

Commission on Local Government

Estimate of Local Fiscal Impact

2026 General Assembly Session | 01/22/26

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.

SB 454: Zoning; by-right multifamily development. (Patron: VanValkenburg)

Bill Summary: Requires a locality to include provisions in its zoning ordinance allowing for the by-right development and construction of multifamily residential uses on at least 75 percent of all land contained in commercial or business zoning district classifications, including any land contained in commercial or business zoning district classifications that allow for the by-right development and construction of single-family residential uses. The bill provides that such provisions shall not apply in underdeveloped areas that are covered by a tree canopy of at least 60 percent, impose more stringent land use requirements for such development than would otherwise be required, or require that a special exception, special use, or conditional use permit be obtained for such development. The bill also (i) stipulates that the review and approval of such development shall be done administratively by the locality's staff; (ii) requires that the zoning ordinance provisions must exempt any proposed development that converts an existing building to a multifamily residential use from any setback, height, or frontage requirements; (iii) permits the zoning ordinance provisions to require any proposed development to dedicate some or all of its ground floor space to commercial uses; and (iv) provides that any proposed residential development that dedicates a minimum of 10 percent of the total number of housing units to affordable housing may be offered application incentives by the locality. The bill also prohibits localities from approving any commercial or business use on a property adjacent to the approved multifamily residential development that is different from the use that had been established at the time the multifamily residential development was approved.

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

Summary Analysis:

Number of Localities Responding: 7 Cities, 12 Counties, 1 Town, 1 Other

Localities estimated a fiscal impact of \$4000 to \$1,412,252 million in increased expenditures and \$75,000 to \$500,000 in reduced revenue over the biennium.

Localities identified the bill's fiscal impact as significant, primarily due to administrative and legal costs related to zoning and additional personnel costs. While some localities stated there would be no fiscal impact, others estimated one-time costs related to the zoning amendment process and recurring costs of hiring additional personnel for code enforcement and consultants to analyze safe developments in commercial zoning areas. Some localities estimated losses in revenue from developer proffers and a decrease in their commercial tax base.

Net Increase in Expenditures: Itemized Estimates by Responding Localities

Locality	Juris	Recurring Expense- Personnel		Recurring Expense - Operating		Recurring Expense - Capital		Recurring Expense - Other	
		FY27	FY28	FY27	FY28	FY27	FY28	FY27	FY28
Albemarle County	County	50000	50000						
Alleghany County	County								
Bedford County	County	0	0	0	0	0	0	0	0
City of Alexandria	City	20000							
City of Chesapeake	City	75000	77250	500	525			1000	1100
City of Harrisonburg	City								
City of Manassas	City		150000						
City of Norfolk	City								
City of Richmond	City								
City of Virginia Beach	City								
Craig County	County								
Dickenson County	County								
Fairfax County	County								
Fauquier County	County								
Hanover County	County								
Mecklenburg County	County								
Northern Neck PDC	Other								
Prince George County	County								
Prince William County	County						1044252		
Rappahannock County	County			171200	171200				
Town of Chincoteague	Town	80000	80000						

Net Increase in Expenditures: Itemized Estimates by Responding Localities

[illegible]

Locality	Expenditure Narrative by Responding Localities
Albemarle County	The bill would increase County expenditures over the next two years due to administrative and legal costs associated with amending zoning ordinances and reviewing by-right multifamily development proposals. Additional costs may arise from providing infrastructure or public services in areas newly developed for residential use. Combined, these factors are estimated to increase County expenditures by approximately \$250,000 to \$550,000.
Alleghany County	
Bedford County	
City of Alexandria	The costs associated with this zoning ordinance requirement are anywhere from \$0 to \$20,000. This estimate reflects the staff time required to process a text amendment. Nearly all of Alexandria's commercial zones already allow multi-family residential development by right.
City of Chesapeake	<p>Establishing policies and procedures, staff training, potential ordinance review 100-200 staff hours at different levels.</p> <p>Item 2: Recurring expenditures in item 2 above include personnel costs for the addition of a Planner II position to administer the program. Additional operating costs are estimates based on increased use of department equipment and need for supplies. Additional recurring capital costs are unknown at this time but are assumed expenditures. "Other" recurring costs are dependent upon employee certification maintenance and ongoing education requirements - estimates are based on existing staff expenditure for same.</p> <p>Item 3: One-time non-recurring costs are unknown at this time but expected. One-time capital costs include creating office space and providing necessary electronic equipment such as computers, phone, etc. for 2027 and unknown for 2028 and beyond. Expenses for the "other" category are unknown at this time.</p>
City of Harrisonburg	It would be very difficult to place a number on the actual impact it could have on the budget. This particular legislation would, among other things, require localities to allow by right development of multi-family residential uses on at least 75% of all land contained in commercial or business zoning districts. If this would result in serving more people and needing more assets, then there would be an impact on the City's budget.
City of Manassas	The bill would require the City to hire a consultant to evaluate the appropriate legislation to comply but establish appropriate restraints to ensure appropriate and safe development in commercial zoning. In addition, residential development in commercially zoned areas is not appropriate and will result in long-term quality of life issues for residents living in commercially zoned areas. In addition, noise ordinances are established for each zoning district to ensure that residents are not impacted by noise associated by commercial use.
City of Norfolk	
City of Richmond	No increased costs to City of Richmond operations.

