

Commission on Local Government

Estimate of Local Fiscal Impact

2024 General Assembly Session | 01/18/24

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.

SB544: Short-term rental property; locality's ability to prohibit use of accessory dwelling unit. (Patron: Lamont Bagby)

Bill Summary: Short-term rental property; locality's ability to prohibit use of accessory dwelling unit.

Prohibits a locality from barring the use of or requiring that a special exception, special use, or conditional use permit be obtained for the use of an accessory dwelling unit for a short-term rental in an area zoned for residential use where the primary dwelling unit on the site is occupied by the property owner.

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

Summary Analysis:

Number of Localities Responding: 4 Cities, 7 Counties, 4 Towns, 0 Other

Localities estimated a negative fiscal impact ranging from \$0 to \$1.231 million over the biennium.

Most localities said the fiscal impacts of this legislation would be limited to the staff time necessary to revise ordinances and software and licensing to manage short-term rentals. However, a couple of rural localities expressed broader concerns. Currently, Rappahannock only approves short-term rentals where access roads meet certain conditions, and they anticipate having to spend additional funds on public safety if tourists travel on roads that are of lower quality. Chincoteague anticipates a large and rapid expansion of short-term rentals would cause an immediate need for additional building and zoning, law enforcement, EMS, public works, water utility and administrative personnel along with the associated capital costs, and it would result in the need for expanded water, sewer, and highway capacity. Some localities that currently require permits for short-term rentals in accessory dwelling units expressed an unquantifiable loss of revenue from permitting fees. However, it is possible it would also result in an increase in sales tax and business licensing that could increase local revenues.

Net Increase in Expenditures: Itemized Estimates by Responding Localities									
Locality	Juris	Recurring Expense- Personnel		Recurring Expense - Operating		Recurring Expense - Capital		Recurring Expense - Other	
		FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26
City of Alexandria	City								
City of Harrisonburg	City	0	0	0	0	0	0	0	0
City of Richmond	City								
Lynchburg	City								
Bedford	County								
Charlotte County	County								
Chesterfield County	County								
Mecklenburg County	County								
Montgomery County	County								
Prince George County	County	81823	87971	10000	10000				
Rappahannock County	County							10000	10000
Town of Blacksburg	Town								
Town of Chincoteague	Town	335000	335000	195000	195000				
Town of Christiansburg	Town								
Town of Victoria	Town								

Net Increase in Expenditures: Itemized Estimates by Responding Localities							
Locality	Nonrecurring Expense - Operating		Nonrecurring Expense - Capital		Nonrecurring Expense - Other		Total Increase in Expenses (Biennium Total)
	FY25	FY26	FY25	FY26	FY25	FY26	
City of Alexandria						0	0
City of Harrisonburg	2000	2000	0	0	0	0	4,000
City of Richmond							
Lynchburg							
Bedford							
Charlotte County							
Chesterfield County							
Mecklenburg County							
Montgomery County							
Prince George County	50000						239,794
Rappahannock County						0	20,000
Town of Blacksburg							
Town of Chincoteague	150000		100000			0	1,310,000
Town of Christiansburg	10000				5000		15,000
Town of Victoria							

