

# Vermont Legislative Joint Fiscal Office

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## *FISCAL NOTE*

Date: March 16, 2021

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### **S.79 An act relating to improving rental housing health and safety – Senate Economic Development, Housing And General Affairs Recommendation Of Amendment – Draft 2.1**

<https://legislature.vermont.gov/Documents/2022/WorkGroups/Senate%20Economic%20Development/Bills/S.79/Drafts,%20Amendments%20and%20Legal%20Documents/S.79~David%20Hall~As%20Recommended%20by%20the%20Senate%20Committee%20on%20Economic%20Development,%20Housing%20and%20General%20Affairs~3-12-2021.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 proposes to establish a new definition for rental housing to include “dwelling units” as defined in 9 V.S.A. §4451 and “short-term rentals” as defined in 18 V.S.A. §4301. The bill would provide authority to the Division of Fire Safety (DFS) to perform inspections of rental housing and release inspection reports.

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 that are not otherwise registered through a municipal rental housing health and safety program, as well as owners of mobile home rentals. 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 authorize five new full-time classified positions within the DFS to perform rental housing inspections. The bill would authorize two and a half (2.5) full-time classified positions within the DHCD to administer and enforce the rental housing registration program. The bill contains several FY22 General Fund appropriations, totaling \$3,945,691, to cover start-up costs for the DFS inspection provisions (\$545,691), DHCD rental housing registry and registration (\$400,000), as well as the rental housing investment program (\$3,000,000).

## Fiscal Summary

<b>Spending</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>
DFS – personal services and operating**	(\$545,691)	(\$567,273)	(\$588,845)
DHCD – personal services and operating**	(\$430,000)	(\$366,865)	(\$357,928)
FY22 DHCD – rental investment grants – <i>funding would likely be spent over several years</i>	(\$3,000,000)		
<b>Total Spending</b>	<b>(\$3,945,691)</b>	<b>(\$934,138)</b>	<b>(\$946,773)</b>
<b>Revenues/Appropriations</b>	<b>FY22</b>	<b>FY23</b>	<b>Future Year</b>
Estimated rental housing registration fees – to General Fund ( <i>\$545,691 appropriated in S.79</i> )	\$840,000	\$1,050,000	\$1,260,000
FY22 General Fund appropriations	\$3,400,000		
<b>Total Revenues</b>	<b>\$4,240,000</b>	<b>\$1,050,000</b>	<b>\$1,260,000</b>
<b>Net Remaining – General Fund</b>	<b>~\$295,000</b>	<b>~\$115,000</b>	<b>~\$310,000</b>

\*\* All personal services and operating costs provided by the Administration

## 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 two appropriations to fund the positions at DFS in FY2022: \$200,000 from the General Fund and \$345,691 against anticipated revenues from the rental registration fee (described below).

### 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. Two and a half new full-time positions would be authorized to administer and enforce the registration requirements. The bill would establish two appropriations to fund the positions at DFS in FY2022: \$200,000 from the General Fund and \$200,000 against anticipated revenues from the rental registration fee.

### 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 General Fund.

Based on data in a report from DHCD (written by the VT Housing Finance Agency) there are approx. 80,000 rental units in Vermont.<sup>1</sup> 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.<sup>2</sup> 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 General Fund and in FY23 are \$1,050,000 to the General 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 bill includes a one-time FY22 General Fund appropriation of \$3,000,000 to fund the investment program. The funding would likely be spent over several state fiscal years. Due to the federal funds coming into Vermont from COVID-19 relief legislation, there may be an opportunity to utilize federal funds for this investment program in lieu of state funds.

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<sup>1</sup> “Vermont Housing Needs Assessment: 2020-2024” February 2020.

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

<sup>2</sup> “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>