

Commission on Local Government

Estimate of Local Fiscal Impact

2025 General Assembly Session | 1/16/25

In accordance with the provisions of 30-19.03 of the Code of Virginia, the staff of the Commission on Local Government offers the following analysis of legislation impacting local governments.

SB975: Statewide housing targets; requires localities to increase their total housing stock. (Patron: Schuyler VanValkenburg)

Bill Summary: Statewide housing targets for localities. Requires localities to increase their total housing stock by at least 7.5 percent over the five-year period beginning January 1, 2026. The bill provides that, in order to meet the 7.5 percent growth target, a locality shall develop a housing growth plan that best meets the needs of the locality and may include any of various listed housing growth strategies. The bill further provides that, after January 1, 2031, an applicant who seeks local government approval for a residential development that will have the effect of increasing the supply of housing in a locality and has that application rejected may, in addition to other remedies, appeal such decision to the Housing Approval Board, which shall be established by the Director of the Department of Housing and Community Development. The bill authorizes the Housing Approval Board to overturn local decisions and approve applications under certain circumstances. However, if the Housing Approval Board determines that a locality has in good faith implemented at least three of the housing growth strategies listed in the bill and has not rejected more than 25 percent of new housing development proposals over the previous five years, the Housing Approval Board shall allow the local decision to stand. Finally, the bill provides that the Housing Approval Board shall give extra weight for increases in affordable housing and for the rehabilitation of current, underutilized housing stock.

Local Fiscal Impact: Net Additional Expenditure: ___x___ Net Reduction of Revenues: ___x___

Summary Analysis:

Number of Localities Responding: 6 Cities, 11 Counties, 3 Towns, 1 Other

Localities estimated a negative fiscal impact ranging from \$20,000 to \$7.4 million over the biennium.

Localities expressed many potential fiscal impacts of this bill. Most localities stated that they would have to hire someone or procure a consultant to develop a Housing Growth Plan and to manage the process of updating zoning ordinances. In smaller, more rural localities and those that have stable or declining populations, housing growth of 1.5% per year may not occur based purely on the private market, potentially resulting in some localities constructing and managing properties they would not have otherwise had to manage. Several localities also mentioned that housing growth is necessarily accompanied by growth in infrastructure and services, such as roads and schools. Counties also raised concern about potential litigation expenses if a development went through the Housing Approval Board process. Finally, the Town of Chincoteague expressed that they may not have enough vacant land within their borders to increase housing to the goals enumerated in this legislation.

Commission on Local Government

Net Increase in Expenditures: Itemized Estimates by Responding Localities

Locality	Nonrecurring Expense - Operating		Nonrecurring Expense - Capital		Nonrecurring Expense - Other		Total Increase in Expenses (Biennium Total)	Response Totals	
	FY26	FY27	FY26	FY27	FY26	FY27			
Albemarle County	75000	75000					150,000	Cities:	5
Augusta County							0	Counties:	11
Bedford County	150000	0	0	0	0	0	409,104	Towns:	3
Charlotte County							0	Other:	1
Chesterfield County						0	164,800	Total:	20
City of Alexandria						0	0		
City of Harrisonburg							0		
City of Norfolk							250,000		
City of Richmond							200,000		
City of Winchester							0		
Fauquier County							7,395,864		
Gloucester County							165,564		
Mecklenburg County	125000	125000					472,000		
Northern Neck PDC							0		
Prince George County							100,000		
Prince William County							500,000		
Rappahannock County						0	2,056,050		
Town of Chincoteague	50000		150000				457,175		
Town of Christiansburg	20000	0	0	0	0	0	20,000		
Town of Rocky Mount							0		

