

Application for Rent Increase Above the Guideline

A Landlord's Guide

***This guide will help you fill out your Application for Rent Increase.
It does not replace The Residential Tenancies Act or its regulations.***

***Landlords can now submit electronically their Application for Rent
Increase. The form can be found on the branch's website at
www.manitoba.ca/rtb under Electronic Forms Submission.***

CONTACT INFORMATION

For more information contact your nearest branch office or visit the website

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THE BRANCH PROCESS

Overview

An officer reviews your Application for Rent Increase Above Amount Permitted by Regulation. The officer takes into account:

- the financial information provided
- tenants' comments
- your response to the tenants' comments

The officer calculates the amount of the rent increase and issues an Order. The Order includes reasons for the decision.

Both the landlord and tenants get copies of the Order.

Steps

1. The officer reviews your application to make sure that:
 - the information on the rent roll is complete;
 - the reporting periods are the same as on previous applications;
 - the revenue earned and operating expenses were incurred within the appropriate reporting periods;
 - any change in the services has been noted;
 - you provided copies of invoices for any capital expenses;
 - there is supporting information for any unusual increase in operating expenses in the current period; and
 - the expenses are for the residential complex shown on the application.
2. The officer confirms the accounting method you are using. If you have made an application for increase in recent years, you must use the same accounting method as you did in the previous application.
3. The officer may contact you if any information on the application is not clear or if more information is needed.

4. When the officer has all the information required, they send the tenants a copy of Schedule 3 - Landlord's Summary Information with a letter inviting them to review the application. The letter also includes the current rent for the unit, the proposed rent and its effective date. The letter tells the tenants they may make written comments about the application and send them to the branch. The officer will also send you a copy of the rent roll and a request that you review it and inform the branch of any changes that need to be made.
5. If the officer receives written comments from your tenants, the officer will either discuss the information with you by telephone or invite you to review and comment in writing, about the tenants' statements.
6. The officer reviews the written information from tenants to see if there are any comments about:
 - the rent roll information or rent history;
 - services added or withdrawn during the periods;
 - your response to repair requests.

If a tenant's written comments mention an urgent repair, for example: a smoke alarm that's not working, the officer opens a repair file. If there are other repair requests, the officer may send a letter to the tenant to advise them of the branch's repair process.

The officer also reviews any response you make to the tenants' comments.

7. The officer completes a worksheet about the application. The worksheet shows any changes they made to your application. The officer writes a short explanation for each change. Here are some examples of common changes:
 - correcting a calculation error;
 - moving an item from operating expenses to capital expenses and determining the fraction to use; For example: interior painting could be either a capital or operating expense;
 - correcting the fraction used to calculate the cost allowable for a capital expense; For example: the application says 1/4 of the cost of buying new stoves instead of 1/6;
 - re-calculating the value of a change in service;
 - removing laundry equipment from capital expenses if a landlord has coin laundry facilities;
 - removing an item from operating or capital expenses that doesn't belong to the reporting period.

8. The officer uses a formula set by regulation to calculate the total allowable rent increase. This is based on the sum of:
 1. the increase or decrease in operating expenses between reporting periods;
 2. the allowable portion of capital expenses for the current period;
 3. economic adjustment factor or an allowance for operating losses; and,
 4. the value of any change in service.
9. The officer allocates the rent increase to each rental unit by either equal percentage or equal dollar, depending on which method you chose.
10. The officer issues an Order setting the amount of the rent for each unit. The Order includes reasons. You and the tenants get a copy of the Order.

BEFORE YOU START

What kind of information will I need to fill out the Application for Rent Increase form?

You will need financial information on the residential complex, for at least the past two years. The branch might ask you to provide invoices and a detailed breakdown of your expenses. The branch will require receipts for all capital expenses and any unusual operating expenses.

Note: Applications must be received by the branch **at least two and a half months** before the first rent increase will take place (for example, if you plan to increase the rent on October 1, you must submit the application to the branch by **July 14**). It will be considered late if we have not received the following information by that date:

- **A fully completed application (including Schedules 1 to 4)**
- **Invoices for all capital expenditures reported**
- **The correct filing fee**
- **The reference number (only required if you are using the online application)**

Note: Before you begin, be sure you are using a current version of the form.

If the application is incomplete or submitted after the deadline, you can either:

- Take a lower rent increase that is within the guideline or;
- Change the date that the rent increase is to take effect, so that there is a new deadline for applying. You must give affected tenants a new written notice of the proposed rent increase.

Note: If an application is late, it may affect your reporting periods.

