

Commission on Local Government

Estimate of Local Fiscal Impact

2023 General Assembly Session | 01/20/23

In accordance with the provisions of 30-19.03 of the Code of Virginia, the staff of the Commission on Local Government offers the following analysis of legislation impacting local governments.

SB 1391: Short-term rental property; locality's ability to restrict property managed by a Virginia realtor. (Patron: Senator Lynwood W. Lewis, Jr.)

Bill Summary: Short-term rental property; locality's ability to restrict property managed by a Virginia realtor. Provides that a locality may not restrict by ordinance any short-term rental property managed by a Virginia realtor, defined in the bill. The bill provides that a locality may not enforce an ordinance against such property where the ordinance (i) prohibits short-term rentals; (ii) limits occupancy in a short-term rental property to less than what is allowed under the building code or local zoning regulations; (iii) limits the number of days in a calendar year for which a short-term rental property can be rented; (iv) requires an owner to occupy the short-term rental property as his primary residence for any number of days in a calendar year; (v) requires any type of remote monitoring device to be installed on the short-term rental property, including decibel, audio, or video; (vi) requires exterior or interior inspections of the short-term rental property pertaining to any items defined under the building code more frequently than every five years, unless a complaint has been filed with the locality or building authority; (vii) requires repairs, renovations, or updates to the structure of the short-term rental property that are greater than those required under the applicable building code; or (viii) requires an owner to add additional or otherwise alter existing parking spaces for the short-term rental property. The provisions of the bill shall apply to any short-term rental property managed by a realtor and operating as such on or after January 1, 2023.

Local Fiscal Impact: Net Additional Expenditure: X Net Reduction of Revenues: X

Summary Analysis:

Number of Localities Responding: 5 Cities, 5 Counties, 4 Towns, 1 Other

Localities estimated negative fiscal impacts ranging from \$0 to \$0.41 million over the biennium (including both revenue losses and expenditure increases). Four localities provided numerical estimates ranging from \$0.1 million to \$0.4 million over the biennium.

Localities identified the bill's fiscal impact as the net decrease in revenues caused by their reduced ability to regulate short-term rentals; however, the actual revenue source impacted varied given differences in local short-term rental regulations. Several other localities identified an indeterminate but potentially substantial negative fiscal impact if the proposed restrictions took effect. One locality responded that the bill would cause an increase in expenditures, in order to hire additional staff to manage zoning and reviews related to short-term rentals.

Some localities indicated no fiscal impact as the provision of the bill would not impact them.

As introduced, this bill is identical to HB 2271 (Marshall).

Net Reduction in Revenues: Itemized Estimates by Responding Localities

Locality	Juris	Real Estate Revenue Reduction		Personal Property Revenue Reduction		Sales Tax Revenue Reduction	
		FY23	FY24	FY23	FY24	FY23	FY24
City of Alexandria	City						
City of Harrisonburg	City						
City of Manassas	City						
City of Richmond	City						
City of Winchester	City						
Augusta County	County						
Mecklenburg County	County						
Prince George County	County						
Rappahannock County	County						
Roanoke County	County						
Northern Neck PDC	Other						
Town of Blacksburg	Town						
Town of Chincoteague	Town						
Town of Luray	Town	\$100,000	\$100,000			\$20,000	\$20,000
Town of Marion	Town						

Net Reduction in Revenues: Itemized Estimates by Responding Localities

Locality	BPOL Tax Revenue Reduction		Other Local Revenues Reduction		State Revenue Reduction		Penny Value of Decrease on Real Estate Rate*	Total Decrease in Revenues (Biennium Total)
	FY23	FY24	FY23	FY24	FY23	FY24		
City of Alexandria								\$0
City of Harrisonburg								\$0
City of Manassas								\$0
City of Richmond								\$0
City of Winchester								\$0
Augusta County								\$0
Mecklenburg County								\$0
Prince George County								\$0
Rappahannock County			\$120,000	\$120,000			0.68	\$240,000
Roanoke County								\$0
Northern Neck PDC								\$0
Town of Blacksburg								\$0
Town of Chincoteague				\$100,000				\$100,000
Town of Luray	\$10,000	\$10,000	\$25,000	\$25,000			2	\$310,000
Town of Marion								\$0

