

City of Alexandria, Virginia

MEMORANDUM

DATE: JUNE 9, 2008

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER *J*

SUBJECT: CONSIDERATION OF RESOLUTION FROM THE LANDLORD-TENANT RELATIONS BOARD REGARDING THE VOLUNTARY RENT GUIDELINES

ISSUE: City Council consideration of the Resolution from the Landlord-Tenant Relations Board regarding the Voluntary Rent Guidelines.

RECOMMENDATION: That City Council approve the attached Resolution (Attachment I) to maintain the City's Voluntary Rent Guidelines at not more than 5.5% per year where the tenant pays utilities, and not more than 7.5% per year where the owner pays utilities, as recommended by the Landlord-Tenant Relations Board.

BACKGROUND: For over 20 years, the City has encouraged landlords to limit rent increases in accordance with the City's Voluntary Rent Guidelines as the Code of Virginia prohibits localities from enacting rent controls. The City's Voluntary Rent Guidelines are suggested maximum rent increases for existing tenants, but they provide no authority to the City to enforce the guidelines against landlords who fail to comply with them. Under Virginia law, the City's rent guidelines must remain voluntary, as the City has no authority to mandate that rent increases be held to any recommended percentage.

The Landlord-Tenant Relations Board reviews the City's Voluntary Rent Guidelines and makes annual recommendations to City Council regarding the adequacy of the Voluntary Rent Guidelines. In preparing its recommendations, the Board considers rent data, market forecasts and vacancy surveys by Delta Associates, a national real estate consulting firm. The Board also considers market rent and vacancy data prepared by the Office of Housing in its annual apartment survey, as well as data compiled by the City's Department of Real Estate Assessments. In reviewing these data, the Landlord-Tenant Relations Board attempts to set the guidelines at a level that will account for inflation and property owners' increases in cost, without unduly burdening tenants.

DISCUSSION: The current guidelines for rent increases are not more than 5.5% per year if the tenant pays utilities and not more than 7.5% per year if the landlord pays utilities. Prior to 2000, very few of the City’s landlords with properties of 10 or more units had failed to comply with the Voluntary Rent Guidelines. However, noncompliance increased significantly around 2000, when the vacancy rate for rental properties in the City dropped below 1%, and again in 2005 when the apartment supply was reduced due to a significant number of rental units were converted to condominiums.

Current compliance is substantial, and staff estimate that nearly all landlords in the City are in compliance with current guidelines. The table below illustrates changes in the voluntary guidelines since 2000.

Table A
Rent Guidelines 2000 - 2008

Year	% for tenant paid Utilities	% Utilities Included
2000	5.0%	7.5%
2001	5.0%	9.0%
2002	5.0%	9.0%
2003	5.0%	7.0%
2004	5.0%	7.0%
2005	5.0%	7.0%
2006	7.0%	9.5%
2007	5.5%	7.5%
2008	5.5%	7.5%

Apartment vacancy has increased over last year, but remains low in Alexandria and regionally in the Washington D.C. area rental market. Alexandria’s apartment rental market is less competitive than in some prior years, but local rental market conditions remain strong when compared to national trends. The April 28, 2008, edition of “U.S. Census Bureau News,” reported that the national vacancy rate for rental housing was 10.1 (+ 0.4) percent in the first quarter of 2008.

Available data also show steady increases in rents, but not the significant, double digit increases that were seen in prior years in extremely competitive rental markets. Since 2000, average rents have increased 45.8% Citywide, an average of 5.7% per year, with the highest annual increase during this period from 2001 and 2002, when rents increased 13.3%.

In January of each year, the Office of Housing surveys all rental apartments in the City with ten or more units. Delta Associates also surveys properties and reports rent and vacancy data, but divides the City into three submarkets with a representative sample of complexes in each submarket. Submarkets established and surveyed by Delta Associates include Old Town Alexandria, Arlandria and West Alexandria. In addition, Delta Associates reports on two separate categories of properties, while the City data includes all types of properties. Delta’s definition of Class A properties includes large properties built after 1988 with luxury amenities, and B

properties are older properties with fewer amenities. The Landlord-Tenant Relations Board focuses its analysis on Delta’s Class B properties, since over 80% of properties in Alexandria are in the Class B Apartment category. Finally, the City’s Apartment Survey is a point in time survey conducted in January of each year, and Delta Associates surveys are conducted quarterly. The Delta Associates’ data shown in Table B reflect the January through March quarter for the applicable year.

Table B includes data considered by the Landlord-Tenant Relations Board in developing these recommendations.

