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

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.

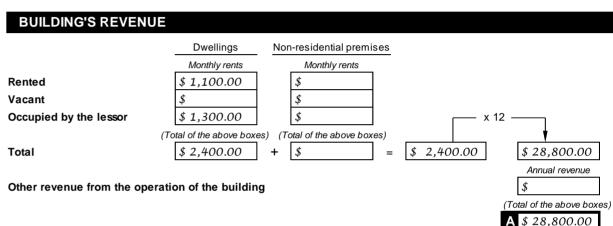
The monthly rents of both tenants, in December 2021, are added up and the result is entered in the first box (\$750 + \$350 = \$1,100). Secondly, the lessor estimates at \$1,300 the rent of the dwelling that he occupies; it is the monthly rent usually asked for a dwelling comparable to his in the neighbourhood. 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 x 5% = \$1,440). Then, this amount is multiplied by the indicated rate in order to obtain the amount of the adjustment (\$1,440 x 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 OPERATING EXPENSES Amount of the expense Adjustment Year 2022 Year 2021 = \$ 158.40 Taxes Municipal property taxes: \$ 2,880.00 \$ 2,721.60 Year 2021-2022 Year 2020-2021 \$ 662.40 \$ 625.97 = \$ 36.43 School taxes: December 31, 2021 December 31, 2020 \$ 691.20 \$ 662.17 = \$ 29.03 Insurance Year 2021 = \$ 31.10 Energy Electricity: \$ 3,456.00 0.9 % \$ 7.6 % = | \$ Heating oil (or other source): 17.5 % = \$ 57.14 \$ 3,571.20 Maintenance 1.6 % Service 3.1 % = \$ 38.88 Management \$ 1,440.00 2.7 % (Total of the above boxes) (Total of the above boxes) **B** \$ 12,542.40 **C** \$ 350.98 Operating expenses

Continued on the back

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 $(\$16,257.60 \times 1.4\% = \$227.61)$ 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 $(\$1,300 \times 2.0\% = \$26.00)$ 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.



Amount A minus amount B

\$ 16,257.60

D \$ 227.61

MAJOR REPAIRS AND IMPROVEMENTS RELATED TO THE WHOLE BUILDING

Year 2021

Major expenses benefiting the whole building

\$ 1,300.00

= \$ 26.00

ADJUSTMENT RATE FOR THE RENTS OF THE BUILDING

(Add amounts C D and E \$ 604.59

(Enter amount A) ÷ \$ 28,800.00

x 100 0.0210 2.10

MAJOR REPAIRS AND IMPROVEMENTS SPECIFIC TO THE DWELLING

Major expenses specific to the dwelling (Aside from the expenses declared in boxe E)

Year 2021 \$ 1,000.00

\$ 20.00 2.0 % 12 **G** \$ 1.67

RENT ADJUSTMENT FOR THE DWELLING

Dwelling's monthly rent (before increase)

Enter rate F

\$ 750.00 2.10

\$ 15.75

(Enter amount G \$ 1.67

\$ 17.42

After rounding off: \$ 17.00