

INTRODUCTION

- [1] The Landlord seeks 101.6% rent increases for the Units, being an additional 99.3% above the 2025 annual allowable guideline of 2.3%.

DISPOSITION

- [2] I find that the evidence supports the 101.6% rent increases and that the rent increases will be phased in.

BACKGROUND

- [3] On November 22, 2024, the Landlord provided the Residential Tenancy Office (the "Rental Office") with a *Form 10 Landlord Statement of Income and Expenses* (the "Statement") dated November 20, 2024.
- [4] On December 3, 2024, the Landlord filed four *Form 9 Landlord Applications to Request Additional Rent Increases* (the "Applications") and four *Form 8 Notices of Annual Allowable Rent Increases* (the "Notices") with the Rental Office. The Applications and Notices were served to the Tenants on November 24, 2024.
- [5] On December 11, 2024, the Rental Office emailed the parties notice of a teleconference hearing scheduled for February 11, 2025.
- [6] On January 28, 2025, the Rental Office shared a 416-page evidence package with the parties via TitanFile.
- [7] On February 11, 2025, the Landlord's representative (the "Representative") and a Tenant participated in the teleconference hearing. The parties confirmed receipt of the evidence package, and the Landlord stated that all documents submitted to the Rental Office were included in the evidence package. The Tenants submitted no documents.

ISSUE

- A. Does the evidence support 101.6% rent increases for the Units?

ANALYSIS

Adjustments to the Statement

- [8] The Landlord provided documentary evidence and testimony regarding the income, expenses and value of the Units (the "Residential Property"). The adjustments to the Statement are provided below and are reflected in Appendix "A".
- [9] In particular, the Landlord amended Line 5 to detail "Bell Aliant and Eastlink" expenses. The Landlord amended Line 7 to detail "Office" expenses. The Landlord amended Line 11 to detail "Professional Services." I have accepted these adjustments.
- [10] **Line 1 (1st Mortgage Interest)**
- a. The Landlord paid off the mortgage in January 2025, so there is no longer interest on the 1st mortgage. Line 1 is adjusted to \$0.00.

[11] Line 10 (Property Tax)

- a. The Landlord did not add the waste watch fee into the property tax expense. Line 10 is adjusted to \$2,634.46.

[12] Line 12 (Management Fee)

- a. 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.

- b. I adjust Line 12 to reflect 5.0% of the gross rental income as it is the lesser amount of the actual cost of the Landlord's stated management fee.

[13] Line 15 (Other)

- a. The Landlord listed the annual mortgage payments on Line 15. The Representative stated the mortgage was paid off in January 2025. Line 14 is adjusted to \$0.00.

Value of investment

- [14] The Landlord began operating the Residential Property in 1989 as nonprofit housing. The amount of the original mortgage was \$242,245.00, and this was paid off in January 2025. The tax-assessed value of the Residential Property is \$209,700.00,

- [15] In Order LR24-27, the Island Regulatory and Appeals Commission (the "Commission") commented regarding the value of a residential property when determining an above-guideline increase application:

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.

- [16] I will use the tax-assessed value as the value of investment in the property. The Landlord's return on investment is calculated in Appendix "A."

Factors

- [17] In order to determine the Applications, I must consider the following factors in subsection 50(3) of the *Residential Tenancy Act* (the "Act"), which are as follows:

1. The rent history for the affected Units in the three years preceding the date of the Applications;
2. 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;
3. The expectation of the Landlord to have a reasonable return on their capital investment; and
4. The expectation of the Tenants that rent increases will remain within the annual guideline.

- [18] Subsection 50(4) of the Act 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 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.

[19] I find this factor is not relevant in this case because the Landlord has operated the Units since 1989.

Review and Weighing the Factors

[20] The documentary evidence shows the rent history for the last three years. There have been two guideline rent increases during this time.

[21] The evidence establishes that the Landlord's operating costs have increased over the past three years. The Landlord has claimed no capital expenditures. The Representative stated that CMHC had provided the Landlord with a subsidy in the past, but because the mortgage has been paid off, CMHC will no longer subsidize the Landlord. This is the main reason for the Applications.

[22] In Order LR24-27, the Commission commented that a reasonable return on investment of 7.0% is appropriate when the tax-assessed value alone is used for the value of the investment in the property.

[23] The Landlord is currently not making a return on investment based on the current rents. The landlord would be making a 2.9% return based on the proposed rents. This is below the 7.0% return considered by the Commission to be a reasonable rate of return.

[24] The Tenant who participated in the hearing stated that she did not oppose the rent increases.

[25] After considering and weighing all the factors and evidence, I find that the Applications are allowed.

[26] I further find that the rent increases will be phased in, as subsection 50(7) of the Act states:

Where the Director grants an application under subsection (6) or orders that the increase granted be phased in over a period of time, the amount of the increase in rent in a calendar year shall not exceed 3 per cent in addition to the maximum percentage increase permitted under section 49.

[27] **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 August 1, 2025, the maximum allowable rent for the Units is \$522.29.
2. The Landlords can implement a 3.0% additional rent increase for each Unit with notice each year on the date of August 1 until the additional rent increase per Unit totals \$1,000.00 per month, after which they may not implement more additional rent.
3. Future Year's calculations: Previous year's rent + % (annual allowable guideline) and 3.0% additional increase.

DATED at Charlottetown, Prince Edward Island, this 10th day of March, 2025.

(sgd.) Mitch King

Mitch King
Residential Tenancy Officer

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

	<u>Current</u>	<u>Allowed (101.6%)</u>
<u>Income</u>		
Rental Income at 100% (Line 1)	\$23,808.00	\$48,000.00
Vacancy Arrears/Losses (Line 2)	(\$505.25)	(\$505.25)
<u>Net Income before expenses (Line 3)</u>	<u>\$23,302.75</u>	<u>\$47,494.75</u>
<u>Expenses</u>		
1st Mortgage Interest (Line 4)	\$0.00	\$0.00
Bell Aliant and Eastlink (Line 5)	\$1,149.09	\$1,149.09
Fuel (Line 6)	\$11,397.18	\$11,397.18
Office (Line 7)	\$914.41	\$914.41
Electricity (Line 8)	\$1,961.51	\$1,961.51
Insurance (Line 9)	\$5,054.00	\$5,054.00
Property Tax (Line 10)	\$2,634.46	\$2,634.46
Professional Services (Line 11)	\$2,070.00	\$2,070.00
Management Fee (Line 12)	\$1,190.40	\$2,399.85
Maintenance Fee (Line 13)	\$13,788.39	\$13,788.39
Capital Expenditures (Line 14)	\$0.00	\$0.00
Other (Line 15) Mortgage	\$0.00	\$0.00
Total Operating Expenses (Line 16)	<u>\$40,159.44</u>	<u>\$41,368.89</u>
Net Profit or (Loss) (Line 17)	(\$16,856.69)	\$6,125.86
Value of Investment in Property	\$209,700.00	\$209,700.00
Operating Income (Line 17)	(\$16,856.69)	\$6,125.86
Return on Investment (ROI)	-8.0%	2.9%

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.