



Fiscal Analysis

Regarding the City of Gainesville's Proposed Ordinance to Create Permit Requirements for Residential Rental Units and to Adopt the International Property Maintenance Code

August 12, 2020

Prepared for Gainesville-Alachua Association of Realtors®



Gainesville-Alachua County Association of Realtors®

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Overview of Proposed Rental Ordinance's Total Fiscal Impact

\$22,550,000 to \$46,450,000
with a middle estimate of **\$35,670,000**

- **16,160 nonhomestead residential parcels** located in Gainesville on the 2019 property tax roll.
- Estimated number of units impacted by the proposed ordinance:
 - 18,646 - high estimate
 - 16,968 - middle estimate (91% of high estimate, 9% vacancy)
 - 13,574 - low estimate (72.8% of high estimate, 20% margin of error)
- Based on the current proposed annual fee of \$170 / unit, the amount of fee revenue estimated to be received directly by the City:
 - **\$3.17M** - high estimate
 - **\$2.88M** - middle estimate
 - **\$2.31M** - low estimate
- Total Estimated Landlord Compliance Costs (health, safety, and energy efficiency)
 - **\$43,280,000** - high estimate
 - **\$32,790,000** - middle estimate
 - **\$20,240,000** - low estimate
 - Estimated costs not included in the fiscal estimate – HVAC maintenance every 24 months, HVAC duct sealing and insulating, chimney, plumbing leaks, plumbing insulation, water heaters, window ACs, or other Internal Property Maintenance Code requirements not currently expressly incorporated into the proposed ordinance.
- Estimated Average Landlord Compliance Costs per Unit
 - \$2,445 per unit and \$800 recurring cost every eight years - high estimate
 - \$1,991 per unit and \$550 recurring cost every eight years - middle estimate
 - \$1,525 per unit and \$300 recurring cost every eight years - low estimate
- Estimated Monthly Rent per Unit
 - 1 Bedroom Units: \$800 to \$1,000
 - 2 Bedroom Units: \$1,000 to \$1,800
 - 3 Bedroom Units: \$1,200 to \$2,000
 - 4 Bedroom Units: \$2,000 to \$3,000
- Estimated Average Rental Increases to Offset Increased Landlord Costs in 2021
 - 1 Bedroom Units: 17% to 22%
 - 2 Bedroom Units: 12% to 14%
 - 3 Bedroom Units: 10% to 12%
 - 4 Bedroom Units: 7%

Detailed Analysis

The City of Gainesville's Proposed Rental Ordinance

On July 16, 2020, the City of Gainesville Commission moved forward with a draft ordinance to create permit requirements for residential rental units and to adopt the International Property Maintenance Code and related recommendations from the City's Rental Housing Subcommittee. Recommendations of the Rental Housing Subcommittee were to create a rental housing code that would require an annual permit, inspections and minimum energy efficiency, life safety and property maintenance standards for residential rental units within the City (excluding Public Lodging Establishments as defined by and regulated under State law.)

On July 25, 2019, the General Policy Committee moved all recommendations of the Rental Housing Subcommittee to the City Commission and directed the City Attorney to draft an ordinance creating a rental housing code to be brought to the Commission for discussion. Since that time, the City Manager, City Attorney, Code Enforcement (now Sustainable Development) and GRU Energy Efficiency staff have worked together to draft the ordinance that was presented at the July 16, 2020 meeting. At that meeting, City Commissioners moved and approved additional requirements to be incorporated into the ordinance. The new ordinance will be offered for consideration at the City's second meeting in August 2020.

Key provisions of the ordinance include:

- The ordinance applies to any residential rental unit to be defined as “a room or rooms located in a condominium, co-op, timeshare, quadraplex, triplex, duplex, or single-family dwelling that is rented, or advertised or held out to be rented, for periods of at least 30 consecutive days or 1 calendar month (whichever is less).”
 - The ordinance expressly excludes public lodging establishments under Part I of Chapter 509, Florida Statutes, and dormitories.
 - The term “rented” includes allowing any occupant to reside in a unit regardless of whether there is consideration paid for such occupancy.
- Beginning October 1, 2021, each unit must be permitted annually. Annual permits will be valid from October 1 to September 30 of the following year.
 - The City's current proposed cost for the annual permits is \$170/unit.ⁱ
 - If the owner of the rental unit is not physically located within Alachua County, the owner must elect an agent physically located in the County.
- Beginning October 1, 2021, each unit must be equipped with an operable:
 - Carbon monoxide alarm, if the unit uses natural gas, propane, or fuel oil, and
 - Fire extinguisher in the kitchen.
- Beginning October 1, 2021, each unit must be certified for its energy efficiency using the H.E.S. system or equivalent with HVAC duct testing. This certification must be completed every eight (8) years.
- Beginning October 1, 2021, each unit must meet the following energy efficiency standards:
 - Attic insulated to a minimum of R-19,
 - Attic access weather stripped and insulated to a minimum of R-19,
 - HVAC units must be maintained by a licensed contractor at least every 24 months,
 - All visible HVAC duct joints sealed and all ducts insulated to minimum of R-6,

