit is approved and ready to be issued.
- If your building permit expires, the renewal 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 do SDCs increase?

The City increases SDCs to keep up with inflation and 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. 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. The City will continue to update SDCs on a regular basis.

Can I get a refund for my SDC?

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