

Commission on Local Government

Estimate of Local Fiscal Impact

2026 General Assembly Session | 01/21/26

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.

HB 1144: Water and sewer connection fees; first-time homebuyers; affordable housing (Patron: Martinez)

Bill Summary: Provides that any locality may provide for the full or partial reimbursement to a first-time homebuyer of water and sewer connection fees, capital recovery charges, and availability fees paid in connection with any new residential development conveyed to such homebuyer. The bill also requires any locality that has adopted an affordable dwelling unit ordinance pursuant to general law to provide for a waiver of such fees and charges for any development subject to the requirements of such ordinance.

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

Summary Analysis:

Number of Localities Responding: 4 Cities, 7 Counties, 1 Town, Other

Localities estimated a negative fiscal impact of \$20,000 to \$350,000 in increased expenditures and \$11,100 to \$14,000,000 in decreased revenue over the biennium.

Localities identified the bill's fiscal impact as significant, with both increased expenditure and decreased revenue. Localities estimate an increase in staffing and administrative costs due to requirements for delinquent accounts, lien notices, lien releases, and processing waivers. Many localities project a decrease in revenue due to the waivers. Upon removing the \$14 million in revenue decrease, which represented an outlier among localities, localities estimate an average decrease of \$784,648 in revenue.

Net Increase in Expenditures: Itemized Estimates by Responding Localities

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Locality	Expenditure Narrative by Responding Localities
Albemarle County	The bill introduces additional procedural requirements related to delinquent accounts, lien notices, and lien releases. These costs were estimated using conservative assumptions of 200-300 delinquent utility accounts annually, with \$40-\$60 per account in staff time, mailing, and administrative overhead, resulting in an estimated \$12,000 to \$18,000 in incremental administrative expenses per year. Clerk recording fees were excluded from net cost estimates because they are recoverable through the lien process.
Chesterfield County	Chesterfield County does not have an affordable dwelling unit ordinance, so there would be 0 fiscal impact as it stands currently.
City of Alexandria	
City of Manassas	Reimbursement will require additional staff to track and research claims to ensure appropriate reimbursement. Reimbursement will also reduce revenue for future utility improvements.
City of Virginia Beach	Virginia Beach does not provide reimbursements for first-time homebuyers and does not anticipate establishing reimbursements in the future, no impact is expected with this change. However, with the changes to affordable dwelling units, the waivers would result in a decrease of revenue for the City. The combined water and sewer Capital Recovery Fee for a multi-family unit with a 5/8" meter is \$3,795. The City is expecting over 300 units to be built in the coming years, with 172 in construction that started in December 2025, and 200 that are anticipated to start construction in June of 2026. Costs for services might go up due to the decrease in this revenue. There might also be an increase in personnel time to process waivers.
City of Winchester	
Fauquier County	There is a hook up fee for connection that would be reimbursed of 31,500 each hookup.
Hanover County	Additional administrative costs to process refund payments estimated at \$10K
Mecklenburg County	There is no cost because the power offered in this bill is an option and not a mandate, and the County has not adopted the affordable dwelling unit ordinance.
Prince George County	The County does not have such an ordinance and this appears to be only an authorization to implement a voluntary measure, there is no direct impact unless the Board chooses to act on it. If enacted, we would need to add personnel (\$100,000 recurring), and make one-time system enhancements (\$100,000) to track first-time home buyers. We estimate these enhancements would impact our annual licensing agreement with our ERP (\$25,000).
Rappahannock County	We also estimate an increase in legal fees to defend denials (no way to estimate).
Rappahannock County	Rappahannock County does not provide public utilities. A separate Authority handles this pursuant to Title 15.2, Chapter 51.

Locality	Expenditure Narrative by Responding Localities
Town of Chincoteague	

Net Reduction in Revenues: Itemized Estimates by Responding Localities								
Locality	Juris	Real Estate Revenue Reduction		Personal Property Revenue Reduction		Sales Tax Revenue Reduction		
		FY27	FY28	FY27	FY28	FY27	FY28	
Albemarle County	County							
Chesterfield County	County							
City of Alexandria	City							
City of Manassas	City							
City of Virginia Beach	City							
City of Winchester	City							
Fauquier County	County							
Hanover County	County							
Mecklenburg County	City							
Prince George County	County							
Rappahannock County	County							
Town of Chincoteague	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	
	FY27	FY28	FY27	FY28	FY27	FY28			
Albemarle County			750000	750000			1,500,000	Cities:	5
Chesterfield County							0	Counties:	6
City of Alexandria			7000000	7000000			14,000,000	Towns:	1
City of Manassas			250000	250000			500,000	Other:	0
City of Virginia Beach			652740	759000			1,411,740	Total:	12
City of Winchester			500000	500000			1,000,000		
Fauquier County							0		
Hanover County			120000	165000			285,000		
Mecklenburg County							0		
Prince George County							0		
Rappahannock County							0		
Town of Chincoteague			11100				11,100		

Locality	Revenue Narrative by Responding Localities
Albemarle County	<p>The primary impact arises from the bill's authorization (and in some cases requirement) to waive or reimburse water and sewer connection-related fees for certain housing developments. Publicly available ACSA schedules indicate that combined water and sewer connection, availability, and capital recovery fees generally fall within a \$6,000 to \$10,000 per residential unit range. The estimate assumes 50 to 75 qualifying housing units per year, reflecting a moderate level of affordable housing and first-time homebuyer activity relative to Albemarle County's recent development trends. Multiplying the per-unit fee range by this unit count yields an estimated annual revenue reduction of \$300,000 to \$750,000 to the water and sewer enterprise fund.</p>
Chesterfield County	<p>This bill would not impact Chesterfield County revenues, as the County does not have an affordable dwelling unit ordinance.</p>
City of Alexandria	<p>It is not clear if the waiver applies to only the units that meet the definition of affordable, or if the mandated waiver would include the entire development. A sanitary sewer connection fee waiver for an entire development would have significant fiscal impact for Alexandria. Alexandria potentially could lose as much as \$7M in revenue each year which represents about 40% of sanitary sewer revenues.</p>
City of Manassas	<p>Reimbursement will reduce revenue available for future utility improvements.</p> <p>Consider first time homeowners can deduct connection fees from state income taxes.</p>
City of Virginia Beach	<p>Virginia Beach does not provide reimbursements for first-time homebuyers and does not anticipate establishing reimbursements in the future, no impact to revenue is expected with this change. However, with the changes to affordable dwelling units, the waivers would result in a decrease of revenue for the City. The combined water and sewer Capital Recovery Fee for a multi-family unit with a 5/8" meter is \$3,795. The City is expecting over 300 units to be built in the coming years, with 172 in construction that started in December 2025, and 200 that are anticipated to start construction in June of 2026. There would be an estimated \$652,740 decrease in FY 2027 revenue assuming that construction for the first 172 units were completed and fees did not increase for that year and an estimated decrease of \$759,000 for FY 2028 assuming that the cost for charges stayed the same and the 200 units were completed.</p>
City of Winchester	<p>It is difficult to project the building, but this could require us to waive water and sewer availability fees for first-time home buyers and for any applicable affordable dwelling units.</p>
Fauquier County	

Locality	Revenue Narrative by Responding Localities
Hanover County	Using the residential capacity fees recognized in FY25, we assumed 10% of applicants might qualify if the County adopts a program to refund 50% of qualifying applicant capacity fees. 4% increase is assumed in FY28
Mecklenburg County	There is no revenue loss because the County does not operate water or wastewater utilities.
Prince George County	
Rappahannock County	
Town of Chincoteague	