Locality	Expenditure Narrative by Responding Localities
City of Virginia Beach	There isn't a lot of undeveloped land that would be available in the City of Virginia Beach to support these provisions. Conversion of existing businesses to multi-family development would need to happen, resulting in expenses in demolition, construction, service delivery, and roads maintenance. The planning and carryout of these projects would potentially take over two years as space and businesses will need to be identified and relocated.
Craig County	
Dickenson County	Dickenson County does not have a Zoning Ordinance
Fairfax County	On the expenditure side, this bill will require additional staff time to implement an ordinance amendment. The bill requires localities to allow at least 75% of commercial land to be converted to residential by-right, which does not take into account infrastructure needed to support development. This strips local land use control and could likely have a significant negative long-term impact on our tax base and higher government expenditures related to residential land use, which cannot be quantified at this time.
Fauquier County	This would require us to process a Zoning Ordinance Text Amendment, which would have a one-time cost of approximately \$3,000 - \$4,000, this is a much more complicated amendment than the others we have reviewed and would require quite a bit of staff analysis and coordination with the BOS to determine which areas were most appropriate.
Hanover County	There would be no reoccurring costs.
Mecklenburg County	We do not expect an increase in expenditures as a result of this bill
Northern Neck PDC	The Zoning Ordinance that the County will have in place at the time of the effective date of this bill, should it be enacted, would permit the development of multi-family residential in the County's equivalent of the business/commercial district by-right.
Prince George County	PDCs have no zoning responsibility.
	SB454 has 2 major impact points. 1 Allowing residential development by-right in commercial and industrial zoning districts. 2. Restrictions on commercial/industrial parcels adjacent to multifamily uses. Estimated Planning and Zoning Costs related to this bill are approximately \$100,000 for zoning ordinance amendments.

Locality	Expenditure Narrative by Responding Localities
Prince William County	<p>Recurring capital costs reflect the loss of monetary contributions normally proffered during the rezoning process that would be lost for by-right development, regardless of section F , there is no enabling authority like impact fees to require such improvements. Recent monetary contributions for multi-family (MF) units are per unit \$720 Public Safety, \$185 Parks, \$853 Schools. There are approximately 4600 acres of B-1, commercial zoning x 75% = 3,450 acres at 25 DU/acre = a capacity of 86,250 units, by 2050 14,850 MF units are needed or 594 per year x \$1,758 =\$1,044,252 per year in lost monetary proffers. One-time expenditures are the cost of consultants \$350,000 and staff time for Principal Planner 260 hours, Assistant Director 52 hours = \$18,000. The zoning text amendment takes 1 year to develop so the effect of recurring capital costs does not start until FY 2028.</p>
Rappahannock County	<p>Using the analysis prepared for HB816, but this bill would become effective 7/1/26 (all of FY27 and28). Further, the number of new school aged children could easily be more than the 7.5% growth mandate if multi-family was made by-right, but for this purpose, I am assuming the same.</p> <p>The annual cost for Rappahannock is estimated to be approximately \$171,200 and over five years that the bill mandates the 7.5% growth, \$856,026. Compare this to the value of one penny on our real estate tax rate that generates approximately \$200,000 per year. The estimate is generated by finding the number of new homes developed in Rappahannock County over the last five years and comparing that to what would be needed to reach the 7.5% target. We are a small community and 38 more homes would be necessary. 38 homes are estimated to generate 1.5/school kids per home or 57 additional students. The LOCAL cost per student in Rappahannock based on Table 15 of the 2023-2024 Superintendent's Report is \$15,018. 57 x \$15,018 = \$856,026. This does not estimate other service costs that the new rooftops would mandate.</p>
Town of Chincoteague	The addition of a planner position and a code enforcement position

