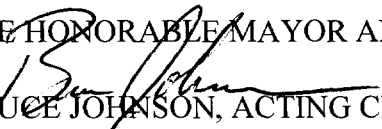


City of Alexandria, Virginia

MEMORANDUM

DATE: OCTOBER 13, 2011

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM:  BRUCE JOHNSON, ACTING CITY MANAGER

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) establishing the City's Voluntary Rent Guidelines for existing tenants at a percentage of not more than 5.5% where the tenant pays utilities and not more than 7.5% where the owner pays utilities, as recommended by the Landlord-Tenant Relations Board.

BACKGROUND: Virginia localities are prohibited from enacting rent control. However, for over 20 years, the City has encouraged landlords to limit rent increases in accordance with the City's Voluntary Rent Guidelines, which are suggested maximum rent increases for existing tenants. These voluntary guidelines provide no enforcement authority against landlords who fail to comply with them, as under Virginia law, the City has no authority to place mandatory limits on rent increases.

The Landlord-Tenant Relations Board reviews the Guidelines annually and makes recommendations to City Council regarding their adequacy. In preparing its recommendations, the Board considers rent data, market forecasts and vacancy surveys by Delta Associates, a national real estate consulting firm located in Alexandria, as well as data prepared by the Office of Housing in its annual apartment survey. The Office of Housing survey covers all rental complexes in the City with ten or more units. Delta Associates' survey is based on a representative sample of complexes in smaller area submarkets within the City, and distinguishes between "Class A" and "Class B" apartments.¹ The Board considers these data to formulate recommendations that will account for market trends without unduly burdening tenants. Table A in Attachment II illustrates voluntary rent guidelines since 2001. Delta Associates' data, shown in Table B in Attachment II, reflect fourth quarter, year-end 2010 data. Office of Housing data, also shown in Table B, reflect data collected in January 2011.

¹ 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.

DISCUSSION: The current guidelines are 5% if the tenant pays utilities and 7% if the landlord pays utilities. For the reasons below, this recommendation would increase both by 0.5% to 5.5% and 7.5%, respectively.

Staff estimates that most landlords in the City are in compliance with the guidelines for existing tenants. Complaints of rent increases exceeding the guidelines with staff mediation increased from 28 in fiscal year 2010 to 33 in fiscal year 2011, with both years including multiple complaints from a limited number of properties. While staff is generally successful in mediating reduced increases, not all cases result in the landlord's full compliance with the guidelines.

Alexandria's rental apartment market remains strong when compared to national trends. According to the Office of Housing's January 2011 survey, apartment vacancy Citywide decreased from 4.1% to 3.9% since January 2010. Delta Associates' year-end report for 2010 also indicated decreasing vacancy rates for all Alexandria submarkets compared to year end 2009. Both the City survey and Delta Associates reported vacancy rates well below the national rental vacancy rate, which *U.S. Census Bureau News* reported as 9.4% in the fourth quarter of 2010.

The Office of Housing survey shows that Citywide average asking rents for new tenants increased 8.7% from January 2010 to January 2011. Delta Associates' survey reported rent growth in Alexandria submarkets of between 7.7% and 12.7% for the fourth quarter 2010 compared to the same period in 2009.

The Landlord-Tenant Relations Board considers it critical that the guidelines be reasonable and consistent with market conditions for landlords to comply. While the guidelines apply only to lease renewals, the Board advises increasing the guidelines based on increases in market rents to reflect changing market conditions.

Therefore, at its September 7, 2011, meeting, the Landlord-Tenant Relations Board voted unanimously to recommend that City Council adopt the attached resolution encouraging landlords to limit increases for current residents to a maximum 5.5% increase for properties with tenant paid utilities, and 7.5% for properties with utilities included in rents.

FISCAL IMPACT: None.

STAFF:

Mark Jinks, Deputy City Manager
Mildrilyn Stephens Davis, Director, Office of Housing
Melodie Seau, Division Chief, Office of Housing

ATTACHMENTS:

Attachment I: 2011 Voluntary Rent Guidelines Resolution
Attachment II: Tables A and B

2011 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 2011.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the Seal of the City of Alexandria to be affixed this 12th day of October, 2011.

ADOPTED:

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

ATTEST:

Jacqueline Henderson, City Clerk

Table A
Rent Guidelines 2001 – 2009

Year	% for Tenant-Paid Utilities	% for Landlord-Paid Utilities
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%
2009	5.5%	7.5%
2010	5.0%	7.0%
2011 (proposed)	5.5%	7.5%

Table B
Comparison of Rent and Vacancy Data

	City Survey Properties January 2011 ²	Delta Associates- Vacancy and Average Effective Rent ³ December 2010			
		Alexandria Highrise Class A	Old Town Class B	West Alexandria Class B	
				Garden	Highrise
Stabilized Vacancy ⁴	3.9%	5.1%	.4%	1.6%	2.2%
Stabilized Vacancy Prior Year	4.1%	6.0%	2.6%	4.7%	5.0%
Average Rent	\$1,516	\$1,901	\$1,297	\$1,482	\$1,461
Prior Year	\$1,395	\$1,766	\$1,203	\$1,333	\$1,299
Increase/Decrease from prior year	8.7%	7.6%	7.8%	11.1%	12.5%

² Applies to vacant units for rent to new tenants.

³ Effective Rents adjust for the value of concessions. The City's survey does not adjust for concessions.

⁴ 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.

RESOLUTION NO. 2477

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.

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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 2011.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the Seal of the City of Alexandria to be affixed this 12th day of October, 2011.

Adopted: October 25, 2011



WILLIAM D. EULLE MAYOR

ATTEST:

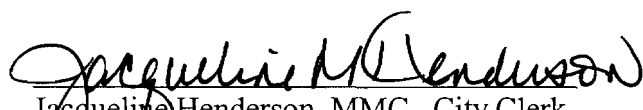

Jacqueline Henderson, MMC City Clerk

Table A
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