



Legislation Text

File #: 19-2151, Version: 1

City of Alexandria, Virginia

MEMORANDUM

DATE: OCTOBER 16, 2019

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 Voluntary Rent Increase Guidelines. [ROLL-CALL VOTE]

ISSUE: Consideration of a Resolution from the Landlord-Tenant Relations Board regarding Voluntary Rent Guidelines.

RECOMMENDATION: That City Council approve a resolution from the Landlord-Tenant Relations Board affirming the City's Voluntary Rent Guidelines at 5%.

BACKGROUND: Virginia localities are prohibited from enacting rent control. However, for over 30 years, the City has encouraged landlords to limit rent increases for existing tenants 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.

Prior to 2000, very few Alexandria landlords with properties of 10 or more rental units failed to comply with the City's 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 a large number of rental units were converted to condominiums and rents increased throughout the D.C. metropolitan area. Over the years the guidelines have been adjusted to reflect market conditions and to encourage compliance, allowing increases in the case of substantial property tax rate or utility cost increases (when paid by the owners and included in rent), renovations, and in other certain other circumstances.

The table below illustrates these changes.

Rent Guidelines 2000 - 2018

Year	% for Tenant Paid Utilities	% Utilities Included
2000	5.0%	7.5%
2001 - 2002	5.0%	9.0%
2003 - 2005	5.0%	7.0%
2006	7.0%	9.5%
2007-2008	5.5%	7.5%
2009 - 2018	5.0%	7.0%

In the past a resolution from City Council carried some weight in the rental industry, but this is no longer true in today's multifamily market. Over the last fifteen years many software products have been developed to calculate comparable market rents, and the rent for a given unit or property changes frequently, often daily. All large professional management companies use these dynamic pricing systems for rent calculation, as do many smaller firms and even some property owners that self-manage their properties. The systems determine rent, and property management staff does not have authority to reduce or modify the recommended rents. Staff has been able to negotiate for lower rents for existing tenants renewing leases, and some management companies will recheck rents again immediately prior to the start of a new lease and offer the tenant a lower amount if the asking rent is lower at that time, but few cases result in the rent lowered to the increase recommended by the guidelines.

Since 2000 there have been more than 8,500 new class A luxury rental apartments built in 32 new multifamily developments in the City, and these units lease up quickly, skewing Alexandria's "average" asking rents upward. In addition, class B properties are being sold and repositioned much more frequently than in years past, and investors are actively financing these acquisitions. Acquisition prices have routinely grown to above \$200,000/unit in Alexandria: with some cosmetic improvements and new amenities, these older apartments are repositioned as B+/A- properties, with rents much higher than before the sale.

Although rents are rapidly increasing in the City, staff and the Board recognize that increases are largely driven by new luxury apartments added since 2000. The priority for establishing Voluntary Rent Increase Guidelines is to encourage property owners with more affordable market rents to limit rent increases to an increase that will not economically displace low- and moderate-income residents of the City.

Where the voluntary guidelines have proved to be very valuable is in City assisted affordable development and in the Affordable Rental Set-Aside Program. Because income in the region has been rising, the rents affordable to households at 40%, 50%, and 60% AMI have risen well above 5%. The guidelines have limited increases for current residents to 5% for tenants in affordable set-asides and other affordable properties.

Since the recommendation for rent increases has remained the same since 2009, both staff and the Landlord-Tenant Relations Board believe that it is not necessary to automatically bring a resolution to City Council on an annual basis unless in the future these rent guidelines are proposed to change.

However, having a policy of recommended maximum increases assists staff in negotiating with landlords to

reduce rent increases, and there are landlords in the City that base rent increases for current tenants on the City's guidelines. In addition, the policy allows the City to seek compliance in the Affordable Rental Set-Aside Program and affordable properties that have received financial assistance from the City.

The Landlord-Tenant Relations Board will continue to monitor market conditions, but going forward the recommendation will remain at 5% and staff will not seek annual action by City Council unless the Board identifies a compelling reason to change the recommended percentage.

DISCUSSION: Staff recommends that the City continue to recommend a maximum 5% percent increase annually, as an increase of more than 5% can be burdensome, especially to low- and moderate-income households. However, such an action does not require an annual resolution by City Council in order to implement as this can be accomplished administratively through annual communication with property owners and managers. In addition, because very few properties currently provide rents that include all utilities, and most properties without metered utilities have gone to a system of Ratio Utility Billing Systems (RUBS), as allowed by Virginia Code, staff does not see a need to distinguish the percentage of increase based on tenant paid utilities.

During its annual review, if the Landlord-Tenant Relations Board identifies a compelling reason to change the guidelines, the recommendation would be brought to City Council.

FISCAL IMPACT: None

ATTACHMENTS:

1. 2019 Data Summary
2. 2019 Voluntary Rent Guidelines Resolution

STAFF:

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