Locality	Expenditure Narrative by Responding Localities
Albemarle County	<p>As written, the legislation does not say that the requirement to increase housing stock by 1.5% is limited to being achieved solely through private construction. If the County must construct (own) housing in order to achieve the mandated 1.5% growth rate, the County would see high one time and recurring capital costs and operating costs to construct, maintain, and manage the housing. These amount of these increased costs would be dependent on how many housing developments the County would need to construct to reach the mandated growth rate.</p> <p>More important than the legislation's fiscal impacts, this bill intrudes on the County's traditional land use authority.</p>
Augusta County	<p>We would be hesitant to support legislation that requires a specific increase in housing stock over any period of time. We have a number of different and unique challenges (fire flow, etc.) that can arise when it comes to residential development, and I would be concerned that they could be significant enough that it could impede our ability to reach a target. We don't control who is interested in development in the county.</p> <p>In addition, we are not in favor of an applicant being able to appeal a denial to the Housing Approval Board as it could take decision making for the siting of residential development out of local control.</p>
Bedford County	<p>This bill would result in a direct net increase in expenditures of approximately \$259,104 per year in each of the five years (for a total direct net increase of \$1,295,522 by the end of the fifth year). There is also an anticipated one-time cost of up to \$150k to complete a housing study in FY26 in preparation for this bill.</p> <p>Based on the County's latest census, the County has 37,488 housing units so at least 2,812 more units would need to be added to meet the requirements of this bill. If we assume a median home value of \$345,750, we can anticipate an increase in real estate taxes of approximately \$3,986,221. However, generally speaking, households consume between \$1.15 and \$1.50 (average out to \$1.33) in governmental services for every \$1.00 of taxes paid. This means we can also anticipate an increase in governmental expenditures of approximately \$5,281,743, resulting in a next expenditure increase of approximately \$1,295,522 over the next 5 years. If we assume 1/5 of the housing target is reached each year, then this amounts to an additional cost of about \$259,104 per year. This is a very rough estimate and does not take other considerations into account, such as the \$ value of investments that would be needed by both the private and public sectors for things such as water/sewer improvements, road improvements, construction of housing, increased demand on public schools, etc. This investment value is estimated to be \$1 billion or more, in total, for Bedford County.</p> <p>Finally, one must also consider the impacts of further eroding local land use authority, which cannot be measured in dollars.</p>
Charlotte County	<p>In Charlotte County, housing development is based on need and the market. I'm not sure how the state would mandate an increase in housing for a rural community where the local county government has had no role in the current housing market and available housing. We would need assistance from the State to even know where we currently are in housing.</p>

Locality	Expenditure Narrative by Responding Localities																		
Chesterfield County	<p>The five-year average percent increase in housing stock for Chesterfield County from 2019-2024 was 2.0%. However, that number has been decreasing as indicated in the chart below. The creation of a "Housing Growth Plan" and the adoption of at least three of the proposed housing growth strategies, would require a modification of current zoning ordinances and potentially an additional employee to create and implement the growth plan. The expenditure cost estimates are based on a new position, with a starting salary of \$60,000 (plus benefits) to create the housing growth plan by coordinating with all the various stakeholders, then continuing to monitor progress and provide input on various housing proposals as needed.</p> <p>Housing Units YoY</p> <table border="1"> <tr> <td>2024</td> <td>151,602</td> <td>1.5%</td> </tr> <tr> <td>2023</td> <td>149,310</td> <td>1.7%</td> </tr> <tr> <td>2022</td> <td>146,770</td> <td>2.0%</td> </tr> <tr> <td>2021</td> <td>143,836</td> <td>2.3%</td> </tr> <tr> <td>2020</td> <td>140,591</td> <td>2.4%</td> </tr> <tr> <td>2019</td> <td>137,298</td> <td>2</td> </tr> </table>	2024	151,602	1.5%	2023	149,310	1.7%	2022	146,770	2.0%	2021	143,836	2.3%	2020	140,591	2.4%	2019	137,298	2
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City of Alexandria	<p>Alexandria has adopted housing production goals, although the ones in the proposed bill are different. Alexandria is also in the process of updating the Housing Master Plan to evaluate new or amended tools that can support housing production. Alexandria's record is one of approving well over 75% of the housing projects proposed. All that being said, this bill would provide considerable direction and oversight to a community that is already engaged in achieving the goals of this legislation. There is considerable potential for staff resources to be devoted to implementing this legislation and developing the new goals and tracking projects, and if a project is turned down, working through the Housing Approval Board appeal process. The potential fiscal impact is unquantifiable at this time; however, it is anticipated to have a significant impact on staffing resources.</p>																		
City of Harrisonburg	<p>Unable to determine exact costs but there would likely be an expenditure of funds to pay a consultant to help develop a housing growth plan and additionally staff resources to work with the consultant.</p>																		