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							
Alleghany County	County							
Bedford County	County							
City of Alexandria	City							
City of Chesapeake	City							
City of Harrisonburg	City							
City of Manassas	City		500000					
City of Norfolk	City							
City of Richmond	City							
City of Virginia Beach	City							
Craig County	County							
Dickenson County	County							
Fairfax County	County							
Fauquier County	County							
Hanover County	County							
Mecklenburg County	County							
Northern Neck PDC	Other							
Prince George County	County		100000					
Prince William County	County							
Rappahannock County	County							
Town of Chincoteague	Town							

Locality	Revenue Narrative by Responding Localities
Albemarle County	The conversion of commercial land to residential use and restrictions on future commercial development near new multifamily projects could reduce County revenue, primarily from lower commercial property tax collections. Development and permit fee revenue may also decline due to the shift to by-right approvals. These factors could reduce County revenues by roughly \$50,000 to \$100,000 over the next two years.
Alleghany County	
Bedford County	
City of Alexandria	
City of Chesapeake	
City of Harrisonburg	
City of Manassas	Uncontrolled mix of residential and commercial uses will result in lowered property values of existing and future properties.
City of Norfolk	The city anticipates this will negatively impact the city's commercial tax base and decrease the amount of taxes collected over time.
City of Richmond	No change to City of Richmond revenues.
City of Virginia Beach	There isn't a lot of undeveloped land that would be available in the City of Virginia Beach to support these provisions. Conversion of existing businesses to multi-family development would need to happen, resulting in both an increase in real estate revenue and a decrease in revenue from business taxes as well as costs in service delivery, roads, and construction.
Craig County	
Dickenson County	Dickenson County does not have a Zoning Ordinance
Fairfax County	
Fauquier County	There would likely be two-year revenue decreases, however they are difficult to predict. If this bill is adopted, it is possible that some portion of our commercially zoned land will be used for residential purposes. This would impact all of the revenue categories to some extent, but I don't have a good guess as to how much. In quick high-level math we have +/- 1,095 acres of Commercially zoned land. This bill would allow for +/- 821 acres to be used by-right for multi-family development. If 10% of this land were to be developed as such, +/- 82 acres would change from commercial (typically fiscally positive for the County) to residential (typically fiscally negative for the County).
Hanover County	We do not expect a decrease in revenues as a result of this bill

Locality	Revenue Narrative by Responding Localities
Mecklenburg County	Although it would not occur over the two-year window provided for by this Fiscal Impact Statement, it is likely that over time, the restriction proposed in Section 15.2-2286.2.E., would reduce revenues. A refusal to allow new business uses if not present today would limit revenue opportunity, stifle innovation, and not account changing types of businesses. It may encourage additional appeals and litigation by property owners and those wishing to site businesses, and would cause localities to engage in Supreme Court of the United States like "originalist" interpretation practices to ascertain if a particular proposed use is similar to those fixed in the definitions of 2026. It would also cost a potential mixed use multi-family development from potentially being able to replace vacated spaces, thereby diminishing the value and rentability of units, and possibly costing the development owner revenues needed to maintain or repair the housing units.
Northern Neck PDC	PDCs have no zoning responsibility.
Prince George County	The language of the bill attempts to protect the expected new multifamily residential uses from negative commercial and industrial use impacts adjacent to them. And while difficult to project lost revenues, the bill would definitely restrict what gets built around these new multifamily projects. This would relate to lost tax revenues as well as loss of commercial and industrial zoned property available for those uses. Lost available commercial/industrial zoned property. We have estimated \$100,000 in lost RE Tax Revenues for FY2028 (amount impossible to quantify accurately). Lost revenues from proffers (cannot quantify).
Prince William County	
Rappahannock County	
Town of Chincoteague	