

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 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 x 2.3% = \$79.49**). Likewise, the cost of maintenance for the year 2022 is entered, then multiplied by the indicated rate (**\$3,571.20 x 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 REVENUE			
	Dwellings	Non-residential premises	
	Monthly rents	Monthly rents	
Rented	\$ 1,100.00	\$	
Vacant	\$	\$	
Occupied by the lessor	\$ 1,300.00	\$	
	(Total of the above boxes)	(Total of the above boxes)	
Total	\$ 2,400.00	+	\$ 2,400.00
			x 12
			\$ 28,800.00
			Annual revenue
			\$
			(Total of the above boxes)
			A \$ 28,800.00

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

NET REVENUE

$$\text{Amount } \mathbf{A} \text{ minus amount } \mathbf{B} : \boxed{\$ 16,257.60} \times 1.8 \% = \mathbf{D} \boxed{\$ 292.64}$$

MAJOR REPAIRS AND IMPROVEMENTS RELATED TO THE WHOLE BUILDING

$$\text{Major expenses benefiting the whole building} \quad \begin{array}{c} \text{Year 2022} \\ \boxed{\$ 1,300.00} \end{array} \times 3.8 \% = \mathbf{E} \boxed{\$ 49.40}$$

ADJUSTMENT RATE FOR THE RENTS OF THE BUILDING

$$\begin{array}{c} \text{(Add amounts } \mathbf{C}, \mathbf{D} \text{ and } \mathbf{E} \text{)} \\ \boxed{\$ 899.35} \end{array} \div \begin{array}{c} \text{(Enter amount } \mathbf{A} \text{)} \\ \boxed{\$ 28,800.00} \end{array} = \begin{array}{c} \\ \boxed{0.0312} \end{array} \times 100 = \mathbf{F} \boxed{3.12} \%$$

MAJOR REPAIRS AND IMPROVEMENTS SPECIFIC TO THE DWELLING

$$\begin{array}{c} \text{Major expenses specific to the dwelling} \\ \text{(Aside from the expenses declared in box } \mathbf{E} \text{)} \end{array} \quad \begin{array}{c} \text{Year 2022} \\ \boxed{\$ 1,000.00} \end{array} \times 3.8 \% = \boxed{\$ 38.00}$$

$$\div 12 = \mathbf{G} \boxed{\$ 3.17}$$

RENT ADJUSTMENT FOR THE DWELLING

$$\begin{array}{c} \text{Dwelling's monthly rent (before increase)} \\ \text{Enter rate } \mathbf{F} : \end{array} \times \begin{array}{c} \boxed{\$ 750.00} \\ \boxed{3.12 \%} \end{array} = \boxed{\$ 23.40} + \begin{array}{c} \text{(Enter amount } \mathbf{G} \text{)} \\ \boxed{\$ 3.17} \end{array}$$

$$= \boxed{\$ 26.57}$$

$$\text{After rounding off : } \boxed{\$ 27.00}$$