- All HVAC units must have a programmable thermostat,
- Working dampers, doors, and closures on fireplace chimneys,
- Plumbing systems free of visible leaks,
- All toilets must be 3 gal/flush or less, except where the sewer service prevents same,
- All faucets and showerheads must be 2.2 gal/min flow rate or less,
- Water heaters must have a visible and functioning temperature/pressure relief valve,
- Water heater pipes must be insulated for the first 3 feet from the unit,
- All visible exterior water lines must be insulated, and
- Any wall, window, or single room AC units just be operational and properly secured and air-sealed.
- Beginning October 1, 2026, the following energy efficient standards will be increased:
 - Attic insulated to a minimum of R-30,
 - Attic access weather stripped and insulated to a minimum of R-30, and
 - All toilets must be 1.6 gal/flush or less, except where the sewer service prevents same.
- Beginning October 1, 2021, the City will conduct compliance inspections on a minimum 4-year rolling basis. Inspections may also be conducted as a result of a complaint.
 - Inspection notices will be mailed to the owner and posted at the unit at least 7 calendar days prior to the inspection.
 - If the owner *or occupant* refuses to consent to the inspection, the City may revoke the permit or obtain an inspection warrant pursuant to law.

Estimated Number of Parcels & Units Subject to Proposed Ordinance

The City of Gainesville estimates that 13,000 unique parcels and 15,000 units will be subject to the proposed ordinance.ⁱⁱ See Table 1 below. That is a ratio of 1.5138 units per parcel.

Our analysis of Alachua County records concludes that there will be **16,160 nonhomestead residential parcels**, which are subject to the proposed ordinance. This estimate is based on the actual number of nonhomestead residential parcels in the City of Gainesville on the 2019 property tax rolls. Using the City's same estimated ratio of parcels to units results in an estimate of 18,646 units subject to the proposed ordinance.

Methodology Used to Determine Number of Impacted Parcels

1. We started with the final 2019 Alachua County NAL property tax roll available on the Florida Department of Revenue's website.ⁱⁱⁱ
2. We excluded any parcel that had a homestead just value or assessed value in order to capture only nonhomestead properties.
3. We excluded any parcel that was designated by the Alachua County Property Appraiser with a DOR Use Code of 10 or more. Focusing on DOR use codes of 9 or less limits the analysis to residential properties and condominiums. Residential codes include a property zoned for single-family homes, mobile homes, retirement homes, multifamily apartments and co-ops.
 - a. Excluding properties with a Use Code of 10 or greater eliminates commercial, industrial, agricultural, intuitional, and governmental properties.
4. We excluded any parcel not located within the City of Gainesville. In Alachua County, the City of Gainesville is assigned taxing authority codes 3600 and 3700. For purposes of this analysis, only these taxing authority codes were reviewed.

High Estimate

In 2019, there were 16,160 nonhomestead residential parcels located in the City of Gainesville. For purposes of this fiscal analysis, that number was used for the high estimates. Using the City's same ratio of 1.1538 units per parcel results in a high estimate of 18,646 rental units.

Middle Estimate

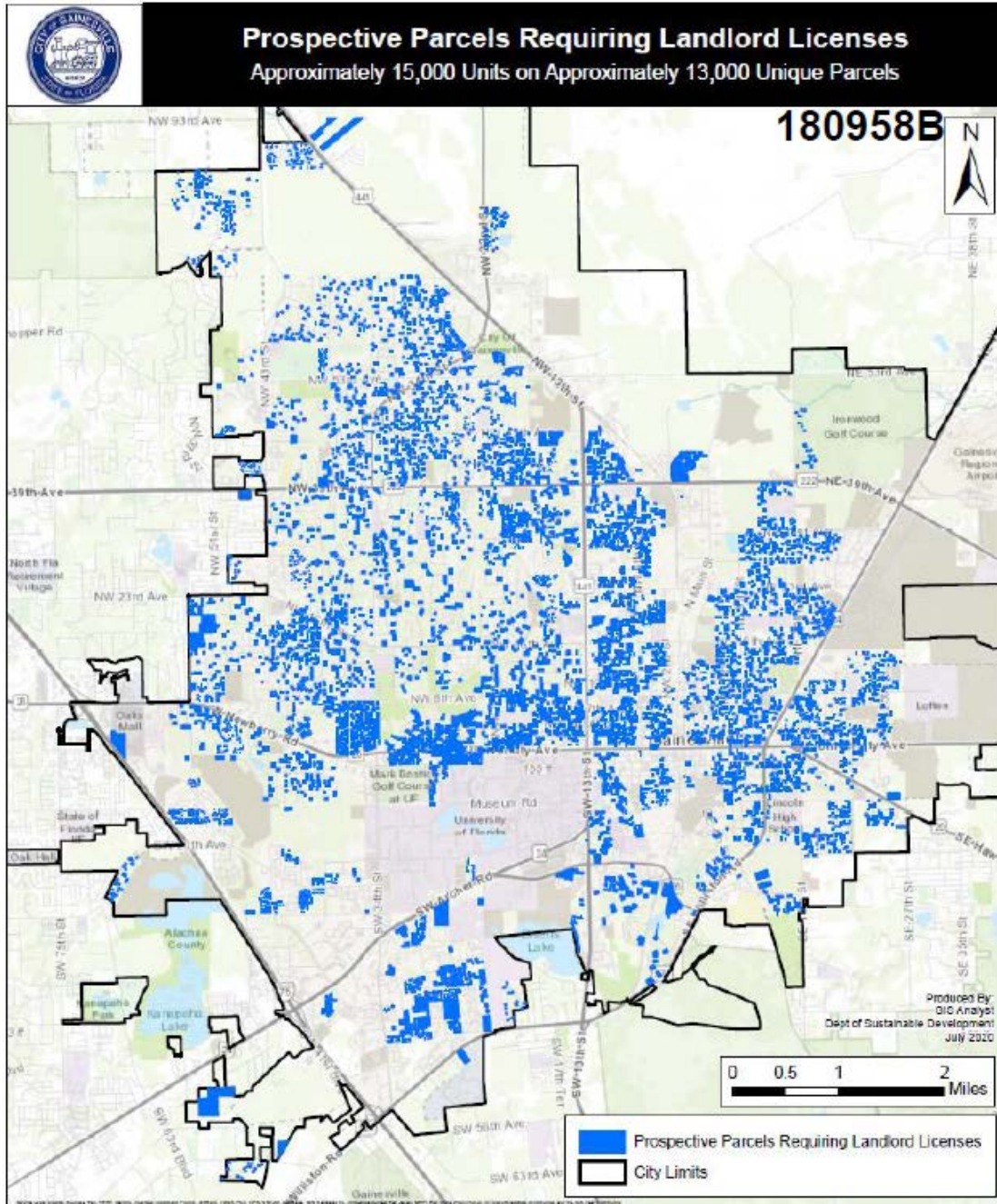
To determine the middle estimate, we used the same 9% vacancy rate, as used by the City. Using the 9% vacancy rate results in a middle estimate of 16,968 units or 14,706 parcels subject to the proposed ordinance.^{iv} Note, recent data from the US Census Bureau concludes that the rental vacancy rate in the South during the second quarter of 2020 was 7.4%.^v

