



## Vested Property Rights

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Dear Reader:

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We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with municipal government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other MTAS website material.

Sincerely,

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## Vested Property Rights

**Reference Number:** MTAS-1990

### ***Public Chapter No. 686 Vested Property Rights Act of 2014***

The Tennessee General Assembly enacted Public Chapter No. 686, the "Vested Property Rights Act of 2014" which amends Title 13, Chapters 3 and 4 regarding the powers of regional planning commissions and municipal planning commissions.

As enacted, far-reaching statutory requirements were established relative to development standards and vested property rights for landowners and developers that affect the ability of cities to establish and update contemporary development standards to guide land use and growth following its passage. The act became effective January 1, 2015.

The act specifically amends T.C.A. § 13-3-413 for regional planning commissions and T.C.A. § 13-4-310 for municipal planning commissions.

The following summary sections are applicable to both regional planning commissions and municipal planning commissions. The full text of the act should be consulted.

## Definitions of Vested Property Rights

**Reference Number:** MTAS-1991

*"Applicant"* means a landowner or developer or any party, representative, agent, successor, or heirs of the landowner or developer.

*"Construction"* means the erection of construction materials in a permanent manner, and includes excavation, demolition, or removal of an existing building.

*"Development plan"* means both a preliminary development plan and a final development plan.

*"Development standards"* means all locally adopted or enforced standards applicable to the development of property including, but not limited to planning: storm water requirements; layout; design; local infrastructure construction standards, off-site improvements, lot size, configuration, and dimensions. NOT included are standards required by federal or state law, or building construction safety codes.

*"Final development plan"* means a plan approved by the local government describing with reasonable certainty the use of property. Such plan may be in the form of, but not limited to, a planned unit development plan; subdivision plat; general development plan; subdivision infrastructure construction plan; final engineered site plan; or any other land-use approval designation utilized. UNLESS otherwise expressly provided by the city, such a plan shall include the boundaries of the site; significant topographical features affecting the development of the site; locations of improvements; building dimensions; and the location of all existing and proposed infrastructure on the site. Neither a sketch plan or other document that fails to describe with reasonable certainty the use and development scheme may constitute a final development plan.

*"Preliminary development plan"* means a plan submitted to facilitate initial public feedback, and secure preliminary approvals from local government. It serves as a guide for all future improvements.

*"Site preparation"* means excavation, grading, demolition, drainage, and physical improvements such as water and sewer lines, footings, and foundations.

## Vesting Rights and Periods

**Reference Number:** MTAS-1992

Vested property rights are established for any preliminary development plan, final development plan (where no preliminary development plan is required), or building permit issued to allow construction of a

building to commence where there is no local requirement for prior approval of a preliminary development plan.

During the vesting period, the locally adopted development standards in effect on the date of approval remain the development standards applicable to that property or building during the vesting period as follows:

- **Building permit projects (no preliminary plan approval)** - The vesting period commences on the date of building permit issuance and remains in effect for the period authorized by the building permit.
- **Development plan project** - The vesting period applicable to a development plan is three years, beginning on the date of approval of the preliminary development plan; provided the applicant obtains final development plan approval, secure permits, and commences site preparation within the three-year vesting period.
- If the applicant obtains approval of a final development plan, secures permits, and commences site preparation within the three-year vesting period, then the vesting period is extended an additional two years (to a total of five years) to commence construction from the date of preliminary plan approval. During the two year period, the applicant shall commence construction and maintain any necessary permits to remain vested.
- If construction commences within the five-year vesting period following preliminary development plan approval, the development standards in effect on the date of approval remain in effect until final completion of the project, provided however, that the vesting period shall not exceed 10 years unless the city grants an extension through an ordinance or resolution; and provided further that the applicant maintain all necessary permits during the 10-year period.
- **Multi-phase projects** – A separate vesting period applies for projects proceeding in two or more sections or phases (as set forth in the development plan). The development standards in effect on the date of approval of the preliminary development plan for the first section or phase remain in effect for all subsequent sections or phases; provided the total vesting period does not exceed 15 years unless the city grants an extension through an ordinance or resolution; and provided that the applicant maintain all necessary permits during the 15-year period.

