

## Department of Planning and Budget 2008 Fiscal Impact Statement

**1. Bill Number:** HB1113

House of Origin	<u>  X  </u>	Introduced	<u>      </u>	Substitute	<u>      </u>	Engrossed
Second House	<u>      </u>	In Committee	<u>      </u>	Substitute	<u>      </u>	Enrolled

**2. Patron:** Cole

**3. Committee:** House Counties, Cities and Towns

**4. Title:** Statewide transportation impact fees.

- 5. Summary:** The proposed legislation would direct localities to impose a fee for the issuance of a certificate of occupancy for every building or structure, with the revenue to be deposited in the Transportation Trust Fund and a special fund for the local government. The fee is equal to five percent of the actual value of the building or structure, exclusive of the first \$100,000 of value and is due within 90 days of the issuance of the certificate of occupancy. If no fee has been collected and the building or structure has sold within 90 days, the fee is to be five percent of the sales price or the actual value, whichever is greater. Those buildings and structures that are valued at less than \$100,000 are exempt. The fee is capped at \$20,000 per building or structure.

Two-thirds of the fee is deposited into the Transportation Trust Fund and must be spent in the construction district in which the fee was collected. The remaining one-third of the fee is deposited into a special interest-bearing account of the locality in which the fee was collected, and must be spent on transportation projects within that locality.

The proposed legislation would allow the Governor to waive the amount of the fee to be deposited into the Transportation Trust Fund if he determines that the economic benefits of the building or structure outweigh its negative impact of the construction. The locality may waive the fee for their portion of the fee if it determines the economic benefit outweighs the negative transportation impact.

A certificate of occupancy is issued at the time a building or tenant space is completed, the final inspections have been approved and all final fees have been paid. The certificate of occupancy is the legal document issued by the local building official to indicate that a building is safe to occupy.

**6. Fiscal Impact Estimates:** Tentative. See Item 8.

**7. Budget Amendment Necessary:** Yes. Item 455.

**8. Fiscal Implications:** The proposed legislation would set the fee at five percent of the value of the structure, exclusive of the first \$100,000 of value.

Building Value	Value Exclusive of First \$100,000	Fee Rate	Fee per Certificate of Occupancy
\$100,000 or below	\$0	5.0%	\$0.00
\$200,000	\$100,000	5.0%	\$5,000.00
\$300,000	\$200,000	5.0%	\$10,000.00
\$400,000	\$300,000	5.0%	\$15,000.00
\$500,000 and above	\$400,000	5.0%	\$20,000.00

The number of certificates of occupancy issued statewide is not known. The following is a very conservative estimate of the revenue that may be generated by the provisions of the proposed legislation, based on available data.

The U.S. Census Bureau tracks the number and valuation of residential building permits issued by localities in Virginia. Although each residential building permit may not ultimately result in the issuance of a certificate of occupancy, it is most likely a high percentage. In addition, the proposed legislation would apply to commercial and industrial buildings as well as those constructed for residential purposes. Commercial and industrial buildings are often valued in the millions, although the fee is capped at \$20,000 per structure.

According to the Weldon Cooper Center for Public Service, in 2006, 45,360 housing units were authorized by building permits with a total valuation of \$7.3 billion. The average value of each residential unit is \$160,203.

Average home price	Price exclusive of first \$100,000	Fee Rate	Fee per Certificate of Occupancy	Number of Building Permits in Virginia	Statewide Fee Total from Residential Units
\$160,203	\$60,203	5.0%	\$3,010.13	45,360	\$136,539,658

Amount Deposited in Transportation Trust Fund	Amount Distributed to Local Governments
\$91,026,438	\$45,513,219

**9. Specific Agency or Political Subdivisions Affected:** All counties, cities and towns, Department of Transportation, Department of Rail and Public Transportation, Department of Aviation, Virginia Port Authority, Department of Housing and Community Development

**10. Technical Amendment Necessary:** None.

**11. Other Comments:** The proposed legislation directs that the revenue deposited into the Transportation Trust Fund shall be used for transportation projects in the construction district of the locality which generated the fee. The legislation does not specify certain formulas to use in distributing the funding to each construction district. The bill creates a possible conflict with §33.1-23.1, Code of Virginia, which directs that all funds made available for

highway purposes be distributed according to a specific formula. The formula distributes highway funds by roadway system and district, after funds are taken off the top of the fund for maintenance payments and federal Interstate matching funds. The proposed legislation does not amend §33.1-23.1, Code of Virginia, to allow the new revenue source to be exempt from the formula allocations.

**Date:** 1/31/2008 dpb/smc

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cc: Secretary of Transportation