

INTRODUCTION

[1] The Landlord requests approval for 5.3% rent increases for the Units.

DISPOSITION

[2] I find that the evidence supports the Landlord's request for 5.3% rent increases for the Units.

BACKGROUND

[3] The Units consist of a 12-unit apartment building (the "Residential Property") built in 1982.

[4] On September 19, 2024, the Landlord served all the Tenants with a *Form 9 Landlord Application to Request Additional Rent Increase* (the "Applications") and a *Form 8 Tenant Notice of Annual Allowable Rent Increase*.

[5] On September 20, 2024, the Landlord filed the Applications with the Residential Tenancy Office (the "Rental Office").

[6] The Applications show the current rents, the proposed rents, the dates of the last rent increases, and the proposed effective dates for the rent increases as follows:

Unit	Current Rent	Proposed Rent (5.3%)	Date of Last Rent Increase	Proposed Effective Date
1	\$679.00	\$715.00	January 1, 2024	January 1, 2025
2	\$679.00	\$715.00	January 1, 2024	January 1, 2025
3	\$667.50	\$702.50	January 1, 2024	January 1, 2025
4	\$679.00	\$715.00	January 1, 2024	January 1, 2025
5	\$721.00	\$759.00	January 1, 2024	January 1, 2025
6	\$721.00	\$759.00	January 1, 2024	January 1, 2025
7	\$721.00	\$759.00	January 1, 2024	January 1, 2025
8	\$721.00	\$759.00	January 1, 2024	January 1, 2025
9	\$721.00	\$759.00	January 1, 2024	January 1, 2025
10	\$721.00	\$759.00	January 1, 2024	January 1, 2025
11	\$721.00	\$759.00	January 1, 2024	January 1, 2025
12	\$721.00	\$759.00	January 1, 2024	January 1, 2025

[7] On October 15, 2024, the Rental Office mailed the parties notice of a teleconference hearing scheduled for November 26, 2024.

[8] On November 19, 2024, the Rental Office emailed an evidence package to the parties with email addresses and requested the Landlord serve the rest of the evidence packages.

[9] A teleconference hearing was held on November 26, 2024, and the Landlord and two Tenants participated. The parties confirmed receiving the evidence package and that all submitted documents were included.

ISSUE

- A. Does the evidence support 5.3% rent increases for the Units?

ANALYSIS**Adjustments to the Statement**

- [10] The adjustments to the Statement are provided below and are reflected in Appendix "A."

[Line 1 – Rental Income]

- [11] The Landlord provided the 2023 rental income, stating it was \$98,076.00. The documentary evidence establishes the 2024 rental income will be \$101,670.00. Line 1 is adjusted.

[Line 12 – Management Fee]

- [12] The Statement discloses \$0.00 for management fees, and the Landlord stated she manages the property herself. Clause 1(c) of the *Residential Tenancy Regulations* (the "Regulations") limits management fees to the "actual cost of the management fee or 5 percent of the gross rental income for the previous year, whichever is the lesser." In this case, 5.0% of the 2023 gross rental income was \$4,903.80, and 5.0% of the 2024 income will be \$5,083.50. Line 12 is adjusted.

[Value of the Investment in the Property]

- [13] The Landlord does not know the build price of the Residential Property, and there is no mortgage on the property. I will use the 2024 tax-assessed value of the Residential Property, which is \$821,900.00, as the property's value.

Reviewing the Factors

- [14] To determine if the Applications are allowed, I must consider and weigh the following factors in subsection 50(3) of the *Residential Tenancy Act* (the "Act"):
- a. The rent history for the affected Units in the three years preceding the date of the Applications.
 - i. The Landlord provided the rent for the past three years. The rent for the Units was last increased on January 1, 2024.
 - b. A change in operating expenses and capital expenditures in the three years preceding the date of the Applications that the Director considers relevant and reasonable.
 - i. The Landlord submitted documents as evidence to assist in disclosing a change in the operating expenses over the past three years. In the three years that have been disclosed, some operating expenses for the Units have increased, such as fuel, water and sewer, and insurance. No capital expenditures were incurred for the Units.
 - c. The expectation of the Landlord to have a reasonable return on the Landlord's capital investment.
 - i. After adjusting the Statement's income and expenses, as shown in Appendix "A," the Landlord is currently making a return on investment of 4.3%. With the requested additional increase, the Landlord would be making a return on investment of 4.9%.

