EXAMPLE OF HOW TO USE THE FORM **CALCULATION** 2023

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.

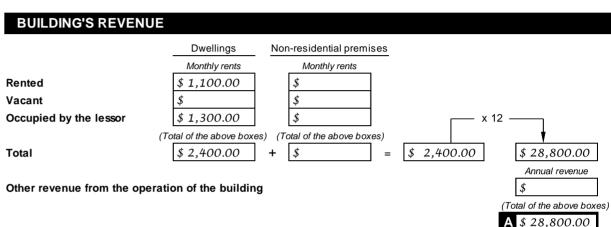
The monthly rents of both tenants, in December 2022, are added up and the result is entered in the first box (\$750 + \$350 = \$1,100). Secondly, the lessor estimates at \$1,300 the rent of the dwelling that he occupies; it is the monthly rent usually asked for a dwelling comparable to his in the neighbourhood. 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 2023 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 2022 is entered in the appropriate box, then multiplied by the indicated rate ($\$3,456 \times 2.3\% = \79.49). Likewise, the cost of maintenance for the year 2022 is entered, then multiplied by the indicated rate ($\$3,571.20 \times 5.7\% = \203.56).

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 3.5% = \$50.40).

The total of the column *amount of the expense* (\$12,542.40) is entered in box B and the total of the column *adjustment* (\$557.31), in box C.



BUILDING'S OPERATING EXPENSES

Operating expenses

Amount of the expense Adjustment Year 2023 Year 2022 = \$ 158.40 Taxes Municipal property taxes: \$ 2,880.00 \$ 2,721.60 Year 2022-2023 Year 2021-2022 \$ 662.40 \$ 625.97 = \$ 36.43 School taxes: December 31, 2022 December 31, 2021 \$ 691.20 \$ 662.17 = \$ 29.03 Insurance Year 2022 = \$ 79.49 Energy Electricity: \$ 3,456.00 2.3 % \$ 26.2 % = | \$ Heating oil (or other source): 40.1 % = \$ 203.56 \$ 3,571.20 Maintenance 5.7 % Service 4.6 % = \$ 50.40 Management \$ 1,440.00 3.5 % (Total of the above boxes) (Total of the above boxes)

B \$ 12,542.40

C \$ 557.31

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 1.8\% = 292.64) goes in box D.

During the year 2022, 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 3.8\% = $49.40)$ goes in box E.

The amounts of boxes C, D and E are added up (\$557.31 + \$292.64 + \$49.40 = \$899.35), 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 (3.12%) in box F.

In 2022, 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 \times 3.8\% = 38.00), then the result is divided by 12 to establish the monthly amount attributable to the dwelling, that is \$3.17 (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 \times 3.12\% = 23.40). Since there were major repairs and improvements specific to the dwelling, an additional amount of \$3.17 from box G, is also taken into account. The result (\$26.57) is rounded to the nearest dollar, that is to say \$27.



Amount A minus amount B

\$ 16,257.60

x 1.8

D \$ 292.64

MAJOR REPAIRS AND IMPROVEMENTS RELATED TO THE WHOLE BUILDING

Year 2022

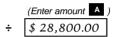
Major expenses benefiting the whole building

\$ 1,300.00

x 3.8 %

= \$ 49.40

ADJUSTMENT RATE FOR THE RENTS OF THE BUILDING





MAJOR REPAIRS AND IMPROVEMENTS SPECIFIC TO THE DWELLING

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

RENT ADJUSTMENT FOR THE DWELLING

Dwelling's monthly rent (before increase)

Enter rate **F**

\$ 750.00 x 3.12 %

= \$\\$ 23.40 +

\$ 3.17

(Enter amount G

After rounding off: \$ 27.00