Type of Project	Effective Date	Vesting Period	Total Vesting Period to Maintain Vested Rights	Required Actions
Building Permit (No development plan required)	Date of Issuance of Building Permit	Period authorized by the building permit	Period authorized by the building permit	Complete construction within period authorized by the building permit
<b>Development Plan</b>				
Preliminary Development Plan	Date of Issue	3 Years	3 Years	Obtain Final Development Plan approval; secure permits; and commence site preparation
Final Development Plan	3 years from date of Preliminary Plan approval	2 Years	5 Years	Commence construction, maintain permits
	5 years from date of Preliminary Plan approval	5 Years	10 Years	Complete construction; maintain permits
Multi-phase or sections	Date of Issue of Preliminary Development Plan	Separate vesting period for each phase or section	15 Years	Complete construction for each phase; maintain permits

A vested property right attaches to and runs with the applicable property and confers upon the applicant the right to undertake and complete the development and use such property under the terms and conditions of a development plan, including any amendments thereto or under the terms and conditions of any building permit that has been issued with respect to the property.

## Adoption of Local Ordinances

**Reference Number:** MTAS-1994

### ***Adoption of Local Ordinances Regarding Vested Property Rights***

A city may, by ordinance or resolution, specifically identify the type or types of development plans that will cause property rights to vest; provided, that regardless of nomenclature used in the ordinance or resolution to describe a development plan, a plan which contains any of the information for a preliminary development plan or final development plan shall be considered a development plan that will cause property rights to vest. Although the law states a city may adopt a local ordinance or resolution, it must be in the form of an ordinance if an existing code previously enacted by ordinance (such as a zoning ordinance) will be amended. T.C.A. § 13-3-413(e); T.C.A. § 13-4-310(e).

Any such ordinance or resolution shall also specify what constitutes approval of a development plan. If a city has not adopted an ordinance or resolution pursuant to this section specifying what constitutes a development plan that would trigger a vested property right, then rights shall vest upon the approval of any plan, plat, drawing, or sketch, however denominated, that is substantially similar to any plan, plat, drawing, or sketch approved as a preliminary development plan or final development plan.

## Termination of Vesting Rights

**Reference Number:** MTAS-1995

During the vesting period, the locally adopted development standards which are in effect on the date of approval of a preliminary development plan or the issuance of a building permit, whichever applies, remain the development standards applicable to the property described in such preliminary development plan or permit, except such vested property rights terminate upon a written determination by the city under the following circumstances:

- When the applicant violates the terms and conditions specified in the approved development plan or building permit; provided, the applicant is given ninety (90) days from the date of notification to cure the violation; provided further, that the city may, upon a determination that such is in the best interest of the community, grant, in writing, an additional time period to cure the violation;
- When the applicant violates any of the terms and conditions specified in the local ordinance or resolution; provided, the applicant is given 90 days from the date of notification to cure the violation; provided further, that the city may, upon a determination that such is in the best interest of the community, grant, in writing, an additional time period to cure the violation;
- Upon a finding by the city that the applicant intentionally supplied inaccurate information or knowingly made misrepresentations material to the issuance of a building permit or the approval of a development plan or intentionally and knowingly did not construct the development in accordance with the issued building permit or the approved development plan or an approved amendment for the building permit or the development plan; or
- Upon the enactment or promulgation of a state or federal law, regulation, rule, policy, corrective action or other governance, regardless of nomenclature, that is required to be enforced by the city and that precludes development as contemplated in the approved development plan or building permit, unless modifications to the development plan or building permit can be made by the applicant, within 90 days of notification of the new requirement, which will allow the applicant to comply with the new requirement.

A city may allow a property right to remain vested despite such a determined occurrence when a written determination is made that such continuation is in the best interest of the community by the city. T.C.A. § 13-3-413(f)(1) and (2); T.C.A. § 13-4-310(f)(1) and (2).