Additionally, it must be noted that the proposed ordinance also **applies to vacant rental units**.^{vi} The definition of regulated residential unit includes vacant units "advertised or held out to be rented" even though not occupied. Additionally, the definition of rented includes "allowing any occupant to reside in a unit, regardless of [the consideration paid]." Therefore, any unit (or room) held out to any nonfamily member for use for longer than 30 days, with or without pay, would be subject to the proposed ordinance. This broad definition and actual US Census Bureau data suggests that the actual number of units & parcels subject to the proposed ordinance are likely to be higher than this middle estimate.

Low Estimate

To determine the low estimate, we used the City’s same 20% “margin of error” reduction used during the July 16th meeting. The adjustment was used even though the City provided no justification for such a substantial reduction. In our opinion, we believe this estimate is the least likely to occur. However unlikely, there is some value in using a metric here similar to the one used by the City in its calculations in order to compare the analyses. The resulting adjustment results in 13,574 units or 11,764 parcels for the low estimate.

Table 1. City of Gainesville’s Prospective Parcels; July 16, 2020 Presentation



Number of New Parcels & Units Subject to the Proposed Ordinance

In 1996, the City of Gainesville created a landlord license permit that currently applies to 3,836 parcels and 4,001 unique licenses.^{vii} This permit applies to owner(s) of a dwelling unit, as defined in section 30-2.1, that is located within one of the following districts: RSF-1; RSF-2; RSF-3; RSF-4; RC; all PD's designated for residential use at a density of more than eight dwelling units per acre; and all other PD's as may be specified in the rezoning ordinance, whether or not for consideration.^{viii}

Therefore, it is estimated that the number of **new** rental units subject to regulation and license fees for the first time will be:

High Estimate – 14,645 units (18,646 – 4,001)

Middle Estimate – 12,967 units (16,968 – 4,001)

Low Estimate – 9,573 units (13,574 – 4,001)

Estimated Fee Revenue to be Collected by the City of Gainesville

The City of Gainesville currently projects an annual \$170.00 fee per residential unit under the proposed ordinance.^{ix} Therefore, the projected annual fee revenue is estimated to be:

High Estimate – **\$3.17M** annually (18,646 units * \$170)

Middle Estimate – **\$2.88M** annually (16,968 units * \$170)

Low Estimate – **\$2.31M** annually (13,574 units * \$170)

As the current landlord license program generates approximately \$610,000 annually,^x the projected increase in annual revenue paid by rental unit owners to the City will increase by an estimated \$2.56M to \$1.7M annually. This estimated additional fee revenue will be **substantially** more than the City's projected cost estimates for the 3 current and 11 new employees to administer the proposed program. The City projects the new program will cost \$993,669 annually with an additional one-time implementation cost in the first year of \$209,700. See Table 2 below.

Estimated Annual City Profits

Therefore, the projected annual profit estimated to be received by the City^{xi} are:

High Estimate – first year: **\$1.97M** (\$3.17M - \$1.203M); thereafter: **\$2.18M** (\$3.17M - \$993,669)

Middle Estimate – first year: **\$1.68M** (\$2.88M - \$1.203M); thereafter: **\$1.89M** (\$2.88M - \$993,669)

Low Estimate – first year: **\$1.11M** (\$2.31M - \$1.203M); thereafter: **\$1.32M** (\$2.31M - \$993,669)

