

EXAMPLE OF HOW TO USE THE FORM **CALCULATION** **2018**

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 2017, 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 2018 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 2017 is entered in the appropriate box, then multiplied by the indicated rate (**\$3,456 x -0.9% = \$-31.10**). Likewise, the cost of maintenance for the year 2017 is entered, then multiplied by the indicated rate (**\$3,571.20 x 1.5% = \$53.57**).

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 0.7% = **\$10.08**).

The total of the column *amount of the expense* (**\$12,542.40**) is entered in box B and the total of the column *adjustment* (**\$256.41**), 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
Other revenue from the operation of the building			\$
			(Total of the above boxes)
			A \$ 28,800.00

BUILDING'S OPERATING EXPENSES			
	Amount of the expense		Adjustment
	Year 2018	Year 2017	
Taxes	Municipal property taxes : \$ 2,880.00	- \$ 2,721.60	= \$ 158.40
	School taxes :	\$ 662.40	- \$ 625.97 = \$ 36.43
Insurance	December 31, 2017 : \$ 691.20	- December 31, 2016 : \$ 662.17	= \$ 29.03
Energy	Electricity : \$ 3,456.00	x -0.9 %	= \$ -31.10
	Gas :	\$	x 1.3 % = \$
	Heating oil (or other source) :	\$	x 12.3 % = \$
Maintenance	\$ 3,571.20	x 1.5 %	= \$ 53.57
Service	\$	x 1.3 %	= \$
Management	\$ 1,440.00	x 0.7 %	= \$ 10.08
Operating expenses	(Total of the above boxes)	B \$ 12,542.40	(Total of the above boxes)
			C \$ 256.41

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 ($\$16,257.60 \times 0.4\% = \mathbf{\$65.03}$) goes in box D.

During the year 2017, 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 ($\$1,300 \times 2.4\% = \mathbf{\$31.20}$) goes in box E.

The amounts of boxes C, D and E are added up ($\$256.41 + \$65.03 + \$31.20 = \mathbf{\$352.64}$), 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 (**1.22%**) in box F.

In 2017, 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 ($\$750 + \$250 = \mathbf{\$1,000}$). This amount is multiplied by the indicated rate ($\$1,000 \times 2.4\% = \mathbf{\$24}$), then the result is divided by 12 to establish the monthly amount attributable to the dwelling, that is **\$2.00** (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 ($\$750 \times 1.22\% = \mathbf{\$9.15}$). Since there were major repairs and improvements specific to the dwelling, an additional amount of **\$2.00** from box G, is also taken into account. The result (**\$11.15**) is rounded to the nearest dollar, that is to say **\$11**.

NET REVENUE

$$\text{Amount } \mathbf{A} \text{ minus amount } \mathbf{B} : \boxed{\$ 16,257.60} \times 0.4\% = \mathbf{D} \boxed{\$ 65.03}$$

MAJOR REPAIRS AND IMPROVEMENTS RELATED TO THE WHOLE BUILDING

$$\text{Major expenses benefiting the whole building} \quad \begin{array}{c} \text{Year 2017} \\ \boxed{\$ 1,300.00} \end{array} \times 2.4\% = \mathbf{E} \boxed{\$ 31.20}$$

ADJUSTMENT RATE FOR THE RENTS OF THE BUILDING

$$\begin{array}{l} \text{(Add amounts } \mathbf{C}, \mathbf{D} \text{ and } \mathbf{E}) \\ \boxed{\$ 352.64} \end{array} \div \begin{array}{l} \text{(Enter amount } \mathbf{A}) \\ \boxed{\$ 28,800.00} \end{array} = \begin{array}{c} \boxed{0.0122} \\ \times 100 \\ \mathbf{F} \boxed{1.22} \end{array} \%$$

MAJOR REPAIRS AND IMPROVEMENTS SPECIFIC TO THE DWELLING

$$\begin{array}{l} \text{Major expenses specific to the dwelling} \\ \text{(Aside from the expenses declared in box } \mathbf{E} \text{)} \end{array} \quad \begin{array}{c} \text{Year 2017} \\ \boxed{\$ 1,000.00} \end{array} \times 2.4\% = \boxed{\$ 24.00}$$

$$\div 12 = \mathbf{G} \boxed{\$ 2.00}$$

RENT ADJUSTMENT FOR THE DWELLING

$$\begin{array}{l} \text{Dwelling's monthly rent (before increase)} \\ \text{Enter rate } \mathbf{F} : \end{array} \times \begin{array}{c} \boxed{\$ 750.00} \\ \boxed{1.22} \% \end{array} = \boxed{\$ 9.15} + \begin{array}{l} \text{(Enter amount } \mathbf{G}) \\ \boxed{\$ 2.00} \end{array}$$

$$= \boxed{\$ 11.15}$$

$$\text{After rounding off : } \boxed{\$ 11.00}$$