Locality	Expenditure Narrative by Responding Localities
City of Norfolk	<p>This legislation will likely require the city to allocate additional financial resources. New staff may be needed to develop a housing growth plan. This legislation would also likely lead to additional reporting requirements to track our progress. This also might require the city to revise our zoning ordinances to allow more high-density housing, which would subsequently lead to the need to amend various comprehensive plans and land use regulations. Adding two planning FTEs to support this would cost about \$125,000. Additionally, localities may need to increase investment in infrastructure to support the delivery of housing in cases in which there is no supportive infrastructure, or the infrastructure is obsolete and/or unable to support the proposed housing density. This is also true for projects with financial gaps. Localities without tools related to gap financing (tax rebatement, housing trust funds, TIFs) may have to reject projects that would add to the housing supply if the deals don't pencil for the developer (even if they add to the supply).</p>
City of Richmond	<p>To address the associated housing growth plan, additional staff would be needed in the Department of Housing and Community Development for the development of such a plan. Additionally, with the current language of the legislation there is room for a lot of potential litigation to address Housing Approval Board appeals, the definition of an ordinance, and resident resistance to the elimination of single-family zoning. There is anticipated fiscal impact to address the potential litigation, but a value cannot be provided without further clarification on the legislation as written.</p>
City of Winchester	<p>Potential for significant fiscal impact. Difficult to estimate</p>
Fauquier County	<p>This bill would increase our housing stock by an additional ~2,000 units. This would increase the need for county services primarily as it relates to education and public safety (Fire and Rescue, and Sheriff). An increase to the Education budget would be the largest with an increase of \$14,174,160.60 over the five year period. The Sheriff's Office would increase \$2,019,450.00 over the five year period. Fire and Rescue services would increase \$2,296,050.00. This is a significant increase in recurring expenditures and equates to about 2.5 cent increase for the average taxpayer or about \$120 annually.</p> <p>The above does not consider any state offset to School Division funding that we may receive. However, this also doesn't include debt service should we create any new school buildings. I am mostly looking at operational impacts in the above estimates - nutrition, textbooks, personnel, asset replacement. Lastly, this would impact our comprehensive plan and we would need to accommodate/revise for these growth targets there.</p> <p>Overall, the largest impact here would not be financial but rather political in that our elected body historically has not wanted to grow at this kind of rate, intentionally. I imagine this political push/pull will bring other unintended costs.</p>
Gloucester County	<p>This would definitely cost us more money because we would have to hire someone to do a housing growth plan and implement it. Expenditure estimates based on a salary of \$65,000 per year plus fringe, expecting a 5% increase in year 2. We currently do not have any housing staff, so a new position would need to be created or the work would have to be contracted out.</p>

Locality	Expenditure Narrative by Responding Localities
Mecklenburg County	<p>There is likely to be two major costs related to this proposed legislation.</p> <p>First, we anticipate that an additional staff member would be required in either the Economic Development or the Planning Department that would focus on housing recruitment and development. Otherwise, we have no current staff that could either: a) track the targets set forth by the proposed Section 15.2 -2209.4(B), or that could b) specifically focus their work hours on recruiting and inducing private sector developers to build in a locality where they have not decided, based on neutral market economics, to enter. This staff member would also have to be knowledgeable about infrastructure needed to support development such as utility placement, location, and extension possibilities, and their costs, which is a critical component to development activities that is unmentioned in this legislation.</p> <p>Secondly, the cost estimate includes a one-time amount related to a comprehensive revision of zoning ordinances in alignment with the strategies proposed (this can be billed as the housing growth plan identified by the proposed Section 15.2 -2209.4(B) or that plan could be folded into the overall revision project). Each of these strategies are likely to be so significant in generating required text changes that together a wholesale look at the ordinances would be needed and recommended. The cost associated with this estimate is based on a rounded average of bids recently received as part of an existing comprehensive zoning ordinance amendment process launched by our locality.</p>
Northern Neck PDC	The bill focuses on localities; planning districts would not be bound by the legislation.
Prince George County	<p>We have estimated an impact of \$100,000 for:</p> <ol style="list-style-type: none"> 1. Development of a County Housing Plan - \$50,000 2. Preparation of Code Amendments necessary to address the targeted zoning regulations* - \$50,000 <p>*minimum lot size, increased building heights, permitting simplification, allowance of multi-family housing in commercial areas, revision/elimination of parking requirements</p>
Prince William County	PWC would need to permit approximately 2,440 units per year, which if all were multifamily would require, conservatively, close to \$48 million in capital costs per year.
Rappahannock County	Rappahannock County must fund \$15,230 per school year for every pupil. This does not cover any capital expenditures that would be required to cover school expansion due to an influx of students. Unconstrained housing growth without the means to mitigate those costs is problematic for Rappahannock County. Counties are best positioned to understand the financial implications of land use decisions and can incorporate those concerns in local decision making processes. There are approximately 3,400 residences in Rappahannock County. There are typically about 20 new houses constructed per year. An increase of 1.5% per year would require approximately 50 new houses per year (30 additional houses). Assuming each home would generate 1.5 school aged children leads to an estimate of approximately 45 new students each year due to uncontrolled housing growth.

Locality	Expenditure Narrative by Responding Localities
Town of Chincoteague	It is doubtful that the Town of Chincoteague has enough vacant land to increase housing by 7.5% however in the event that it was possible the preparation of the plan by a consultant would require a one time capital expenditure and the implementation of this plan would require the addition of at least 2 building and zoning administrators.
Town of Christiansburg	There would be substantial staff time involved in developing housing growth plan, including public meetings.
Town of Rocky Mount	The Town of Rocky Mount would need to solicit a consultant or develop a housing growth plan that would meet the needs of the locality. There would be some cost to this but I do not know how to estimate the cost.

