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2023 System Development Charges (SDC): Frequently Asked Questions

**Updated as of 12/19/2022*

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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 recommended combined water and wastewater (sewer) SDCs by building type for residential development* are as follows:

- Single family: \$54,210
- Duplex : \$41,440
- Multi-family : \$26,580 + Metro Water Recovery SDC (this depends on the meter size and is applicable to all new development)

**For non-residential and/or out-of-city development SDC rates please reference the complete [2023 ordinance](#) (beginning on page 13).*

When will these changes go into effect?

New SDC costs will begin July 1, 2023. This cost will be applied to new development requiring water and wastewater connection when the building permit is approved. Beginning January 1, 2023, SDCs, previously known as tap fees, will be 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 June 30, 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.

In 2022, you must have an inspected foundation in place in order to pay your tap fee or SDC. If you have not completed the foundation inspection process with the City before January 1, 2023, you will have until June 30, 2023 to acquire a building permit and pay the 2022 tap fee.

The new SDC will go into effect on July 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 July 1?

Per City code, if you have an inspected foundation in place prior to January 1, 2023 you can pay the 2022 tap fee. 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 June 30, 2023. Beginning July 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 is there a significant increase in SDCs?

The City's philosophy about SDCs is that growth pays for growth. The City hired an independent financial advisor 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 were the new SDCs calculated?

The city hired an independent financial advisor to update the City's System Development Charges (SDCs). **This review is an industry best practice, followed industry standards and will be continued on a regular basis going forward.** The advisor's review was 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.

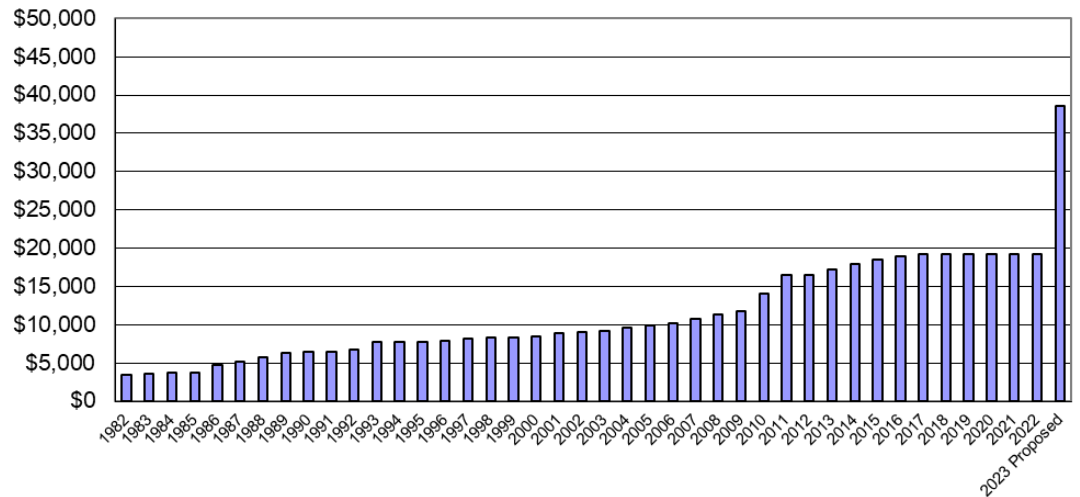
Our advisor then calculated the SDC for **four types of development** where:

- Water rights were provided from the developer to the City at no cost to the City.
- Certain infrastructure was built and provided to the City at no cost to the City.
- Both water rights and infrastructure were provided to the City.
- No contributions were made to the City.

Why are SDCs increasing now?

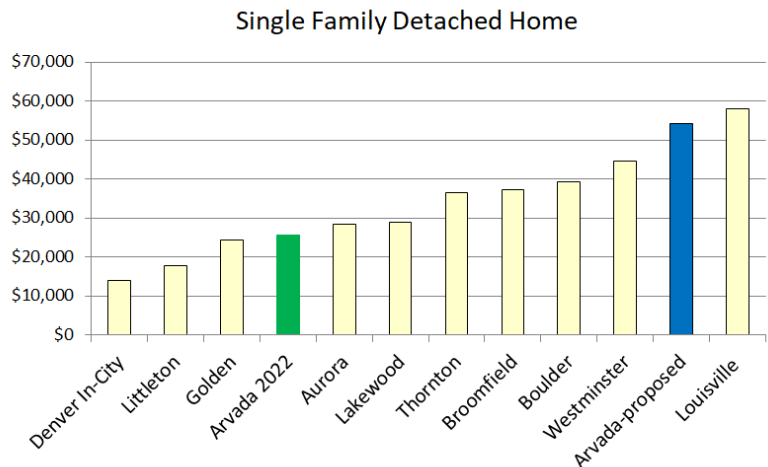
The City is increasing SDCs to address the current planned development demand and expected future growth over the next 25 to 30 years. This is the timeframe in which the City is projected to be “built-out”, or to have reached the infrastructure capacity based on land and water supply that can support 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.

The chart shows a historical look at SDCs, which 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.



How do Arvada SDCs compare to surrounding areas?

The City of Arvada’s SDCs are calculated based on data specific to Arvada. Each Front Range city will calculate SDCs based on their unique situations (e.g., age of existing infrastructure, when City water rights were acquired, future infrastructure needs). A chart of some of the current 2022 SDCs for neighboring communities is included below



Who gets a discounted SDC?

Discounted SDCs are based on three components: (1) contributed water rights, (2) contributed money for facilities and (3) contributed water rights and contributed infrastructure funding (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.