

**DEPARTMENT OF TAXATION
2006 Fiscal Impact Statement**

REVISED

1. **Patron** Kenneth W. Stolle

3. **Committee** Senate Finance

4. **Title** Retail Sales and Use Tax; Mixed Use
Developments that Include Affordable
Housing

2. **Bill Number** SB 575

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would entitle localities or local development authorities to the unrestricted general revenue portion of the sales tax revenue generated on the premises of mixed-use development projects that incorporate residential units, 20% of which have to be used for affordable housing. The mixed-use development would have to be certified by the Department of Housing and Community Development and the entitlement revenues used to provide debt service on obligations issued by the locality or the local development authority.

The effective date of this bill is not specified.

6. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

Expenditure Impact: *Department of Housing and Community Development*

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2006-07	\$61,923	1	GF
2007-08	\$58,923	1	GF
2008-09	\$58,923	1	GF
2009-10	\$58,923	1	GF
2010-11	\$58,923	1	GF
2011-12	\$58,923	1	GF

7. **Budget amendment necessary:** Yes.

Item 108, Department of Housing and Community Development

8. Fiscal implications:

Administrative Costs Impact

Department of Taxation

TAX has not assigned any administrative costs to this bill because the changes required by a single bill such as this can be implemented as part of the annual changes to our systems and forms. As stand-alone legislation, TAX considers implementation of this bill as “routine,” and does not require additional funding.

TAX will provide specific administrative costs on any legislation that is not “routine.” Additionally, TAX will review all state tax legislation likely to be enacted prior to the passage by each house. If the aggregate number of routine bills likely to pass either house is unusually large, it is possible that additional resources will be required. If so, TAX will identify the costs at that time.

Department of Housing and Community Development

Even though the exact number of mixed-use development projects is an unknown at this time, the Department of Housing and Community Development (DHCD) would need one full time employee at a cost of \$54,923 for salary and benefits. DHCD would also need additional staff support costs of \$7,000 the first year for start up costs and \$4,000 each year thereafter. The full time employee would be necessary to initiate the program and maintain the annual certifications of the mixed-use developments.

Revenue Impact

The sales tax revenues diverted to a municipality consist of the General Fund unrestricted portion of the sales tax and the 1% local option sales tax. The ½% portion dedicated to the Transportation Trust Fund and the 1% distributed to localities based on school-age population are not affected. It is unknown how many, if any, such projects exist or are in the planning phase; therefore, the revenue impact associated with this bill is unknown.

9. Specific agency or political subdivisions affected:

Department of Accounts
Department of Taxation
Department of Housing and Community Development
All localities

10. Technical amendment necessary: No.

11. Other comments:

Current Law

Virginia Code § 58.1-608.3 (formerly the Public Facilities Act) allows sales tax revenue attributable to sales in new or substantially renovated public facilities to be transferred

back to municipalities to pay the costs of the bonds issued to finance such facilities. Qualifying public facilities include an auditorium, coliseum, convention center, conference center, or hotel that is owned by a Virginia county, city, town or authority or other such public entity.

Sales tax revenues generated from all transactions taking place in the facility, including, but not limited to, concessionaires sales, vending machine sales, and merchandise sales, are transferred back to the municipality. Entitlement to these sales tax revenues continue for the lifetime of the bonds, but not to exceed 35 years, and all such revenues are required to be applied to the repayment of the bonds. No remittance is made until construction of the facility is complete.

Legislative History

As originally enacted in 1992, this transfer mechanism applied only to one facility in the City of Roanoke. The 1998 General Assembly amended the population requirements to include the City of Portsmouth, and in 1999, the population requirements were again amended to include the City of Suffolk. The General Assembly in 2000 amended the population requirements to include the City of Hampton, in 2001 to include the City of Staunton, and 2004 to include the City of Newport News.

Proposed Bill

This bill would entitle localities or local development authorities to the unrestricted general fund portion and the local option portion of the sales tax revenue generated on the premises of mixed-use development projects that incorporate residential units, 20% of which have to be used for affordable housing. The mixed-use development would have to be certified by the Department of Housing and Community Development and the entitlement revenues used to provide debt service on obligations issued by the locality or the local development authority.

For purposes of this legislation, "mixed-use development" would mean a building or series of buildings in a real estate development project that incorporate retail units with residential dwellings, provided 20% of the residential dwellings are for affordable housing. "Affordable housing" would mean dwellings that are affordable to households with incomes at or below the area median income as determined by the United States Department of Housing and Community Development. This bill does not stipulate that the mixed-use development must be comprised of a certain percentage of residential dwellings or retail establishments.

Any authority that has issued bonds to finance mixed-use development on or after July 1, 2006, but not after July 1, 2010, would be entitled to all sales tax revenues appropriated by this bill that are generated as a result of retail sales taking place at the retail locations located in the development. All entitlement shall continue for the lifetime of the bonds, not exceeding 35 years.

Similar Bills

House Bill 1235 and **Senate Bill 655** would entitle the City of Norfolk to sales tax revenues from certain public facilities in the City of Norfolk.

cc : Secretary of Finance

Date: 01/30/2006 WBS
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