Table 2. City of Gainesville Cost Estimates; July 16, 2020 Presentation

Cost Estimates		
Personal Services		
Positions	FTE	Total
Program Coordinator	1.0	\$78,452
Field Collector	1.0	\$60,054
Staff Specialist	1.0	\$53,342
Code Officers	8.0	\$506,571
Permit Expeditor III	2.0	\$128,761
Lead Analyst	1.0	\$96,423
Total Personal Services	14.0	\$927,604
Total Operating		\$66,065
Total Reoccurring Costs		\$993,669
Total One-Time Implementation Costs		\$209,700
Total Program Cost		\$1,203,369
Loss of Landlord License Revenue		\$610,000
Total Cost		\$1,813,369

Note, the City’s stated “loss of landlord license revenue” is not an actual cost to the City. As provided in on slide 5 of the July 16th Meeting presentation, the existing landlord license permit “pays for three employees and [that program’s] current program administration.” Additionally, the new ordinance will require eleven new full-time employees for a total of fourteen employees. All fourteen employees are reflected in the City’s \$993,669 cost estimate above. Further, all current landlord license permit holders will be included under the broader proposed ordinance and will be required to continue to pay the new rental license fee to the City. Therefore, including the City’s proposed “loss of landlord license revenue” in a cost analysis would result in double counting and must be excluded.

In order to generate the \$1.2M in fee revenue needed by the City to cover costs in the first year, the City would need to reduce the proposed fee per unit by roughly \$100:

High Estimate – \$65.00 (\$1.2M / 18,646 units)

Middle Estimate – \$71.00 (\$1.2M / 16,968 units)

Low Estimate – \$89.00 (\$1.2M / 13,574 units)

Estimated Landlord Compliance Costs

As outlined above, the proposed ordinance contains a number of mandated energy efficiency, health, and safety improvements that must be completed before an owner can offer a unit for rental in the City. In an attempt to estimate the total cost of the proposed ordinance, the following fiscal analysis for each of the major mandates was completed.

H.E.S. Energy Certification

At the July 16th Meeting, City Commissioners moved to specifically include a mandate that all rental units be certified every eight years using the H.E.S. system standard or an equivalent with duct testing. This provision had been previously excluded by City staff because they had “concern regarding the effectiveness, cost and availability as energy efficiency audits vary depending on the region and depth of service, typically from around \$300 - \$800 and a search for availability of qualified inspectors came up with approximately 12 certified inspectors/companies within 100 miles of zip code 32653.”^{xiii} Based on this data provided by City staff, the estimated cost of H.E.S. certification per parcel^{xiii} will cost rental unit owners **between \$3.5M and \$12.3M, every eight years.**

This estimate assumes that 5% of rental parcels in the City currently have H.E.S. certification and that 95% of rental parcels will be required to obtain a new H.E.S. certification under the proposed ordinance.

Table 3. Estimated H.E.S. Certification Costs

H.E.S. Certification Costs						
High	\$ 800.00					
Middle	\$ 550.00	<i>average</i>				
Low	\$ 300.00					
					95%	
	Parcels	HES Costs	Estimate	Adjustment		
High/High	16,160	\$ 800.00	\$ 12,928,000	\$ 12,281,600.00	\$ 12,281,600.00	High
High/Middle	16,160	\$ 550.00	\$ 8,888,000	\$ 8,443,600.00		
High/Low	16,160	\$ 300.00	\$ 4,848,000	\$ 4,605,600.00		
Middle/High	15,441	\$ 800.00	\$ 12,352,704	\$ 11,735,068.80		
Middle/Middle	15,441	\$ 550.00	\$ 8,492,484	\$ 8,067,859.80	\$ 8,067,859.80	Middle
Middle/Low	15,441	\$ 300.00	\$ 4,632,264	\$ 4,400,650.80		
Low/High	12,353	\$ 800.00	\$ 9,882,163	\$ 9,388,055.04		
Low/Middle	12,353	\$ 550.00	\$ 6,793,987	\$ 6,454,287.84		
Low/Low	12,353	\$ 300.00	\$ 3,705,811	\$ 3,520,520.64	\$ 3,520,520.64	Low

Attic & Attic Access Insulation Installation

At the July 16th Meeting, City Commissioners moved to specifically to provide a tiered requirement for insulation standards.^{xiv} Beginning October 1, 2021, all rental units will be required to have an insulation value of R-19. Beginning October 1, 2026, all rental units will be required to have an insulation value of R-30. We have estimated the costs for both insulation values, but for purposes of the total compliance costs we have focused solely on the R-30 insulation costs. It seems unreasonable to suggest a rental unit owner with current insulation values under R-19 would pay to move to the

lower ordinance standard in 2021, only to install the higher R-30 standard five years later.

For purposes of this fiscal analysis, we have assumed:

- Any owner not meeting the R-19 standard will install R-30 insulation before October 1, 2021.
- Any owner meeting or exceeding the R-19 standard in 2021 will wait to install R-30 insulation before October 1, 2026.
- There are currently 75% of rental units that meet or exceed the R-19 insulation standard.
- There are currently 20% of rental units that meet or exceed the R-30 insulation standard.
- The insulation material costs as provided by the US Energy Department.^{xv}
- An average insulation cost of \$0.95 per foot.^{xvi}
- An average rental unit size of 1,000 square feet in the City of Gainesville.^{xvii}