What if I don't have all the information the branch asks for?

If you recently bought a residential complex, you may not have all the financial information the branch usually asks for. Or, there may be some other valid reason for not having all the information. If this happens, you must write a letter explaining why you can't supply the information and submit this to the branch with your application.

If the branch doesn't receive all the information it requests, it will make a decision based on the information you submit.

FILLING OUT AN APPLICATION FORM

Step 1: Contact Information for Landlord

Supply all of the contact information requested. The branch will send any letters about your application to the postal or e-mail address you give us on the application.

Steps 2, 3 and 4: Information on Residential Complex/Number of Rental Units/Services Included

Provide information about the complex and the services included in the rent

Step 5: Choosing Reporting Periods

The “*Current Period*” must be 12 consecutive or back-to-back months. The last day of this period must be at least three months and not more than 14 months immediately before the first rent increase is to take effect. For example: You plan to increase your rent on October 1, 2014, your “*Current Period*” can end no earlier than July 31, 2013 and no later than June 30, 2014.

The “*Previous Period*” is the 12 consecutive months immediately before the “*Current Period*”.

If you applied to the branch for an above guideline increase recently, you must use the same reporting periods. If you haven’t applied for an increase for three years, you can pick different periods.

Some landlords increase all of their rents on the same date. Others increase the rents throughout the year. Enter the date your **first** rent increase will take effect.

You must show which method of accounting you use, a *cash* method or *accrual* method, when reporting your expenses and revenue. If you have made an application for increase above the guideline in recent years, you must use the same accounting method as you did in the previous application.

Step 6: Calculation of Revenue

“*Revenue*” is made up of fixed monthly amounts the landlord collects from a tenant for the use of the rental unit (also known as the base rent) and other services the tenant uses (e.g. a parking spot, a storage locker, etc). Revenue does not include laundry charges or revenue the landlord collects in the form of NSF fees, late payment fees, tenant services charges or tenant charge backs. Revenue also does not include licence fees, or municipal taxes you collect for a mobile home park. Rental income is the *actual* revenue you collect. Provide revenue information for the “*Current Period*” and “*Previous Period*”.

Do not include potential revenue for bad debt collection, vacant units, or the value of any rent discount you offer (for example, if the maximum payable rent on a unit is \$1,000.00 per month, but you only charge \$800.00 per month because the tenant has a \$200.00 per month discount, you would report the \$800.00 per month as revenue). Do not include the revenue for units that are exempt because:

- of a rehabilitation scheme exemption,
- the amount of monthly rent is equal to or above the amount set in Section 3(1)1 of the Residential Rent Regulation.
- the space is not used as a residential rental unit (for example, space rented for commercial use like a store).

If you are not sure about whether a unit is exempt, please call the branch.

Add lines 01 through 04. Write your “total revenue” on line 05.

Step 7: Calculation of Increase/Decrease in Operating Expenses

Using the “*Current Period*” and “*Previous Period*” that you chose in Step 5, fill in your operating expenses.

Your operating expenses can include:

- | | |
|--|--|
| <ul style="list-style-type: none"> ▪ realty taxes (line 06) ▪ gas utility (line 07) ▪ hydro (electric) utility (line 08) ▪ water utility (line 09) ▪ insurance premiums (line 10) ▪ cablevision (line 11) ▪ advertising (line 12) ▪ telephone (line 13) ▪ professional fees (line 14)
(For example: audit, legal) | <ul style="list-style-type: none"> ▪ corporation capital tax (line 15) ▪ management fee (see note below) (line 16) ▪ caretaker wages and benefits (line 17) ▪ general repair and maintenance (line 18) ▪ painting (line 19) ▪ plumbing (line 20) ▪ electrical (line 21) ▪ other (specify) (lines 22 to 25) |
|--|--|

Note: This is the fee for the management of the residential complex. If you manage your own property, then the fee you are allowed is 5% of the revenue for the period. (For example: if revenue is \$75,000, the management fee is \$3,750). This takes the place of automobile, office, stationery and other similar expenses, landlord salaries and accounting services.

Examples of other expenses allowed:

- the cost of leasing land for the operation, use or enjoyment of the residential complex
- a leasing agent's wages and benefits
- the cost of renting appliances or equipment (other than laundry equipment, unless laundry is included in the rent)
- service contract costs, for example, garbage bin removal.

