



# SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

## STATEMENT OF ESTIMATED FISCAL IMPACT

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<b>Bill Number:</b>	S. 0004	Introduced on January 14, 2025
<b>Subject:</b>	Local Government Planning	
<b>Requestor:</b>	Senate Labor, Commerce, and Industry	
<b>RFA Analyst(s):</b>	Welsh	
<b>Impact Date:</b>	March 20, 2025	

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### Fiscal Impact Summary

This bill establishes the South Carolina Home Attainability Act, which requires local governments to study ways to improve the affordability of housing when adopting regulations, sets timelines for the approval of plats, and limits the taxes and fees charged for the construction of a home or group of homes. This bill also requires local governments to allow builders to hire a certified third-party inspector to perform the duties of a local inspector of buildings. Further, this bill clarifies plans and specifications for certain dwellings are exempt from provisions regulating the profession of architecture.

This bill will have no expenditure impact on the Department of Labor, Licensing and Regulation (LLR) or the Building Codes Council as LLR anticipates the bill is not likely to have a significant impact to the responsibilities of the agency or board. Any expenses to implement the provisions of the bill can be managed within existing appropriations.

The Revenue and Fiscal Affairs Office (RFA) contacted the Municipal Association of South Carolina (MASC) and all counties to determine the local expenditure impact of this bill. Based on MASC's response, this bill may result in a significant undetermined expenditure impact for municipalities. MASC anticipates varied implementation expenditure impacts to study the affordability of housing. MASC also anticipates an undetermined impact to municipalities from expedited plan or plat reviews dependent upon expenditures for additional staff, civil liability if flawed projects are approved, and costs associated with confusion while attempting to comply with conflicting plan or plat approval deadlines. Further, MASC anticipates capping taxes and fees charged by local governments may lead to intergovernmental disputes and legal costs to determine how each jurisdiction will adjust fees. MASC also anticipates allowing builders to hire a third-party may lead to substandard construction and increased insurance costs for municipal coverage. Additionally, responses received from the counties of Fairfield, Oconee, and Richland indicate the local expenditure impact on counties is undetermined. Oconee anticipates accelerating approval of plans or plats may lead to poorly planned developments necessitating expenditures to resolve infrastructure problems. Therefore, the local expenditure impact is undetermined.

This bill may have an impact on local revenue. MASC anticipates caps on the cumulative amount of taxes may result in an undetermined reduction of local revenue. The impact may be largest if property taxes are considered to be taxes charged on the construction of a home or

group of homes as outlined in the bill. Additionally, the counties of Fairfield, Oconee, and Richland all noted their reliance on revenues derived from permit and inspection fees to help offset operating costs. Richland noted the exact impact is undetermined dependent upon the number of builders that utilize a third-party building inspector. Oconee anticipates capping total taxes and fees at 10 percent may result in an undetermined loss of revenue. Fairfield county reports it collected permit and inspection revenues totaling nearly \$300,000 in FY 2024. Therefore, the impact on local revenue is undetermined.

## **Explanation of Fiscal Impact**

### **Introduced on January 14, 2025**

#### **State Expenditure**

This bill establishes the South Carolina Home Attainability Act, which requires local governments to study ways to improve the affordability of housing when adopting regulations, sets timelines for the approval of plats, and limits the taxes and fees charged for the construction of a home or group of homes. This bill also requires local governments to allow builders to hire a certified third-party inspector to perform the duties of a local inspector of buildings. Further, this bill clarifies plans and specifications for certain dwellings are exempt from provisions regulating the profession of architecture.

LLR indicates the bill is not likely to have a significant impact on the responsibilities of the agency or the Building Codes council and any new duties can be managed with existing appropriations.

#### **State Revenue**

N/A

#### **Local Expenditure**

This bill establishes the South Carolina Home Attainability Act. This act requires local governments to study ways to improve the affordability of housing when adopting regulations, sets timelines for the approval of plats, and limits the taxes and fees charged for the construction of a home or group of homes. This bill also requires local governments to allow builders to hire a certified third-party inspector to perform the duties of a local inspector of buildings. Further, this bill clarifies plans and specifications for certain dwellings are exempt from provisions regulating the profession architecture.

RFA contacted MASC and all counties to determine the local expenditure impact of this bill. Based on MASC's response, this bill may result in a significant undetermined expenditure impact for municipalities. MASC anticipates ambiguity in the language requiring local governments to study ways to increase the affordability of housing will lead to varied implementation expenses across cities and towns. MASC also anticipates an undetermined impact to municipalities from expedited plan or plat reviews. MASC notes that accelerating this review period may necessitate expenditures for additional staff, lead to civil liability if flawed projects are approved, and may create costs associated with confusion amongst local governments seeking to comply with a sixty-day timeline for action on plans or plats in Section

6-29-1150 in current law. Further, MASC anticipates capping the combination of taxes and fees charged by a counties and municipalities may lead to intergovernmental disputes and legal costs to determine how each level of government will adjust fees to comply with the cap. MASC also anticipates allowing builders to hire a third-party inspector to perform the duties of the local inspector may lead to substandard construction and, as a result, increased insurance costs for municipal coverage.

Additionally, responses received from the counties of Fairfield, Oconee, and Richland indicate the local expenditure impact on counties is undetermined. While the counties' responses primarily focused on changes to revenue, Oconee anticipates accelerating the approval of plans or plats may lead to rushed approvals of poorly planned developments and necessitate expenditures to resolve resulting infrastructure problems. Based on these responses, RFA anticipates this bill will have an undetermined local expenditure impact.

### **Local Revenue**

This bill caps the combination of all taxes and fees charged to a builder or developer by local governments at ten percent of the sales price of a home or group of homes. This bill also allows a builder to hire a certified third-party inspector to perform the duties of the local inspector of buildings.

This bill may have an impact on local revenue. MASC anticipates caps on the cumulative amount of taxes may result in an undetermined reduction of local revenue. The impact may be largest if property taxes are considered to be taxes charged on the construction of a home or group of homes as outlined in the bill. Additionally, the counties of Fairfield, Oconee, and Richland all noted their reliance on revenues derived from permit and inspection fees to help offset operating costs. Richland noted the exact impact is undetermined dependent, in part, upon the number of builders that elect to utilize a third-party building inspector. Oconee anticipates capping total taxes and fees at 10 percent may result in an undetermined loss of revenue that would shift the financial burden to taxpayers or necessitate a reduction in essential services. Fairfield county reports it collected permit and inspection revenues totaling nearly \$300,000 in FY 2024. Based on these responses, RFA anticipates this bill will have an undetermined local revenue impact.



Frank A. Rainwater, Executive Director