

CALCULATION

HOW TO AGREE ON THE RENT

For a period starting **after** April 1, **2020** but
before April 2, **2021**

For the dwelling at:

**IMPORTANT: This form is a negotiation tool to be used by lessees and lessors.
IT MUST NOT BE RETURNED TO THE TRIBUNAL.**

TO REACH US

Montréal, Laval and
Longueuil:

514 873-BAIL (2245)*

Elsewhere:

1 800 683-BAIL (2245)*

*An automated information
service is available around
the clock

TRIBUNAL ON THE WEB

The present form is also
available in electronic version
on the website of the Tribunal
administratif du logement:

www.tal.gouv.qc.ca

You will also find its laws and
regulations, publications, the
main form in use, as well as
answers to the most frequently
asked questions.

When the Tribunal administratif du logement is called upon to set the rent variation, it applies the rules established by the *Regulation respecting the criteria for the fixing of rent*. The present document aims at helping lessees and lessors of Québec to negotiate on the basis of a good knowledge of the criteria that would be used by the Tribunal if ever such intervention should be required.

The rules concerning the renewal of the lease are fixed in the *Civil Code of Québec* and reproduced on the mandatory lease form. By following the time limit allotted according to the duration of the lease, the lessor may give a notice of rent increase. Within a month of receiving the notice, the lessee may dispute the rent increase by notifying the lessor of his refusal. If the two parties do not reach an agreement, the lessor has one month following the reception of the lessee's refusal to file an application at the Tribunal administratif du logement.

These rules leave plenty of ground for negotiation to take place. Before a decision has been rendered, the two parties can conclude an agreement at any given time, based on considerations that they judge to be relevant.

When fixing the rent, the existing rent is adjusted according to data related to the building. When both parties agree at least about the amounts of the building's revenue and expenses, the use of this form enables them to compute the adjustments to bring to the rent, according to the criteria for the fixing of the rent.

This form also applies to buildings with commercial premises.

Some particular situations, which could be settled in court, are not foreseen in this **simplified version**, for instance a service introduced in the course of the past year that involves new operating expenses or an expense that does not benefit to all the occupants of the building.

Page 2 is a guideline for using the form on page 3. Explanatory notes about certain categories of expenses are on page 4. An example of how to use this form is available on a separate sheet.

BUILDING'S REVENUE

Enter the sum of the monthly rents for all rented dwellings and commercial premises in December 2019.

Estimate the value of vacant dwellings and premises according to the rents charged for comparable leased dwellings. Likewise, estimate the rents of dwellings and units occupied by the lessor, the lessor's family, an employee or used for the operation of the building.

If such be the case, enter other **annual revenue** collected in 2019 that comes from the operation of the building (for instance, services payable upon use, like a laundromat). However, do not include the revenue of operation of a non-residential premise.

BUILDING'S OPERATING EXPENSES

Enter the amount of **municipal tax** and **school tax** billed for the building for each year as indicated and calculate the difference between the two amounts.

For the building's **insurance** (fire and liability), enter the amount of the bill pertaining to the policy in force on December 31, 2019 and the one on December 31, 2018 and calculate the difference between them.

For other expenses, only the costs of the year 2019 are being considered. In each case, multiply the amount of the expense by the indicated adjustment rate.

For more information about **energy**, **maintenance**, **service** and **management** costs, refer to explanatory notes on page 4.

Management costs are set at 5% of amount **A**, in order to avoid calculation of minor costs and the lessor's time value spent managing the building. However, real costs may be considered up to a maximum of 10% of the building's annual revenue.

NET REVENUE

Calculate the difference between the building's revenue and the total of the building's operating expenses. Then multiply the result by the indicated rate.

MAJOR REPAIRS AND IMPROVEMENTS RELATED TO THE WHOLE BUILDING

For further information about **major repairs and improvements**, refer to the explanatory note on page 4. Multiply the total of those expenses, for the year 2019, by the indicated rate.

ADJUSTMENT RATE FOR THE RENTS OF THE BUILDING

The sum of the adjustments retained (operating expenses, net revenue and major repairs and improvements) divided by the building's annual revenue leads to an adjustment rate for all the rents of the building, before considering any major repairs specific to some dwellings.

MAJOR REPAIRS AND IMPROVEMENTS SPECIFIC TO THE DWELLING

If **major repairs or improvements** have been made in this dwelling in 2019, enter the amount and multiply it by the indicated rate, then divide by 12 in order to obtain the monthly adjustment.

If some repairs benefited to more than a dwelling (but not to the whole building), evaluate the cost attributable to the dwelling subjected to this calculation.

RENT ADJUSTMENT FOR THE DWELLING

Multiply the actual monthly rent by the justifiable adjustment rate **F** for the building, then if such be the case, add the additional adjustment **G** for expenses specific to the dwelling.

