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City Officials Stand Firm Against HB 765 as Bill Faces New Hurdles

As the General Assembly's self-imposed "crossover" deadline approached this week, [HB 765](#), recently rebranded as the Save the American Dream Act, became the focus of intense debate and procedural maneuvering. Municipal leaders from across North Carolina have been vocal in their opposition, warning that the bill would fundamentally undermine local authority over zoning and development decisions.

On Tuesday, HB 765 received its second hearing in the [House Housing and Development committee](#), passing on an evenly divided voice vote. In a notable development, the bill was amended to include a minor fee provision. While this change exempts HB 765 from the crossover deadline, it also means the bill must now be considered by the [House Finance committee](#) before it can proceed further. Despite these procedural shifts, the core concerns remain unchanged: HB 765 would eviscerate local land-use planning authority, creating a state regiment of zoning and planning rules.

NCLM encourages local officials to continue engaging with their legislators and sharing their concerns about HB 765. If your community is represented by legislators on the [House Finance committee](#) it is especially important to reach out and encourage a **NO** vote when the bill comes up for consideration. Additionally, we urge you 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 positioned to develop policies that reflect the unique needs of their communities.

Senate Green-Lights Down-zoning Fix

Legislation to undo the severe consequences of a land use down-zoning law approved in December passed the Senate unanimously this week. The bill now heads to the House for consideration. The League supports the changes in [SB 587 Clarify Nonconforming Uses](#), and NCLM Director of Government Affairs Erin Wynia spoke in favor of the bill at a Senate committee hearing Tuesday.

The December down-zoning law has undone recently approved local unified development ordinances and halted others that were being considered, slowing development approvals and preventing local governments from addressing planning needs. It's 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 blanket property owner consent, but rather allowing to continue those nonconforming uses due to changes in land development regulations, until the property owner intentionally and voluntarily discontinued the use. This bill would also allow for the reconstruction and repair of nonconformities, so long as the use or structure was not intensified or expanded in the process.

Hendersonville Water System Takeover

It is rare that a local bill attracts the attention of cities across the state, but [SB 69 Henderson County Local Omnibus](#) raises concerns by local governments due to the negative precedent it would set for how local water systems are funded and built out. As introduced by Senator Tim Moffitt, the legislation would require the Town of Hendersonville to connect properties located outside of its town limits to its utility systems, while at the same time being effectively forbidden from annexing those parcels. However, as presented in the Senate State and Local Government committee this week, the bill was expanded to include the elimination of municipal extraterritorial jurisdictions in Henderson County and require that the County approve annexations by Henderson County municipalities. As a local bill, SB 69 was approved by the Senate on a voice vote and now goes to the House.

Land Use Legislation Roundup

From parking lot reform to new rules around e-bikes and Accessory Dwelling Units (ADUs), the General Assembly considered several local government land-use bills this week. Here's your quick review of land-use bills and the legislative twists from Raleigh.

[SB 493 Land Use Clarifications and Changes](#): The bill to phase out municipal extraterritorial jurisdiction (ETJ) authority in smaller counties and freeze ETJ

boundaries statewide advanced through the Senate this week and now awaits action in the House. The bill eliminates ETJ in counties with fewer than 25,000 residents by October 2026 and in counties with fewer than 50,000 residents by October 2027, a narrower approach than the Senate budget's broader rollback. SB 493 also requires that public schools be allowed in commercial zoning districts and gives landowners more flexibility when their property spans multiple jurisdictions.

[HB 627 Regulation of Accessory Dwelling Units](#): The measure passed out of its House committees this week and saw debate on the House floor before being pulled before a full House vote was taken. 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.

[HB 369 Parking Lot Reform and Modernization Act](#): A narrowed version of the bill was heard in the [House Housing and Development committee](#) on Tuesday where it passed unanimously. The new version still prohibits local governments from regulating off-street parking in new developments. However, a favorable provision to authorize new tools for local stormwater programs pertaining to redevelopment was removed. The bill heads to the [House State and Local Government committee](#), where it awaits further action.

