



Agenda Abstract

BOARD OF COMMISSIONERS

Meeting Date:	Nov. 10, 2025
Department:	Community Services
Agenda Section:	Regular Agenda
Public hearing:	No
Date of public hearing:	N/A

PRESENTER/INFORMATION CONTACT

Assistant Town Manager Matt Efir
Engineering Services Manager Bryant Green, PE
Planning and Economic Development Manager Shannan Campbell

ITEM TO BE CONSIDERED

Subject: Water Extension to Residential Subdivision on N.C. 86 North

Attachments:

Site Plan for Proposed Residential Subdivision in Orange County's jurisdiction

Summary:

Orange County received a development application from Forestar Group, Inc for a 49-lot residential subdivision on N.C. 86 North. This development, adjacent to the Eno River Academy on the north side of town, is outside the town's recommended urban service boundary shown in Hillsborough's 2023 Comprehensive Sustainability Plan but is currently located in the urban service boundary. The developer inquired about the availability of public utilities. Staff is unable to definitively agree or decline to serve the development given its location outside of the proposed urban service boundary. The developer requested presentation of this item to the Board of Commissioners and is scheduled to be available for questions. This step also addressed a proposed condition of the Orange County rezoning process which would require a petition for town utility service.

From an engineering perspective, there could be some benefits to offering water-only service at this site. The town currently actively flushes water at a water quality flushing site at the Pathways Elementary school near the proposed development. Water flushed at this site is unbilled, nonrevenue water with no cost recovery. This flushing site is necessary to ensure water remains fresh in this part of the distribution system due to low demand. To potentially assist with this water turnover issue, the town did comment through the Hillsborough/Orange County courtesy plan review process that it may be able to provide water only service to this development due to the low density, without annexation, if the developer desires. This comment was informational in nature and was not an offer to serve. The developer was informed that the property was outside of the recommended urban service boundary in the comprehensive sustainability plan and that the town board would need to weigh in on the decision to serve it. Sewer capacity and access is much more challenging at this site, thus there has been no discussion of a full annexation and provision of utility service.

The comprehensive sustainability plan recommended a smaller urban service boundary area than what was established as the "primary service area" in 2001 with the "WATER AND SEWER MANAGEMENT, PLANNING AND BOUNDARY AGREEMENT" entered into with Orange County, OWASA, Chapel Hill, and Carrboro. The recommendation was made after the comprehensive sustainability plan research indicated that extending town services this far out into the county would result in service delivery issues and high infrastructure maintenance costs for the town over time. The plan recommended a smart growth policy which would encourage and

concentrate development closer to the existing urban core, within town limits and annexed areas, to avoid development sprawl, additional traffic issues at known problem intersections, and rising costs of running and maintaining water and sewer lines out into the county.

Town staff have been working on formalizing this recommended urban service boundary for adoption by the town board along with updated town code language, with some delays and updates needed due to changes in state law as well as federal funding setbacks. Adoption of the recommended urban service boundary is anticipated to come at a future meeting.

This residential subdivision is outside of the recommended urban service boundary, and the Hillsborough Board of Commissioners has rejected past annexation interests for this parcel due to its lack of proximity to town.

From a planning perspective, development should not be encouraged outside of town limits. If proposed, they should develop in the county on wells and septic systems or wait to be developed until municipal services are available. Giving some developments partial town services without annexation may cause issues with long term service delivery and future residents may feel misled after buying a home in what they think is the town limits, only to discover that they pay higher out-of-town water rates, and do not receive town trash pickup, etc.

The town is not being asked to judge the merits of the development or the proposed land use, which is within the jurisdiction of Orange County. However, if the project is to be approved by Orange County, the board should be aware of the potential financial and operational considerations that may benefit the town as a compliment to the potential negative impacts of traffic and sprawl that will occur if the development is approved whether the town is involved or not.

Financial impacts:

The proposed development would be obligated to pay System Development Fees and out of town water rates for domestic customers. This additional revenue could be used to cover associated capital and operational expenses. The town would not incur costs to extend service to the proposed development.

Staff recommendation and comments:

Receive a request from the developer for service and provide feedback.

Action requested:

Authorize staff to adjust the recommended urban service boundary to include the proposed project and provide water-only service or decline the developer's request for water-only service and proceed with finalizing the proposed boundary per the comprehensive sustainability plan.