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Bill Threatening Local Decision-Making Stalls Necessitating Continued Advocacy

Little progress was made this week on a bill proposing sweeping changes to local development decision-making, which resurfaced last week, rebranded, but still at the center of intense debate and procedural maneuvering. As was discussed in last week's Bulletin, [SB 205 Swimming Pools/Housing Regulatory Reform](#) was amended and approved by the [House Regulatory Reform Committee](#) on Wednesday, June 11. The bill included many of the provisions from the now-defunct [HB 765 Save the American Dream Act](#).

However, though bill sponsors had the bill calendared for the [House Rules Committee's](#) meeting on Wednesday, the bill was displaced and not considered. With legislators likely wrapping up most of their work over the next week, there are only a few more options for this bill to be considered.

We have appreciated the advocacy from local governments across the state. And we need you to keep it up! While bill sponsors have made some changes to the bill, SB 205 would still severely weaken local land-use planning authority. Nothing in the bill would create more affordable housing, nor would the bill's provisions make housing more affordable.

NCLM urges you to continue your outreach to House members about this unprecedented proposal, which threatens to dismantle local decision-making. When speaking with House members, emphasize the following concerns:

- **Imposes Rigid, Quasi-Judicial Standards (Section 7):** These new requirements would force local elected officials to make zoning decisions like courts, based on hard evidence and expert testimony, rather than the legislative discretion currently given to them by the General Assembly. This change increases the risk of lawsuits, adds costs for taxpayers, and limits public participation in development hearings.

- **Restricts Conditional Zoning (Sections 4 & 7):** Conditional zoning, a key tool for flexible, site-specific development, would be rendered useless.
- **Mandates Statewide One-Size-Fits-All Rules (Sections 11 & 12):** Imposes uniform development approval rules that don't fit all communities, especially smaller ones lacking robust staff resources. The "shot clocks" for plan review are arbitrary and lack clarity on how various development decisions should be handled under strict deadlines.

Finally, make sure to highlight the innovative, locally tailored solutions your community is implementing to address the housing crisis. As the front line of the state's housing challenges, municipalities are best equipped to develop policies that reflect the unique needs of their residents.

Treasurer's Investment Authority, LEO Special Separation Allowance Bills Become Law

Last Friday, Gov. Josh Stein [signed](#) two bipartisan bills impacting municipalities into law. The first, [HB 506/SL 2025-6 2025 State Investment Modernization Act](#), will transition the state's investment management from the current sole fiduciary model, where the Treasurer is solely responsible, to a new, independent North Carolina Investment Authority. This five-member board would oversee investments for state and local government pension funds, as well as other assets. Supporters of the change cite North Carolina's lagging investment performance compared to peer states, attributing some of the underperformance to the limitations of the sole fiduciary model. The new structure is designed to provide more professional oversight, thereby improving investment returns. More information on the Investment Authority is available through recent [news coverage](#).

Another bill signed into law aims to help North Carolina communities retain experienced law enforcement officers. [HB 50/SL 2025-8 LEO Special Separation Allowance Options](#) will establish an alternative special separation allowance for state and local law enforcement officers (LEOs) with at least 30 years of credible service. Under the proposal, officers could choose between the existing separation allowance and a new option that allows them to continue serving beyond 30 years without forfeiting benefits. The measure has received strong support from legislative leaders, including Senate President Pro Tem Phil Berger.

Development Incentive District Bill Advances in the Senate

[SB 695 Incent Development Finance District Funding](#), a measure designed to stimulate local economic growth by creating property tax incentives for developers in designated districts, passed the Senate this week. The bill allows developers to defer 90% of property taxes on qualified improvements within local government-approved incentive districts, to encourage new construction and revitalization in targeted areas.

On behalf of League members, NCLM Senior Government Affairs Associate Derrick Applewhite spoke in support of the bill on Tuesday: "This incentive-based approach enables cities, towns, and developers to work together to alleviate blight and encourage growth in appropriate areas in communities across North Carolina."

Under the bill, local governments may designate incentive districts, capped at 5% of the jurisdiction's total area, where builders can defer property tax increases on new, unoccupied improvements until a certificate of occupancy is issued or certain other conditions are met. The measure is designed to encourage private investment in community development while allowing local governments to focus on areas most in need of revitalization. The bill now moves to the House, where it awaits further action.

Procurement Changes

Two bills were considered this week that propose changes to the state procurement laws and, if approved, would impact local governments.

Section 5.2 of [HB 661 Building Industry Efficiency Act of 2025](#), would increase the formal bidding threshold for construction and repair work from the current \$500,000 to \$1.5 million, and for the purchase of supplies and materials from the current \$90,000 to \$180,000. The formal bidding requirements themselves would be unchanged under the bill, and local governments would retain the ability to set local rules that are not inconsistent with the state requirements. HB 661 also contains numerous other provisions related to the building code that the NCLM Government Affairs team is tracking. The bill passed the House this week and is now awaiting action in the Senate.

[HB 352 Bid Reqs/Permitting/Inundation Maps/CAMA](#) would allow contracts for the construction of water or sewer systems to be awarded with only two bids rather than the current three. Representative Erin Pare initially proposed this provision as a local provision for towns in her Wake County district. However, as the bill moved through the House, the scope was broadened to apply statewide. While it garnered broad support in the

House, the bill has stalled in the Senate, where concerns about bid rigging and fair competition have been raised. Those concerns are prompting further review, and the Senate has added various other provisions related to environmental permitting, flood mapping, and permitting related to marinas in upland waters. The bill appears headed to approval in the Senate and then to negotiations between the House and Senate.

Together, these bills represent a streamlined procurement process that should be beneficial to local governments.

State and Local DEI Ban

A proposal targeting consideration of diversity, equity, and inclusion (DEI) in state and local hiring and contracting practices is poised for a full Senate vote next week, likely the state legislature's last week of regular business this session. At a [Senate Judiciary Committee](#) hearing on Thursday, legislators approved a revised version of [HB 171 Equality in State Agencies/Prohibition on DEI](#). The bill's substantive points remain largely unchanged from the version passed by the House of Representatives in April.

The bill prohibits the use of public funds to support DEI programs in state and local government, including the awarding of 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.

If the General Assembly approves HB 171, it would likely face a veto threat 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. In the House's April vote, the bill passed on a 69-45 party-line vote, where two Republicans and four Democrats had excused absences and did not vote.

Legislators Debate Flags on Private Property

A [local dispute](#) in Greenville, North Carolina, has led to a lawsuit and prompted a legislative response. At issue is a huge American flag installed at the Camping World location on Evans Street in Greenville. The first violation was filed in October 2024, and although Camping World hasn't appealed the notice, it has yet to pay a significant portion of the accrued penalties. In March, the Greenville City Council approved filing civil action.

The flag is approximately 3,200 square feet, roughly the size of a regulation basketball court, and flies on a pole that is 130 feet tall, twice the height allowed under Greenville's code.

The legislature responded this week, adding provisions to [HB 926 Regulatory Reform Act of 2025](#) that would prohibit local government from regulating the display of the American flag or the State of North Carolina's flag, either size or pole height. The one exception allowed under the proposed bill would be where documented health and safety concerns justify enforcement, and specifically where the Department of Transportation finds that traffic concerns would arise from allowing the flag to remain. The legislation would be effective when it becomes law and would apply to any enforcement action pending at that time.

The bill passed the first of two votes in House on Thursday and is scheduled for a final vote in the House next week. It will then go to the Senate for further consideration.



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