



Legislation Text

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City of Alexandria, Virginia

MEMORANDUM

DATE: MAY 16, 2018

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: MARK B. JINKS, CITY MANAGER /s/

DOCKET TITLE:

Consideration of a Resolution from the Landlord-Tenant Relations Board Regarding the Voluntary Rent Guidelines. [ROLL-CALL VOTE]

ISSUE: City Council consideration of a resolution regarding Voluntary Rent Guidelines.

RECOMMENDATION: That City Council approve the attached resolution (Attachment 1) establishing the City's 2018 Voluntary Rent Guidelines for maximum rent increases 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 30 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 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. Class A properties represent the highest quality buildings in their market and area. They are generally newer properties built within the last 15 years with top amenities, high-income earning tenants and low vacancy rates. Class B properties tend to have lower income tenants and may or may not be professionally managed.

The Board considers these data to formulate recommendations that will account for market trends without unduly burdening tenants. It is important to keep the guidelines reasonable or landlords will not comply.

Table A in Attachment 2 illustrates average rents in the City based on survey data collected by the Office of Housing in January of each year. Tables B and C in Attachment 2 reflects Delta Associates' year-end 2016 and 2017 and first quarter 2018 data.

DISCUSSION: The current guidelines for maximum rent increases are 5% if the tenant pays utilities and 7% if the landlord pays utilities. For the reasons stated below, this recommendation would not change the current guidelines.

Staff uses the Guidelines as a tool for mediation, and staff is generally successful in mediating reduced increases when a tenant complains that a proposed increase is unduly burdensome. Not all cases mediated result in the landlord's full compliance with the guidelines, but staff is very 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 or an increase in the assessment of the property of more than 50%.

Alexandria's rental apartment market remains extremely strong when compared to national trends. According to the Office of Housing's January 2018 survey, apartment vacancy Citywide decreased significantly from 4.33% from January 2017 to 2.2% in January 2018. Delta Associates' year-end report for 2017 indicated vacancy rates in Alexandria of between 1.4% in Old Town and 4.4% in West Alexandria class B high rise properties. Vacancy rates for the first quarter of 2018 were between 1.4% and 4.5% in West Alexandria high rise properties. Both the City and Delta Associates reported vacancy rates well below the national rental vacancy rate, which the U.S. Census Bureau reported was 6.9% in the fourth quarter of 2017, and 7% in the first quarter of 2018.

The Office of Housing survey shows that citywide average rents for new tenants increased 4.3% from January 2017 to January 2018. Year-end data provided by Delta Associates indicated slight decreases in three submarkets and increases in two submarkets in the fourth quarter of 2017, and increases in three submarkets in the first quarter of 2018.

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 for City residents at all income levels.

At its May 2, 2018 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. 2018 Voluntary Rent Guidelines Resolution
2. Data Summary for 2018

STAFF:

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