

## INTRODUCTION

- [1] The Landlord seeks 5.3% rent increases for the Units, being an additional 3.0% above the 2025 annual allowable guideline of 2.3%.

## DISPOSITION

- [2] I find that the evidence does not support 5.3% rent increases.

## BACKGROUND

- [3] The Units are 8-units in a 29-unit building (the "Residential Property") owned by the Landlord since 1985 and 1989.
- [4] On January 2, 2025 the Landlord's representative (the "Representative") filed eight *Form 9 Landlord Applications to Request Additional Rent Increases* (the "Applications") with the Residential Tenancy Office (the "Rental Office").
- [5] The Representative served the Tenants with eight *Form 8 Tenant Notices of Annual Allowable Rent Increases* (the "Notices").
- [6] On February 4, 2025 the Rental Office mailed and emailed the parties notice of a teleconference hearing scheduled for February 25, 2025.
- [7] On February 20, 2025 the Rental Office made available a 205-page PDF (the "Evidence Package" or "EP") on TitanFile. The Representative hand-delivered a copy of the Evidence Package to one of the Tenants. Included in the Evidence Package was a *Form 10 Statement of Income and Expenses* (the "Statement"). The Statement disclosed the Residential Property's income and expenses for the 29-units.
- [8] On February 25, 2025 the Representative joined the teleconference hearing. The Representative confirmed that he received the Evidence Package, which included 4-pages submitted by one of the Tenants, and that all the Landlord's documents submitted to the Rental Office were included in the Evidence Package.

## PRELIMINARY MATTER

- [9] I note that 3 of the 8 Applications had a clerical error that showed the incorrect current rents. I have amended the Applications for Units 32 (148), 37 (148) and 16 (154) to the correct rents under clause 80(3)(f) of the *Residential Tenancy Act* (or the "Act").

## ISSUE

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

## ANALYSIS

### Adjustments to the Statement

- [10] The Representative provided documentary evidence and testimony regarding the income, expenses and value of the Residential Property. The Statement is adjusted in Appendix "A" of this decision.
- [11] The income for the other 21-units in the Residential Property is \$237,759.00.

- [12] Management fees are capped at 5.0% of the gross rental income under subsection 1(c) of the *Residential Tenancy Regulations*. The management fees are adjusted to reflect 5.0% of gross rental income.
- [13] The Representative stated that \$32,967.00 needs to be deducted from the maintenance expense due to an error including capitalization of windows. The maintenance expense is now \$78,369.51.
- [14] To determine the value of the investment, I have averaged the tax assessed values and a third-party appraisal of the Residential Property. The Residential Property is divided into three unique PIDs, with three unique tax assessments. The tax assessments include a commercial portion, which is deducted from this calculation. The tax assessed value for the Residential Property is \$583,700.00, calculated as followed:
- |  |              |
|--|--------------|
| Unit 148 is \$507,600.00 minus \$197,500.00 (Commercial portion) = | \$310,000.00 |
| Unit 162 is \$307,900.00 minus \$199,400.00 (Commercial portion) = | \$108,500.00 |
| Unit 154 is \$263,500.00 minus \$98,300.00 (Commercial portion) =  | \$165,200.00 |
| Total:   | \$583,700.00 |
- [15] The Residential Property's appraised value is \$2,900,000.00. There is no outstanding mortgage on the Residential Property. I find that the Landlord's equity in the Units is \$1,741,850.00 (\$2,900,000.00 plus \$583,700.00 divided by 2). The Landlord's return on investment is calculated in Appendix "A".

### Factors

- [16] In order to determine the Applications, I must consider the following factors in subsection 50(3) of the *Residential Tenancy Act*, which are as follows:
1. The rent history for the affected Unit 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 Landlords 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.
- [17] Subsection 50(4) of the Act provides that I have the discretion to consider any other relevant factor and any factor prescribed in the *Residential Tenancy Regulations* (or 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.
- [18] I find this factor is not relevant in this case because the Landlord has owned the Unit since 1985 and 1989.