By virtue of the rules applied in judicial assessment, the result is **rounded** to the nearest dollar.

BUILDING'S REVENUE

	Dwellings	Non-residential premises		
	Monthly rents	Monthly rents		
Rented	\$	\$		
Vacant	\$	\$		
Occupied by the lessor	\$	\$		
	(Total of the above boxes)	(Total of the above boxes)		
Total	\$	\$	=	\$
				x 12
				\$
				Annual revenue
				\$
				(Total of the above boxes)
Other revenue from the operation of the building				A \$

BUILDING'S OPERATING EXPENSES

		Amount of the expense		Adjustment	
	Year 2020	Year 2019			
Taxes	Municipal: \$	\$	=	\$	
	School: \$	\$	=	\$	
Insurance		December 31, 2019 \$	=	December 31, 2018 \$	
Energy	Electricity: \$	x - 1.3%	=	\$	
	Gas: \$	x 2.5%	=	\$	
	Heating oil (or other source): \$	x - 2.8%	=	\$	
Maintenance		\$	x 2.1%	=	\$
Service		\$	x 2.9%	=	\$
Management		\$	x 1.9%	=	\$
		(Total of the above boxes)		(Total of the above boxes)	
Operating expenses		B \$		C \$	

NET REVENUE

Amount **A** minus amount **B** : \$ x 1.0% = **D** \$

MAJOR REPAIRS AND IMPROVEMENTS RELATED TO THE WHOLE BUILDING

Major expenses benefiting the whole building Year 2019 \$ x 3.1% = **E** \$

ADJUSTMENT RATE FOR THE RENTS OF THE BUILDING

(Add amounts **C**, **D** and **E**) (Enter amount **A**)
 \$ ÷ \$ = x 100 = **F** %

MAJOR REPAIRS AND IMPROVEMENTS SPECIFIC TO THE DWELLING

Major expenses specific to the dwelling (aside from the expenses declared in box **E**) Year 2019 \$ x 3.1% = \$ ÷ 12 = **G** \$

RENT ADJUSTMENT FOR THE DWELLING

Dwelling's monthly rent (before increase) \$ Enter rate **F** : x % = \$ + (Enter amount **G**) \$ = \$ After rounding off: \$

EXPLANATORY NOTES

ENERGY

Energy costs are those that are assumed by the lessor for all the dwellings, non-residential premises and common areas of the building, notably for the heating, electricity consumption or hot water. They may be costs for electricity, gas or heating oil (or another source of energy) or even a combination of those different sources of energy.

Reminder: this simplified calculation is not suited to cover the cases where an expense does not benefit all the occupants of the building, for example, when some dwellings are heated at the expense of the lessor while the others are heated at the expense of the lessee.

MAINTENANCE

Maintenance costs are those that are assumed by the lessor for minor repairs and upkeep of the building, the dwellings, the grounds and of the installations that benefit the lessees.

Consider the products necessary for maintenance, materials used for minor repairs, expenses related to snow removal, minor carpentry and painting work, the maintenance of the grounds, the plumbing, the heating system, electrical wiring, elevators, washers and dryers, stoves and refrigerators, pool and machinery.

Consider also the wages of employees who carry out the work and maintain the building (e.g., janitor) as well as fees due in virtue of a service contract (e.g., electrician, plumber).

SERVICE

Service costs are those that are assumed by the lessor to provide the lessee with services included in the lease such as security, food, personal care, etc.

These expenses include namely the salary of employees providing the services (e.g., security guard, cook, nurse, care giver, doorman) whether the employees work for the lessor or are incurred by way of a service contract.

Also included is the cost of inherently related products (e.g., food, nursing products).

MANAGEMENT

Management costs include management contracts, wages and other expenses relating to administrative staff, office expenses, advertising expenses, legal and accounting fees.

However, interest and reimbursement of capital, capital cost allowance and cost relating to the sale or acquisition of a building must not be included.

In order to avoid calculation of minor expenses and the value of time that the lessor spends in the management of the building, these costs are set at 5% of the building's annual revenue. Nevertheless, it is possible to consider real costs incurred in the management of the building up to a maximum of 10% of the building's annual revenue.

MAJOR REPAIRS AND IMPROVEMENTS

The costs of **major repairs and improvements** are not part of the general operating expenses, which are assumed on a regular basis for the building.

They may be expenses for repairing or modifying the major components of the building's structure (e.g., roof, plumbing, heating system, insulation, windows), for renovations (e.g., major carpentry and painting work) in the dwellings or common areas or added installations (e.g., parking, pool).

Do not take into account an expense that benefits only to commercial premises.