

Vermont Legislative Joint Fiscal Office

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FISCAL NOTE

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S.79 An act relating to improving rental housing health and safety – As passed by the House

<https://legislature.vermont.gov/Documents/2022/Docs/BILLS/S-0079/S-0079%20House%20Proposal%20of%20Amendment%20Unofficial.pdf>

Bill Summary

The bill proposed numerous provisions relating to rental housing. This bill summary describes provisions that are estimated to have an impact on the revenues and/or expenditures of the state but is not meant to be a full summary of all provisions in the bill.

The bill would direct the Department of Housing and Community Development (DHCD) to create a state rental housing registry and to establish a new rental housing registration program with an associated \$35 annual fee. The registration would be required for owners of rental housing and short-term rentals with certain exceptions. Registration fees would go to a new special fund to be used by DFS and DHCD for staffing and other rental housing registration and inspection-related costs. There would be a \$200 penalty per unit for owners that knowingly fail to register and pay the fee.

The bill would authorize five (5.0) new full-time classified positions within the DFS to perform rental housing inspections. The bill would authorize one and a half (1.5) full-time classified positions within the DHCD to administer and enforce the rental housing registration program. The bill contains FY22 General Fund appropriations of \$100,000 to DFS to cover initial costs for one or more of the new inspector positions and \$300,000 to DHCD for start-up costs related to the new rental housing registry.

The bill would require DHCD to establish a VT Rental Housing Investment Program to provide funding to landlords in order to rehabilitate and weatherize eligible rental housing. The bill would also require DHCD to establish a VT Homeownership Revolving Loan Fund to provide funds for home ownership or home improvement to households that may otherwise not be able to afford these expenses. Both DHCD programs would be contingent on funding. This proposal allocates \$5.0 million in American Recovery Plan Act (ARPA) funds from the big bill, H.439, to the rental housing investment program and allocates \$1.0 million in General Fund dollars appropriated to DHCD to the homeownership revolving loan fund.

The registration program would be enacted starting January 1, 2022 and the penalty would be enacted starting January 1, 2023. Appropriations would be effective July 1, 2021.

Fiscal Summary

Revenues/Appropriations	FY22	FY23	Future Year**
<u>Rental Housing Registry</u>			
<i>Revenue:</i> rental housing registration fees – to Rental Housing Safety fund	\$840,000	\$1,050,000	\$1,260,000 - \$1,680,000
<i>Appropriation:</i> General Fund – DFS (sec. 4)	\$100,000		
<i>Appropriation:</i> General Fund – DHCD (sec. 5)	\$300,000		
<u>New Funding Programs</u>			
<i>Appropriation:</i> ARPA – VT Rental Housing Investment Program (sec. 15(b) and H.439 sec. G.400(a)(2))	\$5,000,000		
<i>Appropriation:</i> General Fund – VT Homeownership Loan Fund (sec. 15(a) and H.439)	\$1,000,000		
Total available funds	\$7,240,000	\$1,050,000	\$1,260,000 - \$1,680,000

** Future year revenues dependent on outreach and participation. The revenue range reflects different participation rates.

Fiscal Provisions

Division of Fire Safety Responsibilities

The Division of Fire Safety (DFS), a part of the Dept. of Public Safety (DPS), would gain authority to inspect “rental housing” (with a new definition in 20 V.S.A. §2730(f)). Five new full-time positions would be authorized to perform inspections. The bill would establish an appropriation of \$100,000 from the General Fund in FY22 to fund initial hiring of some of the new positions at DFS. The bill would authorize DFS to hire additional positions as revenues are available from rental registrations. DFS has estimated that the full annualized cost for all five new positions would be approximately \$550,000, but this cost will likely be less in FY22 as only one or two of the new positions would likely be filled initially.

Dept. of Housing and Community Development Responsibilities

The Dept. of Housing and Community Development (DHCD) would be required to create a rental housing registry. DHCD would be required to collect certain information on rental housing and would be authorized to levy a \$35 annual fee for each registration. One and a half new full-time positions would be authorized to administer and enforce the registration requirements. The bill would establish an appropriation of \$300,000 from the General Fund in FY22 to fund initial hiring of some of the new positions at DHCD. The bill would authorize DHCD to hire additional positions as revenues are available from rental registrations.

Rental Housing Registration Fee

As noted above, DHCD would be authorized to levy a \$35 annual fee for each rental housing registration. Owners of rental housing and short-term rentals would be required to register and pay the fee, unless already registered through a municipality or other entity. Owners of mobile home rentals would also be required to register and pay the fee. Revenues from the fee would go to the new Rental Housing Safety special fund. The bill would establish a \$200 penalty per unit for owners that knowingly fail to register and pay the fee. The penalty would be enacted starting on January 1, 2023.

Based on data in a report from DHCD (written by the VT Housing Finance Agency) there are approx. 80,000 rental units in Vermont.¹ A report from the Rental Housing Advisory Board indicates that approx. 21,000 rental units already belong to a registry administered by a municipality as well as additional units in municipalities with no current registry but with an MOU with DFS.² For the purposes of this analysis, 55,000 rental housing units are assumed to be eligible for inclusion in the State registry requirement. An additional 5,000 short-term rental units would be subject to the State registry requirement.

The registration and fee requirement would be effective on January 1, 2022. This fiscal note estimates that 40% of rental units would be registered in state FY22. That number would rise to 50% in FY23 and would continue to increase by 10% increments in future years. Estimated fee revenues in FY22 are \$840,000 to the Rental Housing Safety special fund and in FY23 are \$1,050,000 to the fund. Future year revenues growth would be dependent on new units coming into compliance with the registration requirement through outreach from DHCD and other interested parties.

VT Rental Housing Investment Program

The bill would direct DHCD to establish a rental housing investment program. Funds would go to statewide or regional non-profit housing organizations to be passed on as grants or forgivable loans to owners of eligible rental units for rehabilitation and weatherization expenses. The proposed amendment directs the Agency of Commerce and Community Development to allocate the \$5.0 million ARPA appropriation in H.439 sec. G.400(a)(2) toward this program.

VT Homeownership Revolving Loan Fund

The bill would direct DHCD to establish a homeownership revolving loan fund and would require DHCD to allocated \$1.0 million of its total FY22 General Fund appropriation in the big bill, H.439, to begin providing loans. Funds would go to statewide or regional nonprofit housing organizations to provide no-interest loans to first-time homebuyers. The maximum amount of a loan would be \$50,000 with zero interest and no payments due while the borrower occupies a home. The loan would be due in full if the home is sold.

¹ "Vermont Housing Needs Assessment: 2020-2024" February 2020.

<https://accd.vermont.gov/sites/accdnew/files/documents/Housing/VT%20HNA%202020%20Report.pdf>

² "Recommendations of the Rental Housing Advisory Board pursuant to Act 48 of 2019" January 2020.

<https://accd.vermont.gov/sites/accdnew/files/documents/Housing/RentalHousing%20Advisory%20Board%20Final%20Report%201-15-20.pdf>