

EXAMPLE OF HOW TO USE THE FORM **CALCULATION** **2024**

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 \$1,000.00 and \$500.00 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 \$1,000.00. We examine here the rent adjustment for this tenant.

The monthly rents of both tenants, in December 2023, are added up and the result is entered in the first box (**\$1,000.00 + \$500.00 = \$1,500.00**). Secondly, the lessor estimates at **\$1,500.00** 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 (**\$1,500.00 + \$1,500.00 = \$3,000.00**). Since there are no commercial premises, this amount is multiplied by 12 to obtain, in box A, the building's annual revenue (**\$36,000.00**).

BUILDING'S REVENUE		
	Dwellings	Non-residential premises
	Monthly rents	Monthly rents
Rented	\$ 1,500.00	\$
Vacant	\$	\$
Occupied by the lessor	\$ 1,500.00	\$
Total	(Total of the above boxes) \$ 3,000.00	(Total of the above boxes) \$
Other revenue from the operation of the building		
		x 12
		\$ 36,000.00
		Annual revenue
		\$
		(Total of the above boxes)
		A \$ 36,000.00

The amount of municipal taxes billed for the building for the year 2024 is **\$3,600.00**, which represents an increase of 5.8% from the previous year (**\$3,402.00**). The first adjustment calculated according to the difference between the two years is **\$198.00**. For school taxes, the difference between the amount of last year (**\$828.00**) and the year before (**\$782.46**) is equal to **\$45.54**, whereas for the insurance, the premium for last year is **\$864.00** in comparison with **\$827.71** for the year before that, which represents an increase of **\$36.29**.

The cost of electricity for the year 2023 is entered in the appropriate box, then multiplied by the indicated rate (**\$4,320.00 x 2.8% = \$120.96**). Likewise, the cost of maintenance for the year 2023 is entered, then multiplied by the indicated rate (**\$4,464.00 x 7.5% = \$334.80**).

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 (**\$36,000.00 x 5% = \$1,800.00**). Then, this amount is multiplied by the indicated rate in order to obtain the amount of the adjustment (**\$1,800.00 x 5.6% = \$100.80**).

The total of the column *amount of the expense* (**\$15,678.00**) is entered in box B and the total of the column *adjustment* (**\$836.39**), in box C.

BUILDING'S OPERATING EXPENSES		Amount of the expense	Adjustment
Taxes	Municipal property taxes :	Year 2024 \$ 3,600.00 - Year 2023 \$ 3,402.00	= \$ 198.00
	School taxes :	Year 2023-2024 \$ 828.00 - Year 2022-2023 \$ 782.46	= \$ 45.54
Insurance		December 31, 2023 \$ 864.00 - December 31, 2022 \$ 827.71	= \$ 36.29
Energy	Electricity :	Year 2023 \$ 4,320.00 x 2.8 %	= \$ 120.96
	Gas :	\$ x -7.3 %	= \$
	Heating oil (or other source) :	\$ x -10.0 %	= \$
Maintenance costs		\$ 4,464.00 x 7.5 %	= \$ 334.80
Building service costs		\$ x 5.3 %	= \$
Costs of services of a personal nature provided to the lessees (private seniors' residence)		\$ x 6.6 %	= \$
Management costs		\$ 1,800.00 x 5.6 %	= \$ 100.80
Operating expenses		(Total of the above boxes) B \$ 15,678.00	(Total of the above boxes) C \$ 836.39

Continued on the back

From the building's annual revenue (box A), we subtract the total of the operating expenses (box B). The difference (**\$20,322.00**) is then multiplied by the indicated rate. The result (**\$20,322.00 x 3.9% = \$792.56**) goes in box D.

During the year 2023, the lessor has replaced the main entrance door of the building at a cost of **\$1,300.00**. This amount is entered in the box and multiplied by the corresponding rate. The result (**\$1,300.00 x 4.8% = \$62.40**) goes in box E.

The amounts of boxes C, D and E are added up (**\$836.39 + \$792.56 + \$62.40 = \$1,691.35**), 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 (**4.70%**) in box F.

In 2023, the lessor has installed new tiles in the tenant's bathroom at the cost of **\$750.00**. Furthermore, he has replaced the water heater servicing two tenants at the cost of **\$1,000.00**, a portion of which must be attributed to the dwelling; thus, to obtain the amount of expense specific to the dwelling, **\$500.00** are added to the **\$750.00** that are considered already (**\$750.00 + \$500.00 = \$1,250.00**). This amount is multiplied by the indicated rate (**\$1,250.00 x 4.8% = \$60.00**), then the result is divided by 12 to establish the monthly amount attributable to the dwelling, that is **\$5.00** (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 (**\$1,000.00 x 4.70% = \$47.00**). Since there were major repairs and improvements specific to the dwelling, an additional amount of **\$5.00** from box G, is also taken into account. The result (**\$52.00**) is already rounded to the nearest dollar.

NET REVENUE

$$\text{A} \quad \text{Amount} \quad \text{minus amount B} : \quad \$ 20,322.00 \quad \times \quad 3.9\% \quad = \quad \text{D} \quad \$ 792.56$$

MAJOR REPAIRS AND IMPROVEMENTS RELATED TO THE WHOLE BUILDING

$$\text{Major expenses benefiting the whole building} \quad \text{Year 2023} \quad \$ 1,300.00 \quad \times \quad 4.8\% \quad = \quad \text{E} \quad \$ 62.40$$

ADJUSTMENT RATE FOR THE RENTS OF THE BUILDING

$$\text{(Add amounts C, D and E)} \quad \$ 1,691.35 \quad \div \quad \text{(Enter amount A)} \quad \$ 36,000.00 \quad = \quad 0.0470 \quad \times 100 \quad = \quad \text{F} \quad 4.70\%$$

MAJOR REPAIRS AND IMPROVEMENTS SPECIFIC TO THE DWELLING

$$\text{Major expenses specific to the dwelling} \quad \text{Year 2023} \quad \$ 1,250.00 \quad \times \quad 4.8\% \quad = \quad \$ 60.00$$

$$\text{(Aside from the expenses declared in box E)} \quad \div \quad 12 \quad = \quad \text{G} \quad \$ 5.00$$

RENT ADJUSTMENT FOR THE DWELLING

$$\text{Dwelling's monthly rent (before increase)} \quad \text{Enter rate F} : \quad \$ 1,000.00 \quad \times \quad 4.70\% \quad = \quad \$ 47.00 \quad + \quad \text{(Enter amount G)} \quad \$ 5.00$$

$$= \quad \$ 52.00$$

$$\text{After rounding off :} \quad \$ 52.00$$