

City of Alexandria, Virginia

MEMORANDUM

DATE: SEPTEMBER 29, 2010

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

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

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 1) establishing the City's Voluntary Rent Guidelines at a percentage of not more than 5% when the tenant pays utilities and not more than 7% when the owner pays utilities, as recommended by the Landlord-Tenant Relations Board.

BACKGROUND: Since 1950, the Code of Virginia has prohibited localities 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 current 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, 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 Landlord-Tenant Relations Board focuses its analysis of Delta's data on its Class B properties, since over 80% of properties in Alexandria are in the Class B Apartment category. The Board considers these data to recommend adjustments that allow for market trends

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. The Class B properties are located in the Old Town, West Alexandria Garden, and West Alexandria Highrise submarkets.

and property owners' cost increases without unduly burdening tenants. Table A in Attachment 2 illustrates voluntary rent guidelines since 2000. The Delta Associates' data, shown in Table B in Attachment 2, reflect fourth quarter, year end 2009 data.

DISCUSSION: The current guidelines allow a 5.5% rent increase ceiling if the tenant pays utilities and 7.5% if the landlord pays utilities. For the reasons below, this recommendation would reduce both by 0.5%. Staff estimates that nearly all landlords in the City are in compliance with current guidelines.

Alexandria's rental apartment market remains strong when compared to national trends. According to the Office of Housing's January 2010 survey, apartment vacancy Citywide decreased slightly, from 4.4% to 4.1% since last January. Although Delta Associates' year end report for 2009 indicated slightly higher vacancy rates compared to year end 2008, the City survey and Delta Associates reported vacancy rates well below the national rental vacancy rate of 10.7% as reported by *U.S. Census Bureau News* for the fourth quarter of 2009.

However, both surveys reflect a decline in market rents. The Office of Housing survey shows that Citywide average rents decreased 2.4% from January 2009 to January 2010. Delta's survey shows declining Class B average rents in all of its submarkets that are located completely within the City. Delta reported a 5.3% decrease in average rents in the Old Town submarket. In the City's west end, Delta's survey indicated a 3.5% decrease in garden apartments and a 5.8% decrease in high rise buildings.

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 reducing the guidelines based on decreases in market rents to reflect changing market conditions. During previous periods of rent decreases, staff has received complaints from tenants who received increases that resulted in rents greater than the rent for new tenants. However, the Board recommends that the rent guideline reduction be modest in order to maximize compliance, given the current relatively low rate of vacancy.

Therefore, at its September 1, 2010 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% increase for properties with tenant paid utilities, and 7% for properties with utilities included in rents.

FISCAL IMPACT: None.

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

ATTACHMENTS: I. 2010 Voluntary Rent Guidelines Resolution
II. Tables A and B

2010 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 percent cumulatively per year;
- If all utilities are included in the rental amount, not more than seven 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, 2010.

ADOPTED:

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

ATTEST:

Jacqueline Henderson, City Clerk

Table A
Rent Guidelines 2000 – 2009

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

Table B
Comparison of Rent and Vacancy Data

	City Survey Class A&B Properties January 2010	Delta Associates- Vacancy and Average Effective Rent ² Class B Properties Only - December 2009		
		Old Town	West Alexandria	
			Garden	Highrise
Stabilized Vacancy ³	4.1%	2.6%	4.7%	5.0%
Stabilized Vacancy Prior Year	4.4%	2.4%	4.6% ⁴	4.6%
Average Rent	\$1,395	\$1,203	\$1,333	\$1,299
Prior Year	\$1,430	\$1,269	\$1,380	\$1,374
Increase/Decrease from prior year	(2.4%)	(5.3%)	(3.5%)	(5.8%)

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

³ 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.

⁴ Prior year submarket data for West Alexandria Class B properties did not distinguish between garden and highrise apartments

RESOLUTION NO 2419
2010 VOLUNTARY RENT GUIDELINES RESOLUTION
CITY OF ALEXANDRIA, VIRGINIA

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

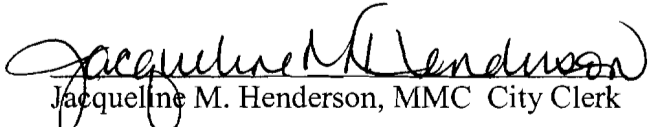
IN WITNESS WHEREOF, I have hereunto set my hand and caused the Seal of the City of Alexandria to be affixed this 12th day of October, 2010.

Adopted: October 12, 2010



WILLIAM D. EULLE MAYOR

ATTEST:


Jacqueline M. Henderson, MMC City Clerk