Table 4. Estimated Insulation Costs

Insulation Material Costs	Low	Middle (avg)	High					
R-19	\$ 0.27	\$ 0.31	\$ 0.34					
R-30	\$ 0.39	\$ 0.44	\$ 0.49					
https://www.energy.gov/energysaver/weatherize/insulation/types-insulation								
https://www.fixr.com/costs/attic-insulation								
Insulation Labor Costs	\$0.95 per ft							
https://www.fixr.com/costs/attic-insulation								
Average Unit Size	1,000 sq ft							
https://www.rentcafe.com/average-rent-market-trends/us/fl/alachua-county/gainesville/								
						25%		
R-19	Units	Material Costs	Labor Costs	Estimate / Unit	Total Estimate	Adjustment		
R-19 High / High	18,646	\$ 340.00	\$ 712.50	\$ 1,052.50	\$ 19,625,077	\$ 4,906,269.23	\$ 4,906,269.23	High
R-19 Middle / High	18,646	\$ 305.00	\$ 712.50	\$ 1,017.50	\$ 18,972,462	\$ 4,743,115.38		
R-19 Low / High	18,646	\$ 270.00	\$ 712.50	\$ 982.50	\$ 18,319,846	\$ 4,579,961.54		
R-19 High / Middle	16,968	\$ 340.00	\$ 712.50	\$ 1,052.50	\$ 17,858,820	\$ 4,464,705.00		
R-19 Middle / Middle	16,968	\$ 305.00	\$ 712.50	\$ 1,017.50	\$ 17,264,940	\$ 4,316,235.00	\$ 4,316,235.00	Middle
R-19 Low / Middle	16,968	\$ 270.00	\$ 712.50	\$ 982.50	\$ 16,671,060	\$ 4,167,765.00		
R-19 High / Low	13,574	\$ 340.00	\$ 712.50	\$ 1,052.50	\$ 14,287,056	\$ 3,571,764.00		
R-19 Middle / Low	13,574	\$ 305.00	\$ 712.50	\$ 1,017.50	\$ 13,811,952	\$ 3,452,988.00		
R-19 Low / Low	13,574	\$ 270.00	\$ 712.50	\$ 982.50	\$ 13,336,848	\$ 3,334,212.00	\$ 3,334,212.00	Low
						80%		
R-30	Units	Insulation Costs	Labor Costs	Estimate / Unit	Total Estimate	Adjustment		
R-30 High / High	18,646	\$ 490.00	\$ 712.50	\$ 1,202.50	\$ 22,422,000	\$ 17,937,600	\$ 17,937,600.00	High
R-30 Middle / High	18,646	\$ 440.00	\$ 712.50	\$ 1,152.50	\$ 21,489,692	\$ 17,191,754		
R-30 Low / High	18,646	\$ 390.00	\$ 712.50	\$ 1,102.50	\$ 20,557,385	\$ 16,445,908		
R-30 High / Middle	16,968	\$ 490.00	\$ 712.50	\$ 1,202.50	\$ 20,404,020	\$ 16,323,216		
R-30 Middle / Middle	16,968	\$ 440.00	\$ 712.50	\$ 1,152.50	\$ 19,555,620	\$ 15,644,496	\$ 15,644,496.00	Middle
R-30 Low / Middle	16,968	\$ 390.00	\$ 712.50	\$ 1,102.50	\$ 18,707,220	\$ 14,965,776		
R-30 High / Low	13,574	\$ 490.00	\$ 712.50	\$ 1,202.50	\$ 16,323,216	\$ 13,058,573		
R-30 Middle / Low	13,574	\$ 440.00	\$ 712.50	\$ 1,152.50	\$ 15,644,496	\$ 12,515,597		
R-30 Low / Low	13,574	\$ 390.00	\$ 712.50	\$ 1,102.50	\$ 14,965,776	\$ 11,972,621	\$ 11,972,620.80	Low

The estimated cost to install R-30 insulation ranges from **\$12.0M to \$17.9M**.^{xviii} However, the actual costs could be significantly higher if an owner not meeting the R-19 insulation standard in 2021 were to install the minimum R-19 insulation in 2021, then later install R-30 insulation in 2026. As such an owner would be required to pay duplicate labor costs.

Low-Flow Toilet Installation

At the July 16th Meeting, City Commissioners moved to specifically provide a tiered requirement for low-flow toilets. Beginning October 1, 2021, all rental units will be required to have 3 gallon per flush toilets, except where the sewer service prevents it. Beginning October 1, 2026, all rental units will be required to have 1.6 gallon per flush toilets, except where the sewer service prevents it. Due to “the sewer system connections for some homes [not accommodating] 1.6 gal/flush toilets without causing wastewater flow complications,” City staff recommended the draft ordinance only require three gallon per flush toilets.^{xix} This recommendation was overruled by the City Commissioners.

