

**INTRODUCTION**

- [1] The Landlord applied for approval of a 5.3% rent increase; an additional 3% increase above the 2025 annual allowable guideline 2.3%.

**DISPOSITION**

- [2] I find that a 5.3% rent increase is supported for the Residential Property.

**BACKGROUND**

- [3] The Units are four-units in a building (the "Residential Property"), built in 2000.
- [4] On October 1, 2024 the Landlord's representative (the "Representative") filed four *Form 9 Landlord Applications to Request Additional Rent Increases* (the "Applications") with the Residential Tenancy Office (the "Rental Office"). The Representative hand-delivered the Applications to the Tenants.
- [5] Included with the Applications were four *Form 8 Tenant Notices of Annual Allowable Rent Increases* (the "Notices"). The Representative hand-delivered the Notices to the Tenants.
- [6] The Applications show the current rents, the proposed increase rents, the date of the last rent increases and the proposed effective date for the rent increases as follows:

Details	Unit 1	Unit 2	Unit 3	Unit 4
Current Rent	\$995.00	\$995.00	\$1,015.00	\$1,025.00
Proposed Rent (5.3%)	\$1,048.00	\$1,048.00	\$1,069.00	\$1,079.00
Date of Last Increase	January 1, 2024	January 1, 2024	January 1, 2024	January 1, 2024
Effective Date of Increase	January 1, 2025	January 1, 2025	January 1, 2025	January 1, 2025

- [7] On November 5, 2024 the Rental Office emailed the Representative notice of a teleconference hearing, scheduled for December 5, 2024. The Representative hand-delivered a copy of the notice of hearing to the Tenants.
- [8] On December 3, 2024 the Rental Office emailed the Representative an evidence package (the "Evidence Package" or "EP"). Included in the Evidence Package was a *Form 10 Statement of Income and Expenses* (the "Statement"). On December 4, 2024 the Representative hand-delivered a copy of the Evidence Package to the Tenants.
- [9] On December 5, 2024 the Representative participated in the teleconference hearing. The Tenants did not participate in the hearing.

**ISSUE**

- i. Does the evidence support 5.3% rent increase for the Residential Property?

## ANALYSIS

### Adjustments to the Statement

- [10] The adjustments to the Statement are provided below and are reflected in Appendix "A".
- [11] The income and expenses reflected in the Statement and the Appendix "A" represent the combined four Units, the Residential Property.

### Management Fees

- [12] The Representative stated that management is done by staff of the Landlord. In the Statement, for the previous three years, the management fees are a percentage of the total actual cost to represent the Residential Property. The Representative stated that she did not know the percentage amount, as the accountant completed the spreadsheet submitted into evidence (EP8).
- [13] Subsection 1(c) of the *Residential Tenancy Regulations* (the "Regulations") defines "management fees" as follows:

*"management fee" means the actual cost of the management fee or 5 per cent of the gross rental income for the previous year, whichever is the lesser;*

- [14] I adjust Line 12 – Management fees to reflect 5.0% of the gross rental income as it is the lesser amount to the actual cost.

### Maintenance

- [15] Line 13 for Year 1 is \$11,638.15. The Representative stated that the maintenance expense included the replacement of a new boiler (\$6,763.67) and general maintenance and repairs (\$4,874.48). I find that the cost for the new boiler is more appropriate in Line 14 – Capital Expenditures. I adjust Line 13 to \$4,874.48.

### Capital Expenditures

- [16] As stated above, I have removed the replacement cost of a new boiler from Line 13 and move it to Line 14.

Item	Cost	Life Expectancy	Annual Write-off
Boiler	\$6,763.67	15 years	\$450.91

- [17] I adjust Line 14 to the annual write-off in the amount of \$450.91.

### Value of Investment

- [18] The Statement shows the value of the investment to be \$372,706.00. This is the capital cost of the land and the building disclosed by the Landlord's accountant (EP8). The Representative stated that there is no outstanding mortgage on the Residential Property.
- [19] The Landlord's return on investment is shown in Appendix "A".

**Factors**

- [20] In order to determine the Applications, I must consider the following factors in subsection 50(3) of the *Residential Tenancy Act* (or the “Act”):
1. The rent history for the affected Units in the three years preceding the date of the Application;
  2. 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;
  3. The expectation of the Landlord to have a reasonable return on the Landlord’s capital investment; and
  4. The expectation of the Tenants that rent increases will remain within the annual guideline.
- [21] Subsection 50(4) of the Act provides that I have the discretion to consider any other factor and any factor prescribed in the Regulations. The only other factor stated in the Regulations is that the purchase of the 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.
- [22] I find that this factor is not relevant because the Landlord has owned the Residential Property since 2000.