You cannot include the following:

- expenses that are related to repairs and maintenance of laundry machines and the laundry room/s if laundry is not included in the rent
- expenses that are not related to the normal or usual operation of the residential complex
- non-recurring or extraordinary expenses
- capital cost allowance or depreciation
- fines or penalties for failure to meet an obligation required by a contract, statute, regulation or by-law
- interest expenses, including mortgage interest
- fees payable under the Act to the branch or the Residential Tenancies Commission; this includes filing fees for claims and applications for an Order of Possession as well as processing fees for rent regulation applications and Rent Status Reports
- any unreasonable expense for your personal labour; you are allowed to claim a reasonable amount for your labour; however, the branch may not allow part of the expense if it appears unreasonable when compared to similar transactions in the marketplace;
- any unreasonable expense from a non-arm's length transaction; the branch defines arm's length as a relationship between parties who have no specific duty, obligation or relationship to one another; if an expense from a non-arm's length transaction appears to be out of line with similar arm's length transactions, the branch may not allow part of the expense.

For a complete list of operating expenses, go to <http://web2.gov.mb.ca/laws/regs> and look at Section 8 of Residential Rent Regulation or contact the Residential Tenancies Branch.

If your complex includes exempt rental units, the branch will reduce your operating expenses in both periods by a percentage that reflects the number of exempt units in the complex. For example, if you have 20 units and two units are exempt, the branch will take ten percent off the total of your operating expenses in each period.

1. **Add together all your operating expenses for the “current” period and write the total on line 26.**
2. **Add together all your expenses for the “previous” period and write the total on line 27.**
3. **Subtract line 27 from line 26.**
4. **Write this amount on line 28. This is the amount of your increase or decrease in operating expenses.**

Step 8: Calculation of Allowable Portion of Capital Expenditures

List the capital expenses you had during the “*Current*” Period” you chose in Step 5. The kind of items to include are things like the cost of replacing appliances, facilities, or furnishings, capital improvements and major repairs that have a lasting benefit. Enter the total cost of each type of capital expense, the allowable fraction, and the cost allowable.

Note: If there are exempt units in your complex, the branch will exclude any capital expenditures that are exclusive to an exempt unit. The branch will reduce common area capital expenditures by a percentage that reflects the number of exempt units in the complex.

Date Incurred	Description	Total Costs \$		Allowable Fraction		Cost Allowable \$	
	6 Dishwashers	2,100	00	1/4	line 29	525	00
	Masonry work	40,000	00	1/8	line 30	5,000	00

Allowable Portions of Capital Expenditures:

- (a) 1/3 of the acquisition or replacement cost of:
- Caulking (interior)
 - blinds
 - drapes
 - emergency lighting (portable), and
 - interior painting;
- (b) 1/4 of the acquisition or replacement cost of:
- air conditioning units (wall or window units)
 - canopies and awnings (vinyl)
 - dishwashers
 - emergency lighting (fixed units)
 - exterior painting (acrylic)
 - fences (wooden)
 - flooring (carpet, laminate or vinyl)
 - furniture
 - garburators
 - refrigerators
 - standby power supply systems (portable units)
 - tools, equipment and parts, having an individual price of more than \$400.00
 - washers, and
 - water heaters (direct heat);
- (c) 1/6 of the acquisition or replacement cost of:
- cabinetry and countertops
 - canopies and awnings (metal or concrete)
 - caulking (exterior)
 - central alarm systems
 - ceramic tiles and tub surrounds
 - dryers
 - exterior painting (elastomeric)
 - fire doors, fire escapes, fire separations and firewalls
 - flooring (tile)
 - garage doors
 - garbage disposal systems
 - heating, ventilation and central air conditioning systems, if the acquisition or replacement increases the energy efficiency of the residential complex in accordance with standards established by the director
 - insulation
 - intercom and voice communication systems
 - plumbing fixtures
 - roofing, if the acquisition or replacement increases the energy efficiency of the residential complex in accordance with standards established by the director
 - siding, if the acquisition or replacement increases the energy efficiency of the residential complex in accordance with standards established by the director
 - signal boxes
 - standby power supply systems (fixed units)
 - standpipe and hose
 - stoves
 - water heaters (indirect heat), and
 - windows, if the acquisition or replacement increases the energy efficiency of the residential complex in accordance with standards established by the director;
- (d) 1/8 of the acquisition or replacement cost of:
- cable television wiring
 - chimneys
 - eavestroughs
 - electrical wiring
 - elevators
 - fences (metal or concrete)
 - flooring (hardwood)
 - foundation and masonry work
 - heating, ventilation and central air conditioning systems, if the acquisition or replacement does not increase the energy efficiency of the residential complex sufficiently to meet standards established by the director
 - landscaping
 - parking lot paving and expansion
 - plumbing
 - roofing, if the acquisition or replacement does not increase the energy efficiency of the residential complex sufficiently to meet standards established by the director
 - satellite dishes and wiring
 - sewer and water installations
 - siding, if the acquisition or replacement does not increase the energy efficiency of the residential complex sufficiently to meet standards established by the director
 - structural repairs and replacement
 - swimming pools, and
 - windows, if the acquisition or replacement does not increase the energy efficiency of the residential complex sufficiently to meet standards established by the director;
- (e) 1/3, 1/4, 1/6 or 1/8, as determined by the director, of the cost of such other items as the director determines to be capital expenses.