### Review and Weighing the Factors

- [19] The documentary evidence shows the rent history for the last three years.
- [20] The evidence establishes that the Landlord's operating expenses and capital expenditures have increased over the past three years.

- [21] When determining the Landlord's return on capital investment, the Island Regulatory and Appeals Commission (the "Commission") in Order LR24-27 stated:  
*"In previous orders of the Commission respecting additional rent increases under the former Rental of Residential Property Act, we used a guideline for a reasonable return on investment of between 4% and 7%, depending on the circumstances."*
- [22] In determining the circumstances to apply the range, the Commission stated:  
*"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..."*
- [23] In this case, I have used the blend of the tax assessed value and an appraisal done for the Landlord. The Landlord is currently obtaining a 5.3% return on investment. Based upon the proposed rent increase, the Landlord's return on investment would increase to 5.5%. I note that the Commission found a 4.0% return to be a reasonable rate in such circumstances.
- [24] One of the Tenants provided a written submission, summarizing concerns regarding some of the expenses disclosed in the Statement. Further, the Tenant's submission stated:  
*"I would like to remind all those concerned that my rent has gone above the allowable rental increase every year since 2023. As a tenant I understand that it is costly to run an apartment but as a tenant I also know first hand the difficulties of these yearly above allowable rental increases..."* (EP202).
- [25] I note that the Units last received rent increases on April 1, 2024, in the amount of 6.0% approved by the Rental Office in Order LD24-085.
- [26] I find that the factors weighed together do not support 5.3% rent increases. Despite the Landlord's operating expenses and capital expenditures increasing, the Landlord's return on investment is 5.3%, which is already considered a reasonable return by the Commission, as stated above.
- [27] Further, I find that the Landlord has received two additional rent increases for the Units 1) in 2023 (Order LD23-102) and 2) in 2024 (Order LD24-085).
- [28] The Applications are denied. The rent will increase by the 2025 annual allowable guideline of 2.3% by the timeline below.
- [29] **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 April 1, 2025, the maximum allowable rents for the Units are as follows:

<u>Unit</u>	<u>2.3% Increase</u>
28 – 148	\$533.00
32 – 148	\$653.00
37 – 148	\$683.00
1 – 154	\$724.00
4 – 154	\$694.00
16 – 154	\$759.00
10 – 162	\$782.00
11 – 162	\$722.00

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

(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)	\$302,686.00	\$304,359.00	\$306,471.00
Arrears (Line 2)	\$0.00	\$0.00	\$0.00
Net Income (Line 3)	<b>\$302,686.00</b>	<b>\$304,359.00</b>	<b>\$306,471.00</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)	\$40,424.74	\$40,424.74	\$40,424.74
Water & Sewer (Line 7)	\$6,923.28	\$6,923.28	\$6,932.28
Electricity (Line 8)	\$6,575.57	\$6,575.57	\$6,575.57
Insurance (Line 9)	\$15,217.81	\$15,217.81	\$15,217.81
Property Tax (Provincial) (Line 10)	\$5,917.91	\$5,917.91	\$5,917.91
Property Tax (Municipal) (Line 11)	\$5,332.81	\$5,332.81	\$5,332.81
Management Fee (Line 12)	\$15,141.15	\$15,216.15	\$15,323.55
Maintenance Fee (Line 13)	\$78,369.51	\$78,369.51	\$78,369.51
Capital Expenditures (Line 14)	\$7,556.00	\$7,556.00	\$7,556.00
Other (Line 15)	\$29,304.56	\$29,304.56	\$29,304.56
Total Expenses	<b><u>\$210,763.34</u></b>	<b><u>\$210,838.34</u></b>	<b><u>\$210,954.74</u></b>
Annual Net Profit	<b>\$91,922.66</b>	<b>\$93,520.66</b>	<b>\$95,516.26</b>
Value of Investment	\$1,741,850.00	\$1,741,850.00	\$1,741,850.00
Net Profit	<b>\$91,922.66</b>	<b>\$93,520.66</b>	<b>\$95,516.26</b>
Return on Capital Investment	<b>5.3%</b>	<b>5.4%</b>	<b>5.5%</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.