For purposes of this fiscal analysis, we have assumed:

- Any owner not meeting the 3 gal/flush standard in 2021 will install a 1.6 gal/flush toilet before October 1, 2021, unless they can show the sewer service prevents such installation.
- Any owner meeting or exceeding the 3 gal/flush standard in 2021 will wait to install a 1.6 gal/flush toilet before October 1, 2026, unless they can show the sewer service prevents it.
- Currently, 40% of rental units either have a 1.6 gal/flush toilet installed or the sewer service prevents their installation of a low-flow toilet.
- The cost to install a low-flow toilet ranges from \$400 to \$800.^{xx}

Table 5. Estimated Toilet Costs

Toilet Costs	Low	Middle	High			
	\$ 400.00	\$ 615.00	\$ 800.00			
https://www.fixr.com/costs/toilet-installation						
				60%		
	Units	Toilet Costs	Estimate	Adjustment		
High/High	18,646	\$ 800.00	\$ 14,916,923	\$ 8,950,153.85	\$ 8,950,153.85	<i>High</i>
High/Middle	18,646	\$ 615.00	\$ 11,467,385	\$ 6,880,430.77		
High/Low	18,646	\$ 400.00	\$ 7,458,462	\$ 4,475,076.92		
Middle/High	16,968	\$ 800.00	\$ 13,574,400	\$ 8,144,640.00		
Middle/Middle	16,968	\$ 615.00	\$ 10,435,320	\$ 6,261,192.00	\$ 6,261,192.00	<i>Middle</i>
Middle/Low	16,968	\$ 400.00	\$ 6,787,200	\$ 4,072,320.00		
Low/High	13,574	\$ 800.00	\$ 10,859,520	\$ 6,515,712.00		
Low/Middle	13,574	\$ 615.00	\$ 8,348,256	\$ 5,008,953.60		
Low/Low	13,574	\$ 400.00	\$ 5,429,760	\$ 3,257,856.00	\$ 3,257,856.00	<i>Low</i>

The estimated cost to install a 1.6 gal/flush toilet ranges from **\$3.3M to \$9.0M**. However, the actual costs could be significantly higher if an owner not meeting the 3 gal/flush standard in 2021 were to install the minimum 3 gal/flush toilet in 2021, then later install a 1.6 gal/flush toilet in 2026. As such an owner would be required to pay twice for materials and labor.

Low-Flow Showerhead and Faucet Installation

The proposed ordinance requires 2.2 gallon per minute showerheads and faucets to be installed at each rental unit. The estimated cost to install 2.2 gal/minute showerheads and faucets range from **\$340,000 to \$1.4M**, assuming that half of the current rental units already have 2.2 gal/minute fixtures installed.

Table 6. Estimated Showerhead and Faucet Costs

Showerheads 2.2 gal/min							
High	\$ 75.00						
Middle	\$ 50.00						
Low	\$ 25.00						
					50%		
	Units	Shower Head Costs	Estimate	Adjustment			
High/High	18,646	\$ 75.00	\$ 1,398,462	\$ 699,230.77	\$ 699,230.77	<i>High</i>	
High/Middle	18,646	\$ 50.00	\$ 932,308	\$ 466,153.85			
High/Low	18,646	\$ 25.00	\$ 466,154	\$ 233,076.92			
Middle/High	16,968	\$ 75.00	\$ 1,272,600	\$ 636,300.00			
Middle/Middle	16,968	\$ 50.00	\$ 848,400	\$ 424,200.00	\$ 424,200.00	<i>Middle</i>	
Middle/Low	16,968	\$ 25.00	\$ 424,200	\$ 212,100.00			
Low/High	13,574	\$ 75.00	\$ 1,018,080	\$ 509,040.00			
Low/Middle	13,574	\$ 50.00	\$ 678,720	\$ 339,360.00			
Low/Low	13,574	\$ 25.00	\$ 339,360	\$ 169,680.00	\$ 169,680.00	<i>Low</i>	
Faucets 2.2 gal/min							
High	\$ 75.00						
Middle	\$ 50.00						
Low	\$ 25.00						
					50%		
	Units	Faucet Costs	Estimate	Adjustment			
High/High	18,646	\$ 75.00	\$ 1,398,462	\$ 699,230.77	\$ 699,230.77	<i>High</i>	
High/Middle	18,646	\$ 50.00	\$ 932,308	\$ 466,153.85			
High/Low	18,646	\$ 25.00	\$ 466,154	\$ 233,076.92			
Middle/High	16,968	\$ 75.00	\$ 1,272,600	\$ 636,300.00			
Middle/Middle	16,968	\$ 50.00	\$ 848,400	\$ 424,200.00	\$ 424,200.00	<i>Middle</i>	
Middle/Low	16,968	\$ 25.00	\$ 424,200	\$ 212,100.00			
Low/High	13,574	\$ 75.00	\$ 1,018,080	\$ 509,040.00			
Low/Middle	13,574	\$ 50.00	\$ 678,720	\$ 339,360.00			
Low/Low	13,574	\$ 25.00	\$ 339,360	\$ 169,680.00	\$ 169,680.00	<i>Low</i>	

Programmable Thermostat Installation

The proposed ordinance requires the installation of a programmable thermostat at each rental property. The cost to install a programmable thermostat ranges from \$145 to \$230 per parcel.^{xxi} Therefore, the estimated cost to install a programmable thermostat as mandated by the proposed ordinance will be between **\$1.1M and \$2.2M**, assuming that forty percent (40%) of the current rental parcels already have a programmable thermostat installed.

