

Department of Planning and Budget 2007 Fiscal Impact Statement

1. Bill Number HB 1724

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed

Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron Cole

3. Committee House Counties, Cities and Towns

4. Title Transportation impact fees; fee for issuance of certificate of occupancy for certain buildings, etc.

5. Summary/Purpose: The proposed legislation would allow localities to charge a fee for the issuance of a certificate of occupancy for every building or structure, equal to five percent of the actual value of the structure, exclusive of the first \$100,000 of value. The fee is capped at \$20,000 per building or structure. The bill would direct two-thirds of the fee to the Transportation Trust Fund and the remaining one-third to a special interest-bearing account of the locality in which the fee was collected. 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 on 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 are: Tentative. See Item 8.

7. Budget amendment necessary: Yes. Item 437, Item 443, Item 453, Item 428.

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 2005, 61,518 housing units were authorized by building permits with a total valuation of \$9.0 billion. The average value of each residential unit is \$146,113.

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
\$148,500	\$48,500	5.0%	\$2,424.99	62,364	\$151,232,182

Amount Deposited in Transportation Trust Fund	Amount Distributed to Local Governments
\$100,821,455	\$50,410,727

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

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. This provision creates a possible conflict with other provisions of the Code of Virginia, which direct that Transportation Trust Fund revenues be distributed according to a formula. The formula distributes revenues first by transportation mode, then by roadway system, and then by district, after funds are taken off the top of the fund for maintenance payments and federal Interstate matching funds.

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cc: Secretary of Finance

Secretary of Transportation