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City of Alexandria, Virginia

MEMORANDUM

DATE: JUNE 17, 2015
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: MARK B. JINKS, CITY MANAGER /s/

DOCKET TITLE:

Consideration of Resolution From The Landlord-Tenant Relations Board Regarding The Voluntary Rent Guidelines. [ROLL-CALL VOTE]

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 2015 Voluntary Rent Guidelines at a percentage of not more than 5% where the tenant pays utilities and not more than 7% where the owner pays utilities, as recommended by the Landlord-Tenant Relations Board. This would maintain the percentages recommended by the current guidelines.

BACKGROUND: Virginia localities are prohibited from enacting rent control. However, for over 25 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, and Council is then asked to adopt a voluntary rent guidelines resolution. 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. The Board considers these data to formulate recommendations that will account for market trends without unduly burdening tenants. Table A in Attachment II illustrates Office of Housing data collected in January of each year and voluntary rent guidelines since 2005. Table B in Attachment II reflects Delta Associates' year-end 2014 data.

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 not change the current guidelines.

Staff estimates that most landlords in the City are in compliance with the guidelines and staff is generally successful in mediating reduced increases. An Office of Housing survey of Alexandria landlords conducted in April 2015 indicates that most property owners and managers comply with the City's Voluntary Rent Guidelines. The Office of Housing received more than 40 responses to a survey of multifamily property managers and owners which asked if they were aware of the City's Voluntary Rent Guidelines and used the Guidelines in calculating rent increases for tenants at the end of their lease term. Eighty one percent of the respondents said that they were aware of the City's Guidelines and 67 percent responded that they considered the Guidelines when calculating rent increases for current tenants.

Not all cases mediated result in the landlord's full compliance with the guidelines, but staff is often able to mediate a lower increase to the tenant. In addition, the guidelines recognize and direct staff to consider unusual costs, capital improvements and major repairs to the property and an increase in the assessment of the property of more than 50%.

Alexandria's rental apartment market remains strong when compared to national trends. According to the Office of Housing's January 2015 survey, apartment vacancy Citywide decreased from 3.59% to 3.19% from January 2014 to January 2015. Delta Associates' year-end report for 2014 indicated decreased vacancy rates or stable vacancy rates for submarkets in Alexandria. 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 7% in the fourth quarter of 2014.

The Office of Housing survey shows that citywide average rents for new tenants increased 4.7% from January 2014 to January 2015. Delta Associates' survey reported increases in all submarkets with the exception of West Alexandria apartments in the fourth quarter of 2014.

The Landlord-Tenant Relations Board considers it critical that the guidelines be reasonable and consistent with market conditions for landlords to comply and recommends increasing the percentages when market rent increases indicate a strong rental market. However, the purpose of the guidelines is to encourage property owners to keep increases reasonable for lease renewals.

At its June 3, 2015 meeting, the Landlord-Tenant Relations Board voted to recommend that City Council adopt

the attached resolution encouraging landlords to continue 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.

ATTACHMENTS:

1. 2015 Voluntary Rent Guidelines Resolution
2. Data Summary for 2015

STAFF:

Emily Baker, Acting Deputy City Manager
Helen McIlvaine, Acting Director, Office of Housing
Melodie Seau, Division Chief, Office of Housing