

Introduction

- [1] On September 25, 2023, the Landlord filed a Landlord Application to Request Additional Rent Increase (Form 9) with the Residential Tenancy Office (the "Rental Office") pursuant to subsection 50.(1) of the *Act* (the "Application"). The Landlord is seeking a rent increase for the Residential Property exceeding the allowable percentage established by subsection 49.(2) of the *Act*, in the amount of 3.0%.
- [2] The Application is also seeking the 3.0% allowable rent increase for 2024, totaling a 6.0% rent increase.
- [3] The Application discloses the current rent, proposed rent (which includes the 3.0% allowable rent increase for 2024), and effective date for the proposed increase which is as follows:

Current Rent	Proposed Rent	Effective Date
\$1,800.00	\$1,908.00	January 1, 2024

- [4] On October 2, 2023, the Landlord submitted into evidence a Landlord Statement of Income and Expenses (Form 10) (the "Statement").
- [5] On November 30, 2023, a teleconference hearing was held before a Residential Tenancy Officer (the "Officer"). A Landlord participated in the hearing. The Tenant did not participate and they submitted they are not opposed to the rent increase.
- [6] All relevant documents (including the Notice of Hearing and Evidence Package) were properly served in accordance with subsection 100.(1) of the *Act*.

Issue to be Decided

- i. Is the Landlord permitted to an additional rent increase exceeding the allowable percentage as requested in the Application?

Summary of the Evidence

- [7] The Residential Property consists of a single-family house. The property was purchased in 2019 for \$291,191.49 and there have been \$14,092.36 in capital expenditures invested into the property.
- [8] The Landlord stated the Year 1 expenses are the actual expenses from January 2022 to December 2022. The Year 2 expenses are the actual expenses from January 2021 to December 2021. The Year 3 expenses are the actual expenses from January 2020 to December 2020.

Adjustments to the Statement

- [9] The Officer's adjustments to the income and expenses are provided below. The adjustments will be reflected in the Revised Statement of Income and Expenses (Form 10) and is attached as APPENDIX "A" of this decision.

1. [Line 3 – Rental Income]

The total rental income for 2023 will be \$21,600.00. Line 3 of the proposed rental income is set as \$22,896.00, which includes the 3.0% allowable rent increase for 2024.

2. [Line 9 – Insurance]

The Landlord stated insurance as \$1,018.68 for Year 1, however going forward insurance will be \$1,487.32. Line 9 is adjusted to \$1,487.32.

3. [Line 10/11 – Provincial and Municipal Taxes]

The Landlord stated the provincial and municipal taxes as \$3,555.50 for Year 1, however going forward the taxes will be \$3,628.76. Line 10/11 are adjusted to \$3,628.76.

4. [Line 13 – Maintenance Fees]

The Landlord stated the maintenance fee as \$889.60, however the documentary evidence shows this should be \$2,389.60. Line 13 is adjusted to \$2,389.60.

5. [Line 14 – Capital Expenditures]

The Landlord stated the capital expenditures as \$0.00, however the documentary evidence shows this should be \$781.03. Line 13 is adjusted to \$781.03.

6. [Value of Investment in the Property]

The property was purchased in 2019 for \$291,191.49 and there have been \$14,092.36 in capital expenditures, which makes the value of investment as \$305,283.85.

Analysis

[10] The Officer is bound to consider the factors set out in the *Act* and the *Residential Tenancy Regulations* (the “*Regulations*”). The factors for reviewing rent increases above the allowable percentage are set out in subsections 50.(3) and (4) of the *Act* and section 4 of the *Regulations* which state:

50.(3) The Director shall consider the following factors, as applicable, in deciding whether to approve an application for a rent increase under subsection (1):

(a) the rent history for the affected rental unit in the three years preceding the date of the application;

(b) a change in operating expenses and capital expenditures in the three years preceding the date of the application that the Director considers relevant and reasonable;

(c) the expectation of the landlord to have a reasonable return on the landlord’s capital investment;

(d) the expectation of the tenant that rent increases will remain within the annual guideline.

50.(4) The Director may also consider

(a) any other factor considered relevant by the Director; and

(b) any other factor prescribed in the regulations.

4. For the purposes of clause 50(4)(b) of the Act, the Director may also consider that the purchase of a residential property should not require an increase of rent within the first year in order to achieve a reasonable return on the landlord's capital investment.