[HB 306 Affordable Housing for Local Employees](#): This local bill aims to authorize local governments to develop affordable housing specifically for their employees, with provisions for reasonable rents, sales prices, and resale restrictions. However, after initial movement, the bill was pulled from consideration this week when support from the majority party wavered.

[SB 576 E-Bike Definition and Local Regulation](#): The proposal clarifies the definition of electric-assisted bicycles (e-bikes) and grants local governments authority to regulate their use. The bill allows e-bikes on all roadways, bicycle lanes, and shared-use paths, subject to local restrictions. It also permits cities to set rules regarding e-bike classes, speed limits, and helmet requirements. The bill passed out of the [Senate State and Local Government committee](#) and now heads to the [Senate Transportation committee](#) for further consideration.

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Infrastructure Bill Roundup

Infrastructure issues were a focus of the legislature's work this week, with actions on a variety of bills in both the House and Senate.

[HB 364 STIP Grant Anticipation Notes](#): Under this bill, which the House passed on Wednesday, local governments would be permitted to borrow

money to fund capital projects that are identified in the Strategic Transportation Improvement Program (STIP). The bill had strong bipartisan support and now goes to the Senate.

Interbasin transfers of water were the subject of two bills this week. [SB 605 IBT Subbasin/TMDL Transport Factor](#) would reform the sub-basin designation and transfer regulation, which should provide more flexibility within river basins to make transfers. The bill passed the Senate on Wednesday and now goes to the House. Also, in the House, legislators debated [HB 850 Interbasin Transfer Moratorium/Study](#), a bill that would enact a moratorium on interbasin transfers in the Catawba River basin. The House approved the bill by a vote of 108-1 on Tuesday and now moves to the Senate.

The annual “regulatory reform” legislation, [HB 926 Regulatory Reform Act of 2025](#) includes a provision that has prompted concern from utility managers. Section 9 of the bill would prohibit local governments from requiring water or sewer pipe materials that are “more stringent” than current requirements in DEQ’s 2T and 18C rules. Practical issues related to good design practices and facility protection have prompted these concerns as the bill now goes to the Senate.

Legislation making the litigation process in condemnation cases a little easier cleared the House this week. The changes included in [HB 212 Condemnation/Service on Spouses Not Required](#) apply only to Chapter 136 of condemnations under the North Carolina General Statutes, and as the bill goes to the Senate, NCLM will be asking legislators to make similar changes to those condemnations allowed under Chapter 40A. While some cities have condemnation powers under the statutes governing the Department of Transportation, Chapter 136, most are classified as “public condemners” under Chapter 40A.

[HB 909 State Infrastructure Bank Board](#) passed the House this week with bipartisan support from some of the top leaders in the House. Republican Representatives Julia Howard, a Senior Chair of the House Finance committee, John Bell, Chair of the Rules committee, and Steve Ross, Chair of the Commerce committee, joined with Democratic Leader Robert Reives to sponsor the bill that would establish a state infrastructure bank at the Treasurer’s office with the purpose of funding infrastructure projects. The bank would be overseen by a board that would include representation from local governments. This bill now goes to the Senate.

General Local Government Bill Round-up

The House considered several bills this week related to general local government matters.

After advancing [HB 659 Local Government Spending Transparency](#) to the House floor on Tuesday, leadership removed the bill from the calendar and sent it back to the House Rules committee. The bill would present problems for local finance, legal, and IT departments by requiring all invoices and bidding documents to be linked on the local government's website. Making such information public presents significant cybersecurity risks and increases the risk of disclosing information protected under public records laws.

On a mostly party-line 69-42 vote, House members advanced [HB 781 Unauthorized Public Camping & Sleeping](#), Wednesday, sending it to the Senate for that chamber's consideration. The measure prohibits local governments from allowing public camping or sleeping on any public property, including right-of-way under their jurisdiction, unless on designated local government property that meets certain conditions. Read more [here](#). On a similar mostly party-line vote (69-40), the House sent to the Senate Wednesday a measure, [HB 859 Local Govts/Guaranteed Income Programs](#), prohibiting local governments from programs that provide payments to individuals under a guaranteed income program. The bill defines the term as "a program under which an individual is issued an unconditional cash payment on a regular basis to be used for any purpose by the individual."



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