Table 7. Estimated Programmable Thermostat Costs

Programmable Thermostat							
High	\$ 230.00						
Middle	\$ 187.50						
Low	\$ 145.00						
https://www.fixr.com/costs/thermostat-installation							
					60%		
	Parcels	Thermostat Costs	Estimate	Adjustment			
High/High	16,160	\$ 230.00	\$ 3,716,800	\$ 2,230,080	\$ 2,230,080.00	<i>High</i>	
High/Middle	16,160	\$ 187.50	\$ 3,030,000	\$ 1,818,000			
High/Low	16,160	\$ 145.00	\$ 2,343,200	\$ 1,405,920			
Middle/High	15,441	\$ 230.00	\$ 3,551,402	\$ 2,130,841			
Middle/Middle	15,441	\$ 187.50	\$ 2,895,165	\$ 1,737,099	\$ 1,737,099.00	<i>Middle</i>	
Middle/Low	15,441	\$ 145.00	\$ 2,238,928	\$ 1,343,357			
Low/High	12,353	\$ 230.00	\$ 2,841,122	\$ 1,704,673			
Low/Middle	12,353	\$ 187.50	\$ 2,316,132	\$ 1,389,679			
Low/Low	12,353	\$ 145.00	\$ 1,791,142	\$ 1,074,685	\$ 1,074,685.25	<i>Low</i>	

Carbon Monoxide Alarm & Fire Extinguisher

The proposed ordinance requires a proper fire extinguisher in each kitchen and a carbon monoxide alarm in each property that uses natural gas, propane, or fuel oil. Assuming the following:

- The cost of a fire extinguisher and carbon monoxide alarm ranges from \$10 to \$50 per parcel.
- Fifty percent (50%) of current rental properties either have carbon monoxide alarm or do not use natural gas, propane, or fuel oil.
- Ninety percent (90%) of current rental properties have a proper, charged fire extinguisher.

Then the estimated cost to install a carbon monoxide alarm and fire extinguisher as mandated by the proposed ordinance will be between **\$74,000 and \$485,000**.

Table 7. Estimated Carbon Monoxide Alarm and Fire Extinguisher Costs

Carbon Monoxide Detector							
High	\$	50.00					
Middle	\$	25.00					
Low	\$	10.00					
					50%		
	Parcels	Shower Head Costs	Estimate	Adjustment			
High/High	16,160	\$ 50.00	\$ 808,000	\$ 404,000	\$	404,000.00	High
High/Middle	16,160	\$ 25.00	\$ 404,000	\$ 202,000			
High/Low	16,160	\$ 10.00	\$ 161,600	\$ 80,800			
Middle/High	15,441	\$ 50.00	\$ 772,044	\$ 386,022			
Middle/Middle	15,441	\$ 25.00	\$ 386,022	\$ 193,011	\$	193,011.00	Middle
Middle/Low	15,441	\$ 10.00	\$ 154,409	\$ 77,204			
Low/High	12,353	\$ 50.00	\$ 617,635	\$ 308,818			
Low/Middle	12,353	\$ 25.00	\$ 308,818	\$ 154,409			
Low/Low	12,353	\$ 10.00	\$ 123,527	\$ 61,764	\$	61,763.52	Low
Fire Extinguisher							
High	\$	50.00					
Middle	\$	25.00					
Low	\$	10.00					
					10%		
	Parcels	Shower Head Costs	Estimate	Adjustment			
High/High	16,160	\$ 50.00	\$ 808,000	\$ 80,800	\$	80,800.00	High
High/Middle	16,160	\$ 25.00	\$ 404,000	\$ 40,400			
High/Low	16,160	\$ 10.00	\$ 161,600	\$ 16,160			
Middle/High	15,441	\$ 50.00	\$ 772,044	\$ 77,204			
Middle/Middle	15,441	\$ 25.00	\$ 386,022	\$ 38,602	\$	38,602.20	Middle
Middle/Low	15,441	\$ 10.00	\$ 154,409	\$ 15,441			
Low/High	12,353	\$ 50.00	\$ 617,635	\$ 61,764			
Low/Middle	12,353	\$ 25.00	\$ 308,818	\$ 30,882			
Low/Low	12,353	\$ 10.00	\$ 123,527	\$ 12,353	\$	12,352.70	Low

*Costs **Not** Included in this Fiscal Analysis*

At the time of preparing this fiscal analysis, there was incomplete data available to estimate landlord costs associated with the following mandates under the proposed ordinance:

- HVAC maintenance every 24 months,
- HVAC duct sealing and insulating,
- Chimney repairs,
- Visible plumbing leaks,
- Exterior plumbing insulation,
- Water heater TPRV installation and pipe insulation, and
- Window/small room AC units.

Additionally, the draft ordinance provided at the July 16 Meeting did not specifically provide or incorporate the Internal Property Maintenance Code. As additional mandates from that Code are

incorporated into the proposed ordinance, this fiscal analysis would need to be increased to reflect those additional costs.

Estimated Average Landlord Compliance Costs per Unit

Focusing on the landlord compliance costs and adjustment factors detailed above **on a per unit basis** results in the following estimated costs for landlords to comply with the proposed ordinance in 2021:

- High Estimate* - \$2,445 per unit
- Middle Estimate* - \$1,991 per unit
- Low Estimate* - \$1,525 per unit

In addition, the City’s license fee of \$170 per unit must be paid annually starting in 2021. Starting in 2029, landlords will be mandated to retest and renew their H.E.S. Certifications, which will create an additional landlord cost of \$300 to \$800 each eight years.