Table B
Comparison of Rent and Vacancy Data

	City Survey Class A&B Properties	Delta Associates by Submarket Class B Properties Only		
		Old Town	West Alexandria	Arlandria
Stabilized Vacancy 1 2007	2.9%	2.3%	5.3%	2.8%
Stabilized Vacancy 2008	5.2%	5.3%	5.3%	8.7%
Average Rent 2008	\$1,366	Rent \$1,162	Rent \$1,298	Rent \$1,103
		Effective Rent 2 \$1,160	Effective Rent \$1,214	Effective Rent \$1,027
Increase/decrease same period 2007	4.2%	1.7%	.07%	- 6.6%%

The Landlord-Tenant Relations Board has noted that the guidelines must be reasonable and consistent with market conditions, or landlords are unlikely to comply. Landlords, like all consumers, have been forced to absorb significant increases in utilities as well as many other costs which continue to increase because of increases in the price of oil and gasoline. The Department of Real Estate Assessments notes that total taxes for most rental properties in Fiscal Year 2009 taxes will exceed prior year taxes due primarily to increased assessments. Therefore, the Board does not recommend reducing the guidelines further at this time. At its May 7, 2008, meeting, the Landlord-Tenant Relations Board voted unanimously to maintain the guidelines at 5.5% per year for properties with tenant paid utilities, 7.5% per year for properties with utilities included in rents.

FISCAL IMPACT: None.

ATTACHMENT: I. 2008 Voluntary Rent Guidelines Resolution

1 Stabilized Vacancy as defined by Delta Associates is the rate of "available units" in stabilized properties. Once a property achieves 95% occupancy, it is considered "stabilized" and stays in the pool of stabilized properties even if it falls below 95% at a subsequent reporting date.

2 Effective Rents adjust for the value of concessions. The City’s survey does not adjust for concessions.

STAFF: Melodie Baron, Division Chief, Office of Housing
Mildrilyn Stephens Davis, Director, Office of Housing

2008 VOLUNTARY RENT GUIDELINES RESOLUTION
CITY OF ALEXANDRIA, VIRGINIA
RESOLUTION NO. _____

WHEREAS, more than half of the dwelling units in the City of Alexandria are renter-occupied; and

WHEREAS, the Alexandria City Council has continually expressed its concern for the well-being of the City's tenants and landlords through proposed charter changes, legislation, and establishment of the Landlord-Tenant Relations Board; and

WHEREAS, the Alexandria Landlord-Tenant Relations Board has previously expressed its concern to the City Council regarding excessive rent increases;

NOW, THEREFORE, BE IT RESOLVED that the Council of the City of Alexandria, Virginia calls upon the Alexandria Landlord-Tenant Relations Board to monitor and investigate complaints of rent increases in excess of the following guidelines and to conduct a review of the guidelines every six months and forward recommendations to Council at a minimum of every 12 months:

-- If the tenants pay all utilities, not more than five and one half percent cumulatively per year;

-- If all utilities are included in the rental amount, not more than seven and one half percent cumulatively per year;

PROVIDED, however, that Board investigators will recognize and take into account any unusual costs, capital improvements and major repairs to the property (which should be substantiated by the owner), and extraordinary increases (more than 50%) in assessments;

PROVIDED, further, that the landlord may apportion increased real estate taxes in an equitable manner;

PROVIDED, further, that when a landlord converts utilities to a sub-metered or individually metered system, the amounts of monthly rents, plus annualized utility costs, shall remain within these guidelines.

BE IT FURTHER RESOLVED that the Landlord-Tenant Relations Board will report to City Council on the adequacy of the above guidelines in 2009.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the Seal of the City of Alexandria to be affixed this 24th day of June, 2008.

ADOPTED:

WILLIAM D. EUILLE, MAYOR
On behalf of the City Council
of Alexandria, Virginia

ATTEST:

Jacqueline Henderson, City Clerk

RESOLUTION NO. 2287

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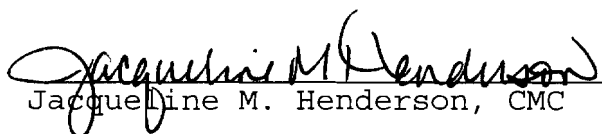
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BE IT FURTHER RESOLVED, that the Landlord-Tenant Relations Board will report to City Council on the adequacy of the above guidelines in 2009.

ADOPTED: June 24, 2008


WILLIAM D. EUILLE MAYOR

ATTEST:


Jacqueline M. Henderson, CMC City Clerk