1. **List all of your capital expenditures, beginning at line 29. Include capital expenditures from the current reporting period only.**
2. **Calculate the appropriate cost allowable for each purchase.**
3. **Add the numbers in the “Cost Allowable” column and write the total on line 41.**

Step 9: Calculation of Deficit

Step 9 only applies if your residential complex is operating in a deficit. You have a deficit when your operating expenses plus the allowable mortgage interest expense is more than your revenue. The deficit is the amount of money you are short.

Step 10: Calculation of Economic Adjustment

Every year the government announces the Economic Adjustment Factor for the next calendar year. The economic adjustment factor helps to offset the costs of inflation. The economic adjustment factor for 2019 is 1.4%. Multiply your revenue from line 05 by the economic adjustment factor. Enter this number on line 47.

Line 48: If you have contacted the branch and have calculated that your complex operates at a deficit, divide the deficit amount (from line 46) by 3. Enter that amount on line 48.

Line 49: Select the *greater of* line 47 (economic adjustment) or line 48 (deficit).

Step 11: Calculation of the Value of a Change in Service

Calculate the value of any change in service.

A change in service might result in a rent increase on your units. For example, you decide to pay the hydro for the entire complex yourself, instead of having the tenants pay their own bills. You receive information from Manitoba Hydro to show that the average hydro bill for your units is \$25.00 per month. You have 25 units in your building. You calculate the dollar value of the change in service to be \$7,500 (\$25.00 per month x 12 months x 25 units). This change in service alone would increase your tenants' rent by \$25.00 per month.

The dollar value of any change in service could also be a negative number. For example, your tenants were always responsible to pay their own electricity for the lights, etc. in their units. You paid the gas bill and heat was included in the rent. You decide to convert the heating system from gas to electric. The tenants will be responsible to pay heating costs as part of their hydro bills. You receive information

from Manitoba Hydro to show that the average hydro bill for your units will go up by \$30.00 per month. You have 20 units in your building. You calculate the dollar value of the change in service to be \$7,200 (\$30.00 per month x 12 months x 20 units). This change in service alone would reduce your tenants' rent by \$30.00 per month.

Step 12: Calculation of Allowable Rent Increase

You now have all the information to calculate the allowable rent. Here's how:

operating expenses (line 51)	+	capital expenditures (line 52)	+	economic adjustment or deficit allowance (line 53)	+	change in service (line 54)	=	allowable rent increase (line 55)
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Step 13: Allocation of Allowable Rent Increase

The Act allows you to allocate the allowable rent increase in one of two ways amongst the rental units:

Option 1: Equal Percentage (For example, every unit in the building gets a 4% rent increase)

- Line 57: Multiply the total increase (line 55) by 100.
- Line 58: Complete Schedule 2 - Rent Roll Information. Add the Total Current Rent from Column 8 and enter it into Line 56. Multiply line 56 by 12 (months) and enter on line 58
- Divide line 57 by line 58 and round off to one decimal place. For example: 3.4317 rounds to 3.4%
3.6754 rounds to 3.7%

Option 2: Equal Dollar (For example, every unit in the building gets a \$20.00 per month rent increase)

- Line 60: Divide line 55 by 12 (months)
- Line 61: Divide line 60 by the total number of rental units in the residential complex. Enter on line 61. You can round off this number to the nearest dollar.

Step 14: Certification

You, or any person you authorize, must sign the Application for Rent Increase form and send it to the Residential Tenancies Branch within 14 days of notifying the tenant(s) of the rent increase.

The branch may verify the information on your application by contacting any individuals or agencies necessary.

Schedule 1: Mortgage Details

You only need to complete this schedule if you are including a deficit calculation on your application.

