

# EXAMPLE OF HOW TO USE THE FORM **CALCULATION** 2022

The example of the calculation reproduced here is that of a lessor occupying himself one of the three dwellings of his building, the other two are rented at \$750 and \$350 per month. All the dwellings are heated at the lessor's expense, who uses **electricity** as source of energy. Major repairs and improvements were made: some works concern the whole building, others concern the two dwellings above and some are specific to the dwelling of the tenant who pays a rent of \$750. We examine here the rent adjustment for this tenant.

The monthly rents of both tenants, in December 2021, are added up and the result is entered in the first box ( $\$750 + \$350 = \$1,100$ ). Secondly, the lessor estimates at **\$1,300** the rent of the dwelling that he occupies; it is the monthly rent usually asked for a dwelling comparable to his in the neighbourhood. The total is calculated ( $\$1,100 + \$1,300 = \$2,400$ ). Since there are no commercial premises, this amount is multiplied by 12 to obtain, in box A, the building's annual revenue (**\$28,800**).

The amount of municipal taxes billed for the building for the year 2022 is **\$2,880**, which represents an increase of 5.8% from the previous year (**\$2,721.60**). The first adjustment, calculated according to the difference between the two years is **\$158.40**. For school taxes, the difference between the amount of last year (**\$662.40**) and the year before (**\$625.97**) is equal to **\$36.43**, whereas for the insurance, the premium for last year is **\$691.20** in comparison with **\$662.17** for the year before that, which represents an increase of **\$29.03**.

The cost of electricity for the year 2021 is entered in the appropriate box, then multiplied by the indicated rate ( $\$3,456 \times 0.9\% = \$31.10$ ). Likewise, the cost of maintenance for the year 2021 is entered, then multiplied by the indicated rate ( $\$3,571.20 \times 1.6\% = \$57.14$ ).

There is no additional service included in the lease. Management costs remain to be calculated. The amount of the expense is set at 5% of the building's revenue, determined in box A ( $\$28,800 \times 5\% = \$1,440$ ). Then, this amount is multiplied by the indicated rate in order to obtain the amount of the adjustment ( $\$1,440 \times 2.7\% = \$38.88$ ).

The total of the column *amount of the expense* (**\$12,542.40**) is entered in box B and the total of the column *adjustment* (**\$350.98**), in box C.

BUILDING'S REVENUE			
	Dwellings	Non-residential premises	
	Monthly rents	Monthly rents	
Rented	\$ 1,100.00	\$	
Vacant	\$	\$	
Occupied by the lessor	\$ 1,300.00	\$	
	<small>(Total of the above boxes)</small>	<small>(Total of the above boxes)</small>	
<b>Total</b>	\$ 2,400.00	+	\$
		=	\$ 2,400.00
			x 12
			↓
			\$ 28,800.00
			<small>Annual revenue</small>
			\$
			<small>(Total of the above boxes)</small>
			<b>A \$ 28,800.00</b>

BUILDING'S OPERATING EXPENSES			
	Amount of the expense		Adjustment
<b>Taxes</b> Municipal property taxes :	<small>Year 2022</small>	<small>Year 2021</small>	
	\$ 2,880.00	\$ 2,721.60	= \$ 158.40
		<small>Year 2021-2022</small>	
School taxes :		\$ 662.40	- \$ 625.97 = \$ 36.43
		<small>December 31, 2021</small>	
<b>Insurance</b>		\$ 691.20	- \$ 662.17 = \$ 29.03
		<small>Year 2021</small>	
<b>Energy</b> Electricity :	\$ 3,456.00	x 0.9 %	= \$ 31.10
Gas :	\$	x 7.6 %	= \$
Heating oil (or other source) :	\$	x 17.5 %	= \$
<b>Maintenance</b>	\$ 3,571.20	x 1.6 %	= \$ 57.14
<b>Service</b>	\$	x 3.1 %	= \$
<b>Management</b>	\$ 1,440.00	x 2.7 %	= \$ 38.88
	<small>(Total of the above boxes)</small>		<small>(Total of the above boxes)</small>
<b>Operating expenses</b>	<b>B \$ 12,542.40</b>		<b>C \$ 350.98</b>

From the building's annual revenue (box A), we subtract the total of the operating expenses (box B). The difference (**\$16,257.60**) is then multiplied by the indicated rate. The result (**\$16,257.60 x 1.4% = \$227.61**) goes in box D.

During the year 2021, the lessor has replaced the main entrance door of the building at a cost of **\$1,300**. This amount is entered in the box and multiplied by the corresponding rate. The result (**\$1,300 x 2.0% = \$26.00**) goes in box E.

The amounts of boxes C, D and E are added up (**\$350.98 + \$227.61 + \$26.00 = \$604.59**), and this sum is divided by the building's revenue (box A). Then, the new result is multiplied by 100 in order to express it in percentage (**2.10%**) in box F.

In 2021, the lessor has installed new tiles in the tenant's bathroom at the cost of \$750. Furthermore, he has replaced the water heater servicing two tenants at the cost of \$500, a portion of which must be attributed to the dwelling; thus, to obtain the amount of expense specific to the dwelling, \$250 are added to the \$750 that are considered already (**\$750 + \$250 = \$1,000**). This amount is multiplied by the indicated rate (**\$1,000 x 2.0% = \$20.00**), then the result is divided by 12 to establish the monthly amount attributable to the dwelling, that is **\$1.67** (box G).

The monthly rent of the tenant is multiplied by the adjustment rate for the rents of the building, already calculated in box F (**\$750 x 2.10% = \$15.75**). Since there were major repairs and improvements specific to the dwelling, an additional amount of **\$1.67** from box G, is also taken into account. The result (**\$17.42**) is rounded to the nearest dollar, that is to say **\$17**.

**NET REVENUE**

Amount **A** minus amount **B**:  x 1.4% = **D**

**MAJOR REPAIRS AND IMPROVEMENTS RELATED TO THE WHOLE BUILDING**

Major expenses benefiting the whole building  Year 2021 x 2.0% = **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  Year 2021 x 2.0% =   
 (Aside from the expenses declared in box **E**) ÷ 12 = **G**

**RENT ADJUSTMENT FOR THE DWELLING**

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