Estimated Rent Currently Charged in Gainesville

Surveying members of the Gainesville-Alachua Association of Realtors suggested monthly rent charges vary between \$800 and \$3,000 based on the number of bedrooms in each unit and the quality of the space:

Monthly Rent	Low	Middle (avg)	High
1 Bedroom	\$ 800	\$ 900	\$ 1,000
2 Bedroom	\$ 1,000	\$ 1,400	\$ 1,800
3 Bedroom	\$ 1,200	\$ 1,600	\$ 2,000
4 Bedroom	\$ 2,000	\$ 2,500	\$ 3,000

Average Rental Increases to Offset Increased Landlord Costs in 2021

As most of the landlord compliance costs outlined above are based on a parcel or unit basis,^{xxii} the average landlord compliance costs are likely to adversely impact renters of smaller units more than renters of more expensive units. This is due to the fact that the generally fixed-cost of landlord compliance will be a larger percentage of a less-expensive tenant’s rent. The estimated cost increases based on size of the rental unit are as follows:

- 1 Bedroom Units: 17% to 22%
- 2 Bedroom Units: 12% to 14%
- 3 Bedroom Units: 10% to 12%
- 4 Bedroom Units: 7%

Table 8. Estimated Average Rental Cost Increases

High Estimate	Monthly Rent	Annual Rent	License Fee	Compliance Costs	Total Costs	Increase
1 Bedroom	\$ 1,000	\$ 12,000	\$ 170.00	\$ 2,445.00	\$ 2,615.00	21.79%
2 Bedroom	\$ 1,800	\$ 21,600	\$ 170.00	\$ 2,445.00	\$ 2,615.00	12.11%
3 Bedroom	\$ 2,000	\$ 24,000	\$ 170.00	\$ 2,445.00	\$ 2,615.00	10.90%
4 Bedroom	\$ 3,000	\$ 36,000	\$ 170.00	\$ 2,445.00	\$ 2,615.00	7.26%
Middle Estimate	Monthly Rent	Annual Rent	License Fee	Compliance Costs	Total Costs	Increase
1 Bedroom	\$ 900	\$ 10,800	\$ 170.00	\$ 1,991.00	\$ 2,161.00	20.01%
2 Bedroom	\$ 1,400	\$ 16,800	\$ 170.00	\$ 1,991.00	\$ 2,161.00	12.86%
3 Bedroom	\$ 1,600	\$ 19,200	\$ 170.00	\$ 1,991.00	\$ 2,161.00	11.26%
4 Bedroom	\$ 2,500	\$ 30,000	\$ 170.00	\$ 1,991.00	\$ 2,161.00	7.20%
Low Estimate	Monthly Rent	Annual Rent	License Fee	Compliance Costs	Total Costs	Increase
1 Bedroom	\$ 800	\$ 9,600	\$ 170.00	\$ 1,525.00	\$ 1,695.00	17.66%
2 Bedroom	\$ 1,000	\$ 12,000	\$ 170.00	\$ 1,525.00	\$ 1,695.00	14.13%
3 Bedroom	\$ 1,200	\$ 14,400	\$ 170.00	\$ 1,525.00	\$ 1,695.00	11.77%
4 Bedroom	\$ 2,000	\$ 24,000	\$ 170.00	\$ 1,525.00	\$ 1,695.00	7.06%

ⁱ Presentation at City Commission Meeting July 16, 2020.

ⁱⁱ Presentation at City Commission Meeting July 16, 2020.

ⁱⁱⁱ <https://floridarevenue.com/property/Pages/DataPortal.aspx>

^{iv} If we were to use the US Census Bureau rate of 7.4%, it would increase the middle estimate to 17,266 units and 14,964 parcels.

^v <https://www.census.gov/housing/hvs/index.html>; released July 28, 2020

^{vi} Section 14.5-2 of Proposed Ordinance, definitions of “regulated residential rental unit” and “rented.”

^{vii} Presentation at City Commission Meeting July 16, 2020.

^{viii} Section 14.5-1 Gainesville Code of Ordinances.

^{ix} Presentation at City Commission Meeting July 16, 2020.

^x Presentation at City Commission Meeting July 16, 2020.

^{xi} Assuming the City adopts the proposed fee of \$170 / unit.

^{xii} Explanation of Agenda Item BD-6 at the City Commission Meeting July 16, 2020.

^{xiii} It is assumed that each unit / room will not require an individual certification.

^{xiv} City staff was of the opinion “that it would be confusing to owners and administratively burdensome to staff to administer regulations that changed over the years, particularly for items that are not expensive to install.” Explanation of Agenda Item BD-6 at the City Commission Meeting July 16, 2020.

^{xv} <https://www.energy.gov/energysaver/weatherize/insulation/types-insulation>

^{xvi} <https://www.fixr.com/costs/attic-insulation>

^{xvii} <https://www.rentcafe.com/average-rent-market-trends/us/fl/alachua-county/gainesville/>

^{xviii} Note, some sources suggested the national average cost of insulation installation was \$1,400 - \$1,800 for 1,000 sq. ft. <https://www.fixr.com/costs/home-insulation>

^{xix} Explanation of Agenda Item BD-6 at the City Commission Meeting July 16, 2020.

^{xx} <https://www.fixr.com/costs/toilet-installation>

^{xxi} <https://www.fixr.com/costs/thermostat-installation>

^{xxii} For example, a 1 bedroom/1 bath rental unit paying \$800/mo. may have two faucets (bath and kitchen) and one showerhead (bath) to replace, and a 2 bedroom/1 bath rental unit paying \$1,200/mo. may have the same replacement costs. In the case of the 1 bedroom / 1 bath, the replacement costs are a larger percentage of the monthly rent charge.