Schedule 2: Rent Roll Information

If you apply for a rent increase, you must apply for all units in the residential complex. You may have different rent increase dates for individual units. Please provide the following information for each unit:

- unit number
- unit type (e.g. bachelor, one bedroom, etc.)
- tenant's name
- tenant's mailing address if different from rental unit address
- basic current rent (before discounts)
- parking charge
- charges for other services (specify) [for example: storage locker, air conditioning]
- total current rent
- effective date of total current rent (the date of the last increase)
- basic proposed rent
- proposed parking charge
- proposed charge for other services (specify)
- total proposed rent
- effective date of total proposed rent
- amount of increase both in dollars and as a percentage (for example, \$15.00 or 3%)

Schedule 3: Landlord's Summary Information

When you apply to the branch for an above guideline rent increase, the branch invites the tenants to view the application and other information you provide. The Landlord's Summary highlights the information that is generally most important to the tenants. The branch will send a copy of the summary to tenants with the letter inviting them to view the file. The landlord's summary is helpful for those tenants who can't come to the branch. By providing the summary, you help the tenants review and understand the information. After reviewing the summary, a tenant can view the entire file if they wish to do so.

Operating Expenses (from Step 7 of the application)

- Enter the amount from line 28
- Select the expense categories that increased by the largest amounts. Enter the name of the category and the amount it increased (from column 3 of Step 7).

Capital Expenses (from Step 8 of the application)

- Enter the total of the numbers listed in *Total Cost* (from column 3 in Step 8)
- Enter the amount from line 41
- Select the capital expenditures that most affect the application and enter their cost allowable portion (from column 5 of Step 8).

Change in Service (from Step 11 of the application)

- If you have added or withdrawn a service or facility, enter its description from Step 11.

Economic Adjustment (from Step 10 of the application)

- Enter the information from lines 47 - 49.

Total Claimed

- 1) increase in operating expense - amount from line 51 of the application
- 2) allowable portion of capital expenses - amount from line 52 of the application
- 3) value of change in services/facilities - amount from line 54 of the application
- 4) economic adjustment - amount from line 53 of the application
- 5) TOTAL INCREASE – amount from line 55 of the application

For the last part of the form, enter the information from Step 13 of the application (Option 1 **or** Option 2).

Schedule 4: Rebates/Incentives/Grants

You must include a list of any:

- rebates,
- incentives,
- refunds,
- money from an insurer,
- forgivable loans, grants, or other forms of compensation,
- assistance you may receive towards any of the expenses claimed on your application.

The list must include the expense item, the source of the rebate/incentive/grant, and the total amount you are receiving.

OTHER INFORMATION TO SEND WITH THE APPLICATION

When you send the completed application to the branch please include your general ledger showing all of the operating expenses listed for both the “*Current Period*” and “*Previous Period*”. A general ledger outlines the amount of each expense, the date the expense was incurred, and a brief description of what the expense was for.

If the officer needs any additional information, they will ask you to provide it.

BRANCH DECISION

The branch’s goal is to make a decision and issue an Order setting the rent before the first increase date or within 90 days of receiving the application. Sometimes, delays prevent this from happening.

If the Order isn’t issued by the date you have put on your notices, the tenants must pay the proposed rent you showed on the Notice of Rent Increase form they received from you. If the branch issues an Order that sets the rent lower than the amount shown on the tenants’ Notice of Rent Increase form, the Act requires you to refund the rent overpayment. You may give your tenants a cheque for the overpayment or tell them to deduct the amount from their next month’s rent.

If a tenant overpaid rent and has moved out before you refund them and you cannot find them, you are required to send that amount to the branch payable to the Minister of Finance. The branch will try to refund the money to those tenants.

THE APPEAL PROCESS

What can I do if I disagree with a Residential Tenancies Branch decision?

If either you or your tenant disagrees with a Residential Tenancies Branch decision, you or your tenant can appeal to the Residential Tenancies Commission (the Commission). When you appeal, you ask the Commission to review your case and the decision.

You must file an appeal within 14 days of receiving a Residential Tenancies Branch order or decision.

The branch's decision is suspended (not enforced) during an appeal, unless the Commission makes orders otherwise.

When a landlord or tenant appeals, the Commission holds a hearing. The Commission will notify you and your tenant of the hearing date. The Commission may conduct the hearing in person, by telephone, in writing, or some combination of the above.

At the hearing, a landlord representative, a tenant representative and a neutral chairperson will hear the information from the landlord and the tenants. After the hearing, the Commission will issue an order setting rent(s). If the landlord appealed the branch's order, the Commission's order will deal with all the units in the complex. If the appeal was by a tenant or tenants, the Commission's order may apply only to the units of the tenants who appealed or to all the units in the complex.

The Commission's order is final.