SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number:	S. 0346	Introduced on February 1, 2017
Author:	Kimpson	
Subject:	SC Inclusionary Zoning Act	
Requestor:	Senate Judiciary	
RFA Analyst(s):	Heineman	
Impact Date:	April 13, 2017	

Estimate of Fiscal Impact

	FY 2017-18	FY 2018-19
State Expenditure		
General Fund	$0	$0
Other and Federal	$0	$0
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	$0	$0
Other and Federal	$0	$0
Local Expenditure	$0	$0
Local Revenue	Undetermined	$0

Fiscal Impact Summary

This bill is not expected to have an expenditure impact on local government as the Revenue and Fiscal Affairs Office anticipates local government implementing inclusionary zoning will be able to do so in the ordinary course of business, with minimal adjustment.

The revenue impact on local revenue is undetermined since adopting inclusionary zoning is permissive and local government incentives to increase affordable housing may vary.

Explanation of Fiscal Impact

Introduced on February 1, 2017
State Expenditure
N/A

State Revenue
N/A

Local Expenditure
This bill is permissive and provides the authority for counties and municipalities to use inclusionary zoning strategies to increase the development of affordable housing for low and moderate income families. Inclusionary zoning is defined as zoning regulation, requirement, or condition of development imposed by an ordinance or regulation, or pursuant to a special or conditional permit, special exception, or subdivision plan that promotes the development of affordable dwelling units.

Under this bill, a municipality or county may adopt a land use regulation, functional plan provision, housing permit requirements that establish the sale or rental price for a new multifamily or single-family structure as affordable housing, or requires a new multifamily or single-family structure to be designated for sale or rent as affordable housing. Additionally, a regulation, provision, or requirement adopted or imposed pursuant to Section 6-7-520, may not require more than 30 percent of housing units within a multifamily structure or single-family development to be sold or rented as affordable housing. The specific percentage of units to be sold or rented as affordable housing will be determined by local municipal or county zoning ordinances. Further, requirements may apply to only multifamily or single-family developments containing five or more housing units and will provide developers the option to pay a fee in lieu, in an amount determined by the municipality or county, rather than to include affordable units within their overall development. Additionally, under the proposed affordable housing requirements, a county or municipality will provide an expedited review process, such as, approving permits or reviewing building plans for approval for developments that meet the percentage of affordable units ahead of others. To encourage affordable housing development, counties and municipalities will offer developers one or more incentives including: density adjustments; modification of height, floor area, or other site specific requirements; or whole or partial waivers of system development charges, impact or permit fees set by the municipality or county; tax adjustments; or other incentives as determined by the municipality or county.

Section 6-7-520 does not restrict the authority of a municipality or county to offer additional incentives for building affordable housing units that are affordable to households with incomes at or below 60 percent of the area median income for the county or metropolitan statistical area. This bill does not apply to existing multifamily structures or single-family developments for sale or rent or to pending developments that have received permits prior to the municipality or county enacting an inclusionary zoning ordinance. Additionally, a municipality or county is authorized to require recorded deed restrictions or restrictive agreements to ensure the affordable units within a development remain affordable for a period of time to be determined by the municipality or county. A municipality or county that adopts the proposed affordable housing requirements will adopt and apply only clear and objective standards, conditions, and procedures regulating the development of affordable housing units within its jurisdiction. The standards, conditions, and procedures may not have the effect, either individually or cumulatively, of discouraging development of affordable housing units through unreasonable cost or delay. In addition, a municipality or county may adopt and apply an alternative approval process for applications and permits for residential development based on clear and objective approval criteria regulating aesthetics, either in whole or in part.

Because this bill authorizes counties and municipalities to adopt inclusionary zoning strategies but does not mandate them, the level of local government participation is unknown. Those local governments that do not implement inclusionary zoning may do so through a land use regulation, functional plan provision, or permit requirement. The Revenue and Fiscal Affairs Office anticipates those local governments that do implement inclusionary zoning will be able to do so as part of their ordinary course of business, with minimal adjustment, and without significant additional expenditure.

Local Revenue

The bill authorizes counties and municipalities to employ a variety of strategies to increase the development of affordable housing, including tax adjustments and full or partial waivers of impact charges or permit fees. In addition, counties and municipalities adopting a land use regulation, functional plan, or permitting condition to increase development of affordable housing must provide developers the option to pay a fee in lieu of including affordable housing in their development. These provisions and strategies would have a revenue impact on local government. However, the revenue impact is undetermined, because adopting inclusionary zoning is permissive and incentives to increase affordable housing may vary.

Frank A. Rainwater, Executive Director