- [11] With regard to sub-subsection 50.(3)(a) of the Act, the Officer finds that the Landlord has provided the rent history for the past three years for the Residential Property. There has not been a rent increase at the Residential Property.
- [12] With regard to sub-subsection 50.(3)(b) of the Act, the Officer finds that based on the adjusted Statement and the documentary evidence, the Landlord's operating expenses have increased. There have been \$14,092.36 in capital expenditures invested back into the Residential Property.
- [13] With regard to sub-subsection 50.(3)(c) of the Act, the Officer finds that the Landlord is currently operating at a Return on Investment ("ROI") of 3.9% and with the proposed increase and expenses, which includes the 3.0% allowable rent increase for 2024, would yield an ROI of 3.4%.
- [14] With regard to sub-subsection 50.(3)(d) of the Act, the Officer finds that the Tenant did not oppose a rent increase.
- [15] With regard to section 4 of the Regulations the Officer finds that this section does not apply to the Application.
- [16] The Officer finds that based upon all the factors set out in the Act and the Regulations that the Landlord is entitled to an additional rent increase. Therefore, the Application is allowed.

Conclusion

- [17] The Application is allowed.
- [18] **The Officer notes that this decision contains sensitive information of the Landlord and that the parties are required to preserve its confidentiality pursuant to subsection 75.(3) of the Act.**

IT IS THEREFORE ORDERED THAT

- A. The maximum allowable monthly rent for the Residential Property, including the 3.0% allowable rent increase for 2024, and additional rent increase, is as follows:

Rent	Effective Date
\$1,908.00	January 1, 2024

DATED at Charlottetown, Prince Edward Island, this 4th day of December, 2023.

(sgd.) Mitchell King

Mitchell King
Residential Tenancy Officer

APPENDIX "A"
Revised Statement of Income & Expenses (Form 10)

	<u>Year 1</u>	<u>Proposal</u>	<u>Allowed</u>
<u>Income</u>			
Rental Income at 100% (Line 1)	\$21,600.00	\$22,896.00	\$22,896.00
Vacancy Arrears/Losses (Line 2)	\$0.00	\$0.00	\$0.00
<u>Net Income before expenses</u> (Line 3)	\$21,600.00	\$22,896.00	\$22,896.00
<u>Expenses</u>			
1st Mortgage Interest (Line 4)	\$4,211.40	\$4,211.40	\$4,211.40
2nd Mortgage Interest (Line 5)	\$0.00	\$0.00	\$0.00
Fuel (Line 6)	\$0.00	\$0.00	\$0.00
Water & Sewer (Line 7)	\$0.00	\$0.00	\$0.00
Electricity (Line 8)	\$0.00	\$0.00	\$0.00
Insurance (Line 9)	\$1,018.68	\$1,487.32	\$1,487.32
Property Tax (Provincial) (Line 10)	\$3,555.50	\$3,628.76	\$3,628.76
Property Tax (Municipal) (Line 11)	\$0.00	\$0.00	\$0.00
Management Fee (Line 12)	\$0.00	\$0.00	\$0.00
Maintenance Fee (Line 13)	\$889.60	\$2,389.60	\$2,389.60
Capital Expenditures (Line 14)	\$0.00	\$781.03	\$781.03
Other (Line 15)	\$0.00	\$0.00	\$0.00
<u>Total Operating Expenses</u> (Line 16)	<u>\$9,675.18</u>	<u>\$12,498.11</u>	<u>\$12,498.11</u>
Net Profit or (Loss) (Line 17)	\$11,924.82	\$10,397.89	\$10,397.89
Value of Investment in Property	\$305,283.85	\$305,283.85	\$305,283.85
Operating Income (Line 17)	\$11,924.82	\$10,397.89	\$10,397.89
Return on Investment (ROI)	3.9%	3.4%	3.4%

NOTICE

Right to Appeal

This Order can be appealed to the Island Regulatory and Appeals Commission (the "Commission") by serving a Notice of Appeal with the Commission and every party to this Order within 20 days of this Order. If a document is sent electronically after 5:00 p.m., it is considered received the next day that is not a holiday. If a document is sent by mail, it is considered served on the third day after mailing.

Filing with the Court

If no appeal has been made within the noted timelines, this Order can be filed with the Supreme Court of Prince Edward Island and enforced as if it were an order of the Court.