Net Reduction in Revenues: Itemized Estimates by Responding Localities

Locality	Juris	Real Estate Revenue Reduction		Personal Property Revenue Reduction		Sales Tax Revenue Reduction	
		FY26	FY27	FY26	FY27	FY26	FY27
Albemarle County	County						
Augusta County	County						
Bedford County	County						
Charlotte County	County						
Chesterfield County	County						
City of Alexandria	City						
City of Harrisonburg	City						
City of Norfolk	City						
City of Richmond	City						
City of Winchester	City						
Fauquier County	County						
Gloucester County	County						
Mecklenburg County	County						
Northern Neck PDC	Other						
Prince George County	County						
Prince William County	County						
Rappahannock County	County	72000	144000				
Town of Chincoteague	Town						
Town of Christiansburg	Town						
Town of Rocky Mount	Town						

Net Reduction in Revenues: Itemized Estimates by Responding Localities									
Locality	BPOL Tax Revenue Reduction		Other Local Revenues Reduction		State Revenue Reduction		Total Decrease in Revenues (Biennium Total)	Response Totals	
	FY26	FY27	FY26	FY27	FY26	FY27			
Albemarle County							0	Cities:	5
Augusta County							0	Counties:	11
Bedford County							0	Towns:	3
Charlotte County							0	Other:	1
Chesterfield County							0	Total:	20
City of Alexandria							0		
City of Harrisonburg							0		
City of Norfolk							0		
City of Richmond							0		
City of Winchester							0		
Fauquier County							0		
Gloucester County							0		
Mecklenburg County							0		
Northern Neck PDC							0		
Prince George County							0		
Prince William County							0		
Rappahannock County							216,000		
Town of Chincoteague							0		
Town of Christiansburg							0		
Town of Rocky Mount							0		

Locality	Revenue Narrative by Responding Localities
Albemarle County	
Augusta County	
Bedford County	
Charlotte County	
Chesterfield County	<p>While the proposed housing growth target is within the county's most recent housing growth figures, it is difficult to project whether that will continue to naturally be the case over the next five-year period. While the proposed legislation would likely not impact revenue over the next two years, if housing growth numbers do not meet the 7.5% target by 2031, this could result in multi-family developments being approved by the Housing Approval Board that would not have been approved otherwise by the county. This could have further downstream implications for the county's long-term development plans and goals which could result in increased cost to build necessary infrastructure and impacts to home values.</p>
City of Alexandria	<p>Alexandria has adopted housing production goals, although the ones in the proposed bill are different. Alexandria is also in the process of updating the Housing Master Plan to evaluate new or amended tools that can support housing production. Alexandria's record is one of approving well over 75% of the housing projects proposed. All that being said, this bill would provide considerable direction and oversight to a community that is already engaged in achieving the goals of this legislation. There is considerable potential for staff resources to be devoted to implementing this legislation and developing the new goals and tracking projects, and if a project is turned down, working through the Housing Approval Board appeal process.</p>
City of Harrisonburg	N/A
City of Norfolk	
City of Richmond	
City of Winchester	
Fauquier County	<p>TBD but would appear in the State Revenues row. We would likely receive revenue from the state to support the school division growth - based on growth in ADM. Potential also for additional Compensation Board funding for the Sheriff's Office.</p>
Gloucester County	<p>We would also have to make sure our infrastructure can accommodate the growth (water, sewer, schools, transportation, etc.).</p>

Locality	Revenue Narrative by Responding Localities
Mecklenburg County	The answer to this could be yes, if the assumption is made that there will be new development that will occur that otherwise would not have occurred at all in the locality. In such a case, the locality could generate land use fee application revenues, building inspection fee revenues, and real estate tax revenue, personal property tax revenues from the residents who garage a vehicle in the locality and haven't before, as well as other consumer based revenues if the people are net new to the community. All of these are speculative and amounts would vary greatly based on size of development.
Northern Neck PDC	The bill is a locality requirement and does not impact the work of Planning District Commissions.
Prince George County	No impact for FY2026 and FY2027. Future impacts possible with permit and planning fees, as well as for Real Estate taxes are possible. We have limited ability to determine those revenue impacts absent a plan.
Prince William County	
Rappahannock County	While there would be some revenue growth due to increased real estate revenue, it would not come close to covering the costs. For example, to generate an additional \$685,350 in revenue to cover the additional expense, the assessed value of EACH new home would have to be \$3,807,500. This is why land use decisions must be left to localities. Revenue shown is based on 30 homes with assessed values of \$400,000 each.
Town of Chincoteague	
Town of Christiansburg	I would not anticipate a decrease in revenue with these changes.
Town of Rocky Mount	