Locality	Revenue Narrative by Responding Localities
City of Alexandria	Though not presently an issue for the City, this bill would greatly restrict local zoning authority (local government authority) to regulate Short Term Rentals. The fiscal impact of this proposed bill is currently unquantifiable.
City of Harrisonburg	
City of Manassas	
City of Richmond	The fiscal impact is indeterminate at this time.
City of Winchester	
Augusta County	Not sure on fiscal impact, but this could have significant impact on localities' ability to regulate short-term rentals.
Mecklenburg County	
Prince George County	There is no anticipated fiscal impact to Prince George County.
Rappahannock County	Disallowing the local governing body to include practical conditions on short term rental permits at the time of review and approval in Rappahannock County would likely lead the local governing body to prohibit the same (or severely restrict) via the zoning ordinance, which would still be viable. Doing this would practically eliminate short term rentals in the county causing the county to lose all revenue from the Transient Occupancy Tax (~\$120,000 per year).
Roanoke County	We anticipate this may cause a nominal decrease in revenue if certain Special Use Permits are not needed. This may be offset by the transient occupancy tax increase if more short-term rentals are available in the County.
Northern Neck PDC	
Town of Blacksburg	No fiscal impact on town revenues.
Town of Chincoteague	The loss of Excise Tax revenue due to the overcrowding of short term rentals that this bill will allow will decrease the number of units rented.
Town of Luray	Loss of Zoning regulatory capability could result in property value decrease, loss of businesses near uncontrolled properties, and loss of residents.
Town of Marion	

*Penny value is defined as the amount a locality would need to raise their real estate tax rate to cover the fiscal impacts of the bill, assuming no other changes to revenues or expenditures. It is represented in terms of dollars (e.g., 0.01 is a one cent increase in the real estate tax rate, etc.).

Net Increase in Expenditures: Itemized Estimates by Responding Localities

Locality	Juris	Recurring Expense- Personnel		Recurring Expense - Operating		Recurring Expense - Capital		Recurring Expense - Other	
		FY23	FY24	FY23	FY24	FY23	FY24	FY23	FY24
City of Alexandria	City								
City of Harrisonburg	City								
City of Manassas	City								
City of Richmond	City								
City of Winchester	City								
Augusta County	County								
Mecklenburg County	County								
Prince George County	County								
Rappahannock County	County								
Roanoke County	County								
Northern Neck PDC	Other								
Town of Blacksburg	Town								
Town of Chincoteague	Town								
Town of Luray	Town	\$50,000	\$50,000						
Town of Marion	Town								

Locality	Expenditure Narrative by Responding Localities
City of Alexandria	Though not presently an issue for the City, this bill would greatly restrict local zoning authority (local government authority) to regulate Short Term Rentals. The fiscal impact of this proposed bill is currently unquantifiable.
City of Harrisonburg	
City of Manassas	
City of Richmond	The fiscal impact is indeterminate at this time.
City of Winchester	
Augusta County	
Mecklenburg County	
Prince George County	There is no anticipated fiscal impact to Prince George County.
Rappahannock County	
Roanoke County	Currently we predict this may cause an increase in expenditures due to an increase in staff needed to enforce/ or not enforce short-term rental regulations.
Northern Neck PDC	Planning districts have no jurisdiction over local land use.
Town of Blacksburg	No fiscal impact on town expenditures.
Town of Chincoteague	
Town of Luray	Town will be required to establish a Zoning Officer position related to short-term rental to be dedicated to review and investigation of properties claimed to managed by realtors.
Town of Marion	

* Penny value is defined as the amount a locality would need to raise their real estate tax rate to cover the fiscal impacts of the bill, assuming no other changes to revenues or expenditures. It is represented in terms of dollars (e.g., 0.01 is a one cent increase in the real estate tax rate, etc.).