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ACTION ALERT: Oppose HB 765 Local Gov. Development Regulation Omnibus

This week saw multiple changes in committee assignments for sweeping, radical legislation that would undo local land-use planning rules, with the bill only to end up back before the [House Housing and Development committee](#). NCLM expects a new version of [HB 765 Local Gov. Development Regulations Omnibus](#) will be unveiled in the House committee on Tuesday, even after this [revised version](#) was placed on the committee website this week. The net effect of any changes is still likely to eviscerate local land-use planning authority, creating a state regiment of zoning and planning rules.

NCLM urges you to continue to contact your legislators regarding this unprecedented proposal to dismantle local authority.

Doing so, you may wish to discuss local efforts that your city or town has already undertaken to attempt to address housing affordability, whether through zoning reforms, housing bonds or incentives, and other work with developers to create affordable housing. [This study](#), conducted by NCLM and the N.C. Association of County Commissioners in 2023, provides [many examples of those local efforts](#) to improve housing affordability, and you may wish to refer to it in conversations regarding HB 765. Those findings include:

- 60 percent of planning departments responding to the report survey, covering a majority of high-growth areas of the state, reported that their local jurisdiction have recently revised zoning codes to allow more density by right.
- 65 percent already allow accessory dwelling units on single-family lots.
- The state's largest cities and counties have approved housing bonds since 2018 totaling well over \$400 million. That money has been used to partner with developers to create housing for residents with incomes below the average median income.

You can also refer to this succinct [one-page summary of the bill](#) and key talking points to use in your outreach with legislators. Please continue to let your legislators know of your opposition to this legislation.

State Leaders Join CityVision Attendees

Governor Josh Stein, Secretary of State Elaine Marshall, Attorney General Jeff Jackson, and State Auditor Dave Boliek joined more than 600 municipal leaders from across the state during this week's CityVision conference in Greenville.

In his remarks, Governor Stein recognized the ongoing recovery from Hurricane Helene in Western North Carolina and applauded those municipalities who aided their neighbors. The Governor outlined his work since his inauguration to bring financial support through state and federal resources. He also outlined his subsequent recovery-focused funding request to be sent to the General Assembly in the coming weeks. Finally, he also outlined the needs our state faces to support our growth and support its citizens.

On Thursday night, Secretary of State Elaine Marshall joined attendees during the President's Dinner to both swear in the 2025-2026 NCLM Officers and new Board members. She also brought greetings to the members in attendance.

As the state's top law enforcement official, Attorney General Jackson focused his work to invest in and support efforts across the state to take on our biggest challenges, including combatting the fentanyl crisis, now the leading cause of death for North Carolinians, and the valuable partnerships with local police departments. He also highlighted the work supporting Helene-impacted communities to ensure rebuilding can continue without threats from those preying upon those trying to recover from the devastation.

Auditor Boliek recognized that while it may seem strange for the State Auditor to join the group, there is a lot of overlap between his work and the work of local governments across the state. He also commended the work of the NCLM Municipal Accounting Services program and the continued partnership with NCLM to ensure sound accounting practices and succession planning within municipal finance offices.

Thank you to these state leaders for making the time to speak with North Carolina municipal leaders.



Senate ETJ Bill Clears Committees and Awaits Floor Vote

Efforts to significantly curtail municipal extra-territorial jurisdiction (ETJ) authority advanced in the General Assembly this week, as [SB 493 Land Use Clarification and Changes](#) cleared its Senate committees and now awaits a floor vote. SB 493 largely mirrors a Senate budget provision passed in April but takes a narrower approach to rolling back municipal ETJ authority. The bill aims to:

- Eliminate ETJ authority for municipalities in counties with fewer than 25,000 residents by October 2026
- Eliminate ETJ authority for municipalities in counties with fewer than 50,000 residents by October 2027. By contrast, the Senate budget version would end ETJ authority for municipalities in counties with fewer than 75,000 residents by the same 2027 deadline
- Freeze all remaining ETJ boundaries statewide, preventing further expansion.

Both versions require that zoning regulations allow public schools, including charter schools, to be sited in commercial districts as a permitted use or by special use permit. The bill also mandates that where a property spans more than one local government's planning jurisdiction, the landowner may elect to have the development regulated by the jurisdiction containing the majority of the property's acreage, unless local governments and the landowner agree otherwise.

City-Supported Down-Zoning Fix to Receive Hearing

A proposal supported by cities to undo the severe consequences of a down-zoning provision put into law in December will receive its first legislative hearing next week. [SB 587 Clarify Nonconforming Uses](#) will be taken up by the [Senate Regulatory Reform](#) committee on Tuesday. Senate bill sponsors introduced the bill to remedy the consequences of the previous change that has had the effect of undoing recently-approved local unified development ordinances and halting others under consideration, slowing development approvals, and preventing local governments from addressing planning

needs. The December down-zoning law has also called into question whether other substantial zoning changes are legally enforceable due to changes regarding so-called "nonconforming uses" and property owner notification requirements

SB 587 would rework language around nonconforming uses by no longer requiring the blanket property owner consent requirement, but allow those nonconforming uses due to changes in land development regulations to continue until the property owner intentionally and voluntarily discontinues the use. This bill would also allow for the reconstruction and repair of nonconformities, so long as the use or structure is not intensified or expanded in the process.

