

Commission on Local Government

Estimate of Local Fiscal Impact

2024 General Assembly Session | 1/15/24

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.

SB304: Zoning; development and use of accessory dwelling units (Salim)

Bill Summary: Requires a locality to include in its zoning ordinances for 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; (iv) owner occupancy of the ADU or the primary dwelling; and (v) 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, 7 Counties, 4 Towns, 1 Other

Localities estimated an increase in expenditures ranging from \$0 to \$150,000 over the biennium. Additionally, localities estimated potential reductions in revenue ranging from \$0 to \$20,000.

Localities identified increased expenditures in personnel expenses and occasional operating expenses related to hiring more planning staff and software, as well as anticipated long-term expenditures related to road maintenance, rental inspections, utility upgrades, and school-age population.

Most localities did not identify a decrease in revenues. Some reported a potential increase. However, urban localities that already have robust ADU ecosystems reported a potential loss of revenue ranging from \$200 to \$20,000.

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	3000	0	0	0	0	0	3,000
Charlotte County							0
Chesterfield County							0
City of Alexandria							0
City of Danville	0	0	0	0	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
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	5000	0	5000	0			27,000
Town of Marion							0

Locality	Expenditure Narrative by Responding Localities
Bedford	<p>The Community Development Director would need to spend approximately 3 hours drafting changes to the County's existing ordinance. The cost of this time is estimated at \$153.89. I did not include this amount above since it wouldn't be an addition to budget, but it is worthwhile noting the cost of time. There would be a one-time cost in FY25 to meet advertising requirements for the ordinance amendment public hearings.</p> <p>However, there are larger concerns about enforcement related costs. Per our Director of Community Development: "STR enforcement costs would be my biggest concern if the BOS did not mandate that the rentals be non-transient. Given the current volume of STR complaints that one staff member is handling, it could require a part-time (16-24 hours a week) or a full-time position to handle that workload (potential for a cost of \$20-45k salary). Additionally, the Building Official is concerned that we could have more landlord/tenant complaints that they must investigate since most of them come from rental situations like what the bill is imposing"</p>
Charlotte County	
Chesterfield County	
City of Alexandria	
City of Danville	<p>Construction of a duplex within our single family zoning classification requires a Special Use Permit at \$360.00 application fee. This creates a conflict in our Code. 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.</p>
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>Some might argue that the 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). In 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	<p>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.</p>
City of Winchester	

Locality	Expenditure Narrative by Responding Localities
Lynchburg	
Mecklenburg County	Any increase in submissions as a result of this legislation can be handled by existing staff in the course of operations.
Montgomery County	An ordinance amendment would be required with this bill. This is the estimated cost of staff time to perform that amendment.
Northern Neck PDC	Planning district commissions have no zoning rights or responsibilities.
Prince George County	No material impact for short-term (perhaps some code enforcement impacts depending on local actions).
Rappahannock County	Population growth in Rappahannock County is very carefully managed via the community's comprehensive plan and land use ordinances. ADUs are potentially an allowable use in certain cases after consideration via a special exception. This vision serves to eliminate to a great extent transportation funding needs and rapidly expanding student population, that in other jurisdictions causes the need to continuously build new schools and cost the state their portion of a student's education. 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	Impacts: square footage of ADU not to exceed 75% of primary DU. Blacksburg requires ADU to be clearly secondary and accessory to the primary dwelling as to location, height, square footage, floor area ratio, and building coverage and in keeping with the character of a single family neighborhood, attached (interior) ADU not to exceed 80% of the gross floor area of the primary structure in which it is located with maximum square footage of attached (interior) ADU not to exceed 1,000 square feet; condominium instruments may allow for separate ownerships on a single family residential lot separating the ownership of ADU and primary DU.
Town of Chincoteague	This change will significantly increase the level of building in town and quickly require the addition of a second building administrator.
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	

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						
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	0	200	0		0	
Town of Marion	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			0	700
City of Danville							0
City of Harrisonburg							0
City of Richmond			200000				200000
City of Winchester							0
Lynchburg							0
Mecklenburg County							0
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	0		0		0		200
Town of Marion							0

Locality	Revenue Narrative by Responding Localities
Bedford	The bill may result in a minimal increase in revenues due to an increase in permits issued. The assumption is about 30 additional permits for an increase to revenues of \$9,450.
Charlotte County	
Chesterfield County	
City of Alexandria	Alexandria's accessory dwelling units processes/program is already established. Alexandria's current ADU Permit fee is \$135 and the bill limits the fee to \$100. Alexandria is seeing approximately 15-20 ADU applications per year. As written, Alexandria would experience a net decrease in revenue.
City of Danville	
City of Harrisonburg	No direct changes to net revenues are expected as a result of this bill.
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	
Lynchburg	
Mecklenburg County	There may be minor revenue changes because the proposed 15.2-2292.2(C) provides a fee and therefore revenue for this type of permit; however, there is no way to estimate how many additional ADUs may be applied for under these provisions that are not presently applied for through the law at present. The County has considered and approved secondary structures on properties from time to time; it is an allowed use currently.
Montgomery County	
Northern Neck PDC	No impact to planning district commissions.
Prince George County	No material 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	

Locality	Revenue Narrative by Responding Localities
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