## Development Standards Enforcement

**Reference Number:** MTAS-1996

A vested development standard shall not preclude city enforcement of any development standard when:

- The city obtains the written consent of the applicant or owner;
- The city determines, in writing, that a compelling, countervailing interest exists relating specifically to the development plan or property which is the subject of the building permit that seriously threatens the public health, safety or welfare of the community and the threat cannot be mitigated within a reasonable period of time, as specified in writing by the city, by the applicant using vested property rights;
- Upon the written determination by the city of the existence of a natural or man-made hazard on or in the immediate vicinity of the subject property, not identified in the development plan or building permit, and which hazard, if uncorrected, would pose a serious threat to the public health, safety, or welfare and the threat cannot be mitigated within a reasonable period of time, as specified in writing by the local government, by the applicant using vested property rights;
- A development standard is required by federal or state law, rule, regulation, policy, corrective action, order, or other type of governance that is required to be enforced by the city, regardless of nomenclature; or
- A city is undertaking an action initiated or measure instituted in order to comply with a newly enacted federal or state law, rule, regulation, policy, corrective action, permit, order, or other type of governance, regardless of nomenclature. T.C.A. § 13-4-310(g)(1); T.C.A. § 13-3-413(g)(1).

## Development Plan Amendment

**Reference Number:** MTAS-1997

An amendment to an approved development plan by the applicant must be approved by the city to retain the protections of the vested property right. An amendment may be denied based upon a written finding by the city that the amendment:

- Alters the proposed use;
- Increases the overall area of the development;
- Alters the size of any nonresidential structures included in the development plan;
- Increases the density of the development so as to affect traffic, noise or other environmental impacts; or
- Increases any local government expenditure necessary to implement or sustain the proposed use.

If an amendment is denied by the city based upon such a written finding, then the applicant may either proceed under the prior approved plan with the associated vested property right or, alternatively, allow the vested property right to terminate and submit a new application. Notwithstanding the foregoing, a vested property right shall not terminate if the city determines, in writing, that it is in the best interest of the community to allow the development to proceed under the amended plan without terminating the vested property right. T.C.A. § 13-4-310(h)(1) and (2); T.C.A. § 13-3-413(h)(1) and (2).

## Waiver Rights Prohibited

**Reference Number:** MTAS-1998

A city may not require an applicant to waive the applicant's vested rights as a condition of approval, or as a consideration of approval, of a development plan or the issuance of a building permit. T.C.A. § 13-4-310(i); T.C.A. § 13-3-413(i).

## Extension of Rights

**Reference Number:** MTAS-1999

The vesting period for an approved construction project may be extended as deemed advisable by the city.

## Zoning with Vested Property Rights

**Reference Number:** MTAS-2000

A vested property right, once established, precludes the effect of any zoning action by a city which would change, alter, impair, prevent, diminish, or otherwise delay the development of the property, while vested, as described in an approved development plan or building permit. With said exception, nothing shall preclude, change, amend, alter or impair the authority of a city to exercise its zoning authority. T.C.A. § 13-4-310(g)(3); T.C.A. § 13-3-413(g)(3).

## Development Moratorium

**Reference Number:** MTAS-2001

In the event a city enacts a moratorium on development or construction, the vesting period established by this act shall be tolled during the moratorium period. T.C.A. § 13-4-310(g)(4); T.C.A. § 13-3-413(g)(4).

## Eminent Domain with Vested Property Rights

**Reference Number:** MTAS-2002

A vested property right does not preclude, change, amend, alter or impair the authority of a city to exercise its eminent domain powers as provided by law. T.C.A. § 13-4-310(g)(2); T.C.A. § 13-3-413(g)(2).

## Next Steps for Vested Property Rights

**Reference Number:** MTAS-2003

The adoption of an ordinance to amend local development codes to comport city requirements to the Vested Property Rights Act of 2014 should be considered. Such an ordinance will provide clarity going forward as to the newfound vesting rights that are afforded to landowners and developers as of January 1, 2015.

Due to the unique nature and style of various development codes, requirements, and terminology used by cities across the state, the development of a model ordinance would be too general to be of use. Such ordinances must rather be tailored to fit each city's plan for development and growth.

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