

# Commission on Local Government

## Estimate of Local Fiscal Impact

2024 General Assembly Session | 1/17/24

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.

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### **HB 900: Zoning; developmental and use of accessory dwelling units.(Patron: Kannan Srinivasan)**

**Bill Summary:** Requires a locality to include in its zoning ordinances for single-family residential zoning districts accessory dwelling units, or ADUs, as defined in the bill, as a permitted accessory use. The bill requires a person to seek a permit for an ADU from the locality, requires the locality to issue such permit if the person meets certain requirements enumerated in the bill, and restricts the fee for such permit to \$100 or less. The bill prohibits the locality from requiring (i) dedicated parking for the ADU; (ii) lot sizes or setbacks for the ADU greater than that of the primary dwelling; (iii) consanguinity or affinity between the occupants of the ADU and the primary dwelling; and (iv) redundant water, sewer, or septic capacity for the ADU. The bill has a delayed effective date of January 1, 2025.

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

#### **Summary Analysis:**

**Number of Localities Responding: 6 Cities, 8 Counties, 5 Towns, 1 Other**

Localities estimated an increase in expenditures ranging from \$0 to \$157,000 over the biennium.

Localities estimated a decrease in revenues ranging from \$0 to \$200,000 over the biennium.

Localities identified increases in expenditures in personnel and operating expenses related to additional zoning staff and building administrators as well as costs associated with software customization. Localities that reported no increase in expenses already have ADU ordinances that are compliant with the bill or have sufficient staff to handle the changes. Some localities indicated long-term costs associated with increased traffic and education costs.

Localities identified decreases in revenue from permits and the potential loss of utility revenue due to the bill's ban on redundant utilities.



**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)
	FY25	FY26	FY25	FY26	FY25	FY26	
Bedford							0
Charlotte County							0
Chesterfield County							0
City of Alexandria							0
City of Danville	0	0					80,000
City of Harrisonburg	5000	5000	0	0	0	0	10,000
City of Richmond							0
City of Winchester	20000	15000					35,000
Craig County							0
Lynchburg							0
Mecklenburg County							0
Montgomery County						0	5,000
Northern Neck PDC							0
Prince George County							0
Rappahannock County						0	157,800
Town of Blacksburg							0
Town of Chincoteague						0	153,750
Town of Christiansburg							17,000
Town of Marion							0
Town of Victoria							0

Locality	Expenditure Narrative by Responding Localities
Bedford	
Charlotte County	
Chesterfield County	Could result in a increase in workload in reviewing permit applications for ADUs
City of Alexandria	
City of Danville	Construction of a duplex within our single family zoning classification requires a Special Use Permit at \$360.00 application fee. The fee of less than \$100.00 may not cover the costs necessary to properly process such a permit. Cost estimated for an additional staff member.
City of Harrisonburg	<p>Actual financial costs are difficult to determine.</p> <p>Immediate financial impacts would be staff time to amend ordinances to accommodate the requirements of the bill.</p> <p>Long term financial impacts could be that adding additional dwellings in spaces not planned for additional density could impact the need to repair or improve public infrastructure more often or at an advanced timeline (i.e., street repair, water and sewer upgrades, capacity upgrades). It certain circumstances, over time, it could necessitate street improvements due to more traffic, increased educational costs due to more population growth in areas not previously planned, and increased demands on emergency response.</p>
City of Richmond	In 2023, Richmond City Council adopted an ordinance permitting ADUs in all residential zoning districts, so long as they meet the underlying zoning requirements. The city is currently staffed to meet the needs of the additional volume upon passage of this bill.
City of Winchester	I went on the higher end of a range of \$10,000-\$20,000 (ADU'S) as a permitted use.
Craig County	No additional cot, just additional staff time.
Lynchburg	
Mecklenburg County	ADUs of the type mentioned in the bill are already allowed in the County. The only change would be the elimination of the special use permit process.
Montgomery County	An ordinance amendment would be required. Cost is the estimated amount associated with staff time needed to perform amendment.
Northern Neck PDC	Planning districts have no zoning jurisdiction.
Prince George County	No material impact on expenditures for next two years; perhaps some enforcement impacts depending on local actions.