Locality	Expenditure Narrative by Responding Localities
City of Alexandria	The fiscal impact of this proposed bill is currently unquantifiable. The impact of the proposed bill on expenditures would be limited to the staff and public times necessary for the ordinance to be revised.
City of Harrisonburg	The financial impact would be the staff time needed to amend the Zoning Ordinance to be in compliance with the regulations that are proposed.
City of Richmond	
Lynchburg	
Bedford	
Charlotte County	
Chesterfield County	
Mecklenburg County	Any additional work that may arise as a result of the existence of more ADUs/STRs would be handled from existing resources and staff.
Montgomery County	We currently require an approved Special Use Permit for short-term rentals done on property where the property owner also resides in all of our residential zoning districts. The approval of this would eliminate fees collected for Special Use Permits for these uses. We have not had any applications for this use since the County Code was amended related to short-term rentals in 2022. Thus, it is hard to know a dollar amount for this impact.
Prince George County	We estimate this legislation impacting workload in our Planning and Zoning Department, and the need to add a Planning and Zoning Technician. We also estimate the need to add a short-term rental tracking software (such as Granicus). That software one-time cost is shown as is the annual support / licensing.
Rappahannock County	The only increase in expenses could be related to public safety issues arising from short term renters not being familiar with potentially very poor private roads and driveways that serve a property with an ADU. Access routes might be perfectly acceptable for long term residents familiar with local conditions, but people from out of town, who might be unfamiliar with rural roads that often times are very substandard compared with suburban and urban roads might find themselves in need of public safety services. In Rappahannock County, short term rentals are only permitted in cases where the access roads meet certain standards for this reason. There is no way to actually quantify the increased cost for public safety services, so a token \$10,000 is inserted.
Town of Blacksburg	
Town of Chincoteague	The permitted construction and rental of ADU's at the passage of this bill would cause an immediate need for additional building and zoning, law enforcement, EMS, public works, water utility and administrative personnel along with the associated capital costs. The expected increase in density of STR' s would stress our water utility causing expensive and difficult expansion and completely overwhelm our fledging public sewer system causing real public health problems. Potential future costs that are difficult to quantify include the expansion of the route 175 causeway accessing the island and would make it more difficult for permanent residents to afford to live in Town.

Locality	Expenditure Narrative by Responding Localities
Town of Christiansburg	I would estimate \$10,000 in staff time and an additional \$5,000 in legal and printing costs.
Town of Victoria	

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 Richmond	City							
Lynchburg	City							
Bedford	County							
Charlotte County	County							
Chesterfield County	County							
Mecklenburg County	County							
Montgomery County	County							
Prince George County	County							
Rappahannock County	County							
Town of Blacksburg	Town							
Town of Chincoteague	Town					30000	45000	
Town of Christiansburg	Town							
Town of Victoria	Town							

Net Reduction in Revenues: Itemized Estimates by Responding Localities							
Locality	BPOL Tax Revenue Reduction		Other Local Revenues Reduction		State Revenue Reduction		Total Decrease in Revenues (Biennium Total)
	FY23	FY24	FY23	FY24	FY23	FY24	
City of Alexandria							
City of Harrisonburg							
City of Richmond							
Lynchburg							
Bedford							
Charlotte County							
Chesterfield County							
Mecklenburg County							
Montgomery County							
Prince George County							
Rappahannock County							
Town of Blacksburg							
Town of Chincoteague	2000	2000					79000
Town of Christiansburg							
Town of Victoria							

Locality	Revenue Narrative by Responding Localities
City of Alexandria	
City of Harrisonburg	No changes to revenues are expected.
City of Richmond	There is no fiscal impact. The City of Richmond already complies with this potential change.
Lynchburg	
Bedford	
Charlotte County	
Chesterfield County	
Mecklenburg County	Any special exemption application fees lost as a result of this change would be offset by additional revenue gained from increased real estate assessments from any construction of new ADUs for this purpose, and from the increase in Transient Occupancy Taxes from the short-term rental use.
Montgomery County	
Prince George County	This could actually lead to some small increase in planning fees; not able to quantify.
Rappahannock County	
Town of Blacksburg	<p>Additional proposed language in this bill would have limited impact, as Blacksburg does not require a special exception, special use, or CUP for our Homestay program.</p> <p>However, need to have our Town Attorney review the existing Virginia Code Section 15.2-983 to determine the conformance of our existing Homestay Regulations and what may need to be modified. May have the impact that realtors do not have to register a Homestay property that they then can manage for an owner or a person leasing a property. Need to verify if a person/company can then buy up housing in Blacksburg and have a realtor or others handle the property as only short-terms rentals (Homestays) rather than as a long term rental. This would have a major impact upon the local real estate market. Should verify the extent of Blacksburg's ability to limit the maximum number of calendar days for Homestay use and require a property owner to live in the property as their primary residence.</p>
Town of Chincoteague	A small increase in sales taxes and business licenses would be realized during the first 2 years of this plan.
Town of Christiansburg	I would not anticipate any increase or decrease in revenue with this.
Town of Victoria	