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Joint Fiscal Office

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Fiscal Note

April 14, 2022

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S.210 – An act relating to rental housing health and safety – As Amended by House Committee on General, Housing, and Military Affairs

URL for bill:

<https://legislature.vermont.gov/Documents/2022/WorkGroups/House%20General/Bills/S.210/Drafts,%20Amendments,%20and%20Legal%20Documents/S.210~David%20Hall~As%20Recommended%20by%20House%20Committee%20on%20Housing,%20General%20and%20Military%20Affairs,%204-14-2022~4-14-2022%20.pdf>

Bill Summary

This bill includes numerous provisions relating to rental housing.¹ 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 Rental Housing Safety Special Fund to be used by the Department of Public Safety (DPS) and DHCD for staffing and other rental housing registration and inspection-related costs.

The bill would authorize five (5.0) new full-time classified positions within the DPS 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 ARPA appropriations of \$100,000 to DPS 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 (VRHIP) to provide funding to landlords in order to rehabilitate and weatherize eligible rental housing. This program is funded \$20 million in ARPA funds.

The registration program, DPS and DHCD positions would be effective starting upon passage of the bill and the administrative penalty for failure to register would be enacted starting July 1, 2023.

Fiscal Summary

¹ 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.

This bill is expected to increase state revenues by \$840,000 in FY2023, growing to \$1.05 million in FY2024 and up to \$1.26 million thereafter. These revenues will flow to the new Rental Housing Safety Special Fund.

The bill also contains appropriations of ARPA dollars totaling \$20,400,000 in FY2022.

Revenues/Appropriations	FY22	FY23	FY24	Future Years*
Impact on State Revenues				
Rental housing registration fees – to Rental Housing Safety fund		\$840,000	\$1,050,000	\$1,260,000 - \$1,680,000
State Appropriations				
**ARPA – DFS (sec. 15)	\$100,000			
***ARPA – DHCD (sec. 15)	\$300,000			
ARPA – DHCD VRHIP (sec. 15)	\$20,000,000			
Total Appropriations	\$20,400,000			

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

***On-time startup funding to hire one or more Inspector positions*

****One-time startup funding to hire one or more of the positions authorized to administer and enforce registry requirements*

Fiscal Provisions

Department of Public Safety Appropriations

The Division of Fire Safety (DFS), a part of the Dept. of Public Safety (DPS), would gain authority to inspect “rental housing” as defined in 9 V.S.A. §4451 and “short-term rental housing” as defined in 18 V.S.A. §4301. Five new full-time positions would be authorized to perform inspections. The bill would appropriate \$100,000 of funding from the ARPA funds in FY22 to fund initial hiring of some of the new positions at DPS. The bill would authorize DPS to hire additional positions as revenues become available from fees from rental registrations. DPS 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 FY23 as only one or two of the new positions would likely be filled initially.

Department of Housing and Community Development Appropriations

The Dept. of Housing and Community Development (DHCD) within the Agency of Commerce and Community Development (ACCD) 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 ARPA funds in FY22 to fund initial hiring of some of the new positions at DHCD. DHCD estimates that the 1.5 positions would cost the department approximately \$165,000 and the remainder of appropriated funds would be used to purchase an IT system through and RFP process to handle registrations, which is necessitated by the fact that the Department currently does not have a system currently in place that they can stand the registry up on. Registry fee revenue would be used to fund these positions in future years. 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. 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, effective July 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.² 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.³ 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.⁴

The registration and fee requirement would be effective on July 1, 2022. This fiscal note estimates that 40% of rental units would be registered in state FY23. That number would rise to 50% in FY24 and would continue to increase by 10% increments in future years. Estimated fee revenues in FY23 are \$840,000 to the Rental Housing Safety special fund and in FY24 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. In FY22, \$20,000,000 is appropriated to DHCD to implement this program using ARPA funds. 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. Grants or loans shall not exceed \$50,000 per unit and landlords shall contribute matching funds or in-kind services that are at least equal to 20 percent of the loan or grant. The bill authorizes DHCD to use up to \$1,000,000 to facilitate a statewide education and navigation system to assist homeowners with designing, financing, permitting, and constructing accessory dwelling units.

² “Vermont Housing Needs Assessment: 2020-2024” February 2020.

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

³ “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>

⁴ Short-term Rental Working Group Report: 2017 Report to the Legislature” October 2017.

<https://legislature.vermont.gov/assets/Legislative-Reports/2017-Act76-ShortTermRental.pdf>