Locality	Expenditure Narrative by Responding Localities
Rappahannock County	ADUs are potentially an allowable use in certain cases after consideration via a special exception. While making ADUs by right would not precipitate a new school being needed in the next two years, it is reasonable to think that there will be an influx of requests, and as a result an increase in the school aged population. In the current fiscal year, Rappahannock County provides \$13,170 per student to the local public school division. The estimate assumes there would be four additional students each year (four additional in FY2025 and eight additional in FY2026).
Town of Blacksburg	
Town of Chincoteague	This change will significantly increase the level of building in Town and quickly require the addition of second building official.
Town of Christiansburg	On-going personal and operating expenses include staff managing the program. One-time expenses include attorney fees and software customization for billing and tracking.
Town of Marion	
Town of Victoria	

**Net Reduction in Revenues: Itemized Estimates by Responding Localities**

Locality	Juris	Real Estate Revenue Reduction		Personal Property Revenue Reduction		Sales Tax Revenue Reduction	
		FY23	FY24	FY23	FY24	FY23	FY24
Bedford	County						
Charlotte County	County						
Chesterfield County	County						
City of Alexandria	City						
City of Danville	City						
City of Harrisonburg	City						
City of Richmond	City						
City of Winchester	City						
Craig County	County						
Lynchburg	City						
Mecklenburg County	County						
Montgomery County	County						
Northern Neck PDC	Other						
Prince George County	County						
Rappahannock County	County						
Town of Blacksburg	Town						
Town of Chincoteague	Town						
Town of Christiansburg	Town		200				
Town of Marion	Town						
Town of Victoria	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)
	FY23	FY24	FY23	FY24	FY23	FY24	
Bedford							0
Charlotte County							0
Chesterfield County							0
City of Alexandria			700	700			1400
City of Danville							0
City of Harrisonburg							0
City of Richmond			200000				200000
City of Winchester							0
Craig County							0
Lynchburg							0
Mecklenburg County			450	450			900
Montgomery County							0
Northern Neck PDC							0
Prince George County							0
Rappahannock County							0
Town of Blacksburg							0
Town of Chincoteague							0
Town of Christiansburg							200
Town of Marion							0
Town of Victoria			2000	2000			4000

Locality	Revenue Narrative by Responding Localities
Bedford	
Charlotte County	
Chesterfield County	
City of Alexandria	Alexandria's ADU Permit fee is currently \$135 and the bill limits the fee to \$100. Alexandria is seeing approximately 15-20 ADU applications per year. This bill as proposed would result in a net loss of revenue of approximately \$700.
City of Danville	
City of Harrisonburg	No impacts to revenues are expected as a result of this legislation.
City of Richmond	The legislation regarding the \$100 fee is unclear and needs to be more specific on what the charge can be applied to. If the \$100 cap only applies to the zoning permit, then there is no net decrease. If the cap is on charges for building (and associated trades) permits for ADUs then the City of Richmond will potentially face a significant net decrease in revenue.
City of Winchester	
Craig County	I see no direct changes to net revenue.
Lynchburg	
Mecklenburg County	Currently, ADUs must go through the special exemption permit process. The difference in a special exemption permit application fee and the fee allowed by the bill's proposed 15.2-2292.2(C) is \$225. At present, ADU request are infrequent; thus, the estimate of \$450 is based on two such applications occurring annually. We do not expect that the bill would cause a major increase in applications; and if it did, may amount to revenue gain due to the net new nature of many such applications (\$100 is better than \$0 if the alternative is never would have applied).
Montgomery County	
Northern Neck PDC	Planning districts have no zoning jurisdiction.
Prince George County	No impact on revenues.
Rappahannock County	
Town of Blacksburg	
Town of Chincoteague	
Town of Christiansburg	Estimating tax increase for a total of 5 ADUs in 2026. Town will lose money with a \$100 permit fee maximum.
Town of Marion	
Town of Victoria	The provision of not allowing for redundant water and sewer would decrease the utility revenue..