**Review and Weighing the Factors**

- [23] The documentary evidence, particularly the rent ledger, shows the rent history for the last three years for the Residential Property. The last rent increase occurred on January 1, 2024 and it was the 2024 annual allowable increase of 3.0%.
- [24] The evidence establishes that the Landlord’s operating expenses and capital expenditures have increased over the past three years. Specifically, electricity, insurance, property tax and maintenance expenses have all increased.
- [25] The Landlord is currently obtaining a 3.3% return on investment (“ROI”). After the adjustments to the Statement and including the proposed additional rent increases and the 2025 annual allowable guideline, the Landlord’s ROI would increase to 4.0%.
- [26] In Order LR24-27, the Island Regulatory and Appeals Commission (the “Commission”) commented on a ROI as follows:
- “In previous Orders, the Commission has considered reasonable return on investment rates and has found them to be, in recent years, in the range of 4% to 7%. The Commission has used 7% as an appropriate ROI where the Landlord is relying on a recent actual purchase price or on the tax assessed value. A lower rate of 4% has been used when the Landlord is using a blend of the tax assessed value and an appraisal done for the Landlord’s benefit...”*
- [27] The additional rent increase would provide the Landlord with a 4.0% ROI.
- [28] The Tenants did not submit any evidence as it relates to their expectation that the rent increase would remain within the annual guideline.
- [29] For these reasons, I find that a 5.3% rent increase is supported for the Residential Property.

[30] I find that the Applications are allowed.

[31] **This decision contains sensitive information and the parties are required to preserve its confidentiality under subsection 75(3) of the Act.**

**IT IS THEREFORE ORDERED THAT**

1. Effective January 1, 2025, the maximum allowable rent for the Residential Property is as follows:
  - Unit 1: \$1,048.00;
  - Unit 2: \$1,048.00;
  - Unit 3: \$1,069.00; and
  - Unit 4: \$1,079.00.

**DATED** at Charlottetown, Prince Edward Island, this 18th day of December, 2024.

(sgd.) Cody Burke

---

**Cody Burke**  
**Residential Tenancy Officer**

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

	Current	Allowable (2.3%)	Requested Increase (5.3%)
<b>Rental Income</b>			
Income (Line 1)	\$48,000.00	\$49,440.00	\$50,928.00
Arrears (Line 2)	\$0.00	\$0.00	\$0.00
<b>Net Income (Line 3)</b>	<b>\$48,000.00</b>	<b>\$49,440.00</b>	<b>\$50,928.00</b>
<b>Expenses</b>			
1st Mortgage Interest (Line 4)	\$0.00	\$0.00	\$0.00
2nd Mortgage Interest (Line 5)	\$0.00	\$0.00	\$0.00
Fuel (Line 6)	\$8,787.24	\$8,787.24	\$8,787.24
Water & Sewer (Line 7)	\$1,007.04	\$1,007.04	\$1,007.04
Electricity (Line 8)	\$1,240.77	\$1,240.77	\$1,240.77
Insurance (Line 9)	\$3,280.00	\$3,280.00	\$3,280.00
Property Tax (Provincial) (Line 10)	\$7,115.92	\$7,115.92	\$7,115.92
Property Tax (Municipal) (Line 11)	\$0.00	\$0.00	\$0.00
Management Fee (Line 12)	\$2,400.00	\$2,472.00	\$2,546.40
Maintenance Fee (Line 13)	\$4,874.48	\$4,874.48	\$4,874.48
Capital Expenditures (Line 14)	\$450.91	\$450.91	\$450.91
Other (Line 15)	\$6,579.56	\$6,579.56	\$6,579.56
<b>Total Expenses</b>	<b><u>\$35,735.92</u></b>	<b><u>\$35,807.92</u></b>	<b><u>\$35,882.32</u></b>
<b>Annual Net Profit</b>	<b>\$12,264.08</b>	<b>\$13,632.08</b>	<b>\$15,045.68</b>
Value of Investment	\$372,706.00	\$372,706.00	\$372,706.00
<b>Net Profit</b>	<b>\$12,264.08</b>	<b>\$13,632.08</b>	<b>\$15,045.68</b>
<b>Return on Capital Investment</b>	<b>3.3%</b>	<b>3.7%</b>	<b>4.0%</b>

**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.