- d. The expectation of the Tenants that rent increases will remain within the annual guidelines.
 - i. The Tenants who participated in the hearing did not object to the proposed rent increases.

[15] Subsection 50(4) provides that I have the discretion to consider any other relevant factor and any factor prescribed in the Regulations. The only other factor stated in the Regulations is that the purchase of a residential property should not require an increase in rent within the first year to achieve a reasonable return on the landlord's capital investment. This factor is irrelevant because the Landlord inherited the property, which had been owed since 1982.

Weighing the Factors

[16] I find the totality of the factors weigh in favour of an additional rent increase for the Units. In coming to this conclusion, I note in particular:

- a. In Order LR24-27, the Island Regulatory and Appeal Commission (the "Commission") commented that a reasonable return on investment of 7.0% is appropriate when the landlord relies on the tax-assessed value of the property.
- b. The Landlord's current return on investment is 4.3%. With the requested additional rent increase, it would be 4.9%.
- c. Some expenses, such as fuel, water and sewer, and insurance, have increased.
- d. The Tenants did not oppose the additional rent increase.

[17] After considering and weighing all the factors and evidence, I find that the factors support the above-guideline rent increases for the Units of 5.3%, effective January 1, 2025. The Applications are allowed.

[18] **This decision contains sensitive information, and the parties must preserve its confidentiality under subsection 75(3) of the Act.**

IT IS THEREFORE ORDERED THAT

1. The maximum allowable rent for the Units is as follows:

Unit	Rent	Effective Date
1	\$715.00	January 1, 2025
2	\$715.00	January 1, 2025
3	\$702.50	January 1, 2025
4	\$715.00	January 1, 2025
5	\$759.00	January 1, 2025
6	\$759.00	January 1, 2025
7	\$759.00	January 1, 2025
8	\$759.00	January 1, 2025
9	\$759.00	January 1, 2025
10	\$759.00	January 1, 2025
11	\$759.00	January 1, 2025
12	\$759.00	January 1, 2025

DATED at Charlottetown, Prince Edward Island, this 17th day of December, 2024.

(sgd.) Mitchell King
Mitchell King
Residential Tenancy Officer

APPENDIX "A"

Revised Statement of Income & Expenses (Form 10)

	<u>Current</u>	<u>Allowed (5.3%)</u>
<u>Income</u>		
Rental Income at 100% (Line 1)	\$101,670.00	\$107,034.00
Vacancy Arrears/Losses (Line 2)	\$0.00	\$0.00
<u>Net Income before expenses (Line 3)</u>	<u>\$101,670.00</u>	<u>\$107,034.00</u>
<u>Expenses</u>		
1st Mortgage Interest (Line 4)	\$0.00	\$0.00
2nd Mortgage Interest (Line 5)	\$0.00	\$0.00
Fuel (Line 6)	\$27,915.14	\$27,915.14
Water & Sewer (Line 7)	\$4,365.55	\$4,365.55
Electricity (Line 8)	\$1,903.97	\$1,903.97
Insurance (Line 9)	\$7,099.00	\$7,099.00
Property Taxes (Line 10/11)	\$14,896.20	\$14,896.20
Management Fee (Line 12)	\$4,903.80	\$5,083.50
Maintenance Fee (Line 13)	\$5,492.18	\$5,492.18
Capital Expenditures (Line 14)	\$0.00	\$0.00
Other (Line 15)	\$0.00	\$0.00
<u>Total Operating Expenses (Line 16)</u>	<u>\$66,575.84</u>	<u>\$66,755.54</u>
Net Profit or (Loss) (Line 17)	\$35,094.16	\$40,278.46
Value of Investment in Property	\$821,900.00	\$821,900.00
Operating Income (Line 17)	\$35,094.16	\$40,278.46
Return on Investment (ROI)	4.3%	4.9%

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.