DEI Ban in State and Local Governments Passes House

A House bill targeting consideration of diversity, equity, and inclusion (DEI) in state and local hiring and contracting practices passed the House this week in a party-line 69-45 vote. Two Republicans and four Democrats had excused absences and did not vote on [HB 171 Equality in State Agencies/Prohibition on DEI](#). This chamber's consideration of this bill followed several weeks of on-again, off-again plans for a vote. It now heads to the Senate for its consideration.

The bill prohibits the use of public funds to support DEI programs in state and local government, including awarding contracts, maintaining dedicated staff positions or offices, offering training, and implementing hiring processes. The prohibition extends to the receipt of funds that require compliance with DEI mandates or policies and would require local government to terminate existing programs with such requirements unless participation is explicitly required by federal law. The legislation also imposes civil penalties for noncompliance and establishes a private right of action, allowing citizens to sue a local government official for violating this measure.

In addition to the pervasive ambiguity of this bill, the breadth of the "DEI" prohibition could have significant funding and staffing implications for local government while exposing municipal staff to liability for things that are outside of their control. In the event HB 171 is approved by the General Assembly, it would likely face the threat of a veto from Governor Josh Stein. While the Senate has the ability to override the governor's veto, the House does not unless one Democrat member votes with Republicans.

House Bill Eliminating Parking Minimums Set to be Heard Next

Week

A House measure to eliminate residential and commercial parking minimums is expected to be heard in the [House Housing and Development committee](#) next week. In a significant departure from longstanding zoning policies, [HB 369 Parking Lot Reform and Modernization Act](#) would prohibit local government zoning codes from requiring a minimum number of parking spaces per development or structure, regardless of occupancy or use. Developers would have discretion to determine the amount of parking provided. The bill also bans the use of polycyclic aromatic hydrocarbons (PAH) sealants, often used for parking lot maintenance. The final provision of the bill enables local stormwater programs to implement incentive stormwater capture ordinances that can provide financial incentives to certain developments that capture additional stormwater over the local stormwater programs' mandatory percentages.

House Committee Advances Statewide ADU Mandate, Bill Heads to House Rules

[HB 627 Regulation of Accessory Dwelling Units](#) took a significant step forward this week, passing the [House Regulatory Reform committee](#) and now awaiting consideration in the [House Rules committee](#) before a potential vote on the House floor.

The bill would require all North Carolina cities and towns to allow at least one accessory dwelling unit (ADU) on every lot zoned for residential use and prohibit local governments from imposing parking requirements or short-term rental prohibitions for ADUs. HB 627 would also override existing ADU ordinances to bring them in compliance with the new state mandates.

Local Government Liability Bill Passes House

This week, House members approved [HB 913 Liability/Unfair/Deceptive Develop. Actions](#), a bill that will allow local governments to be sued for “flagrantly unfair or deceptive” actions related to development regulation review.

The bill is marked by numerous problematic and vague standards, including a provision allowing the award of punitive damages against the local government that are ten times their actual losses. It is unclear if the new punitive damages allowed under the bill are subject to the existing limitations on damages that have been law for roughly 30 years. Regardless, the bill presents as an unprecedented assault on local government decision-making.

In the floor debate, bill sponsor Rep. Mark Brody stated that he picked the ten times figure out of the air and was willing to negotiate with interested parties. The bill passed on a largely party-line vote 67-39, and now goes to the Senate.

Crossover Flurry

In the flurry of legislative activity ahead of the legislative crossover deadline on May 8, the House passed several bills of interest to North Carolina's cities and towns:

- [HB 801 LRC Study Paper Towns](#) proposes a legislative study on towns that "existing in fact but do not provide adequate services, as required by law, to its residents." A long-running issue for some legislators, the bill doesn't clarify what "adequate services" are not being provided to residents, given that current law mandates only that municipalities provide building code compliance services. The many other necessary services municipalities provide are optional, and largely tailored to the needs of the locality. The bill passed the House 99-3 and now goes to the Senate, where its future is uncertain, given that the chamber is less receptive to ordering a study of issues through the [Legislative Research Commission](#).
 - [HB 694 Study Water/Wastewater Regionalization](#) proposes that the UNC Chapel Hill Environmental Finance Center study the costs and benefits of water or wastewater regionalization. The bill passed the House unanimously and now goes to the Senate.
 - [HB 659 Local Government Spending Transparency](#) amends the Local Government Budget and Fiscal Control Act to require that all invoices presented to a local government for payment be posted on the local government's website along with a link to the top three bids for every project, service, or any goods purchased with tax dollars. The bill was passed by the [House State and Local Government committee](#) this week and is likely to be scheduled before the full House next week.
 - In a new version of the annual regulatory reform legislation that was first published this week, a provision was added to prohibit local governments from requiring that water and sewer system components be made of certain materials, if that requirement is more stringent than statewide regulations. The target of [HB 926 Regulatory Reform Act of 2025](#) seems to be ductile iron pipe, which is called for in certain applications, but is more difficult to source and more expensive than PVC pipe. The bill was approved by the [House Regulatory Reform committee](#) this week and will likely be before the full House next week.
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