

HOW TO RESPOND TO A NOTICE OF RENT INCREASE

(For leases beginning between **April 2, 2023**, and **April 1, 2024**)

Note: Please read this entire tip sheet. Keep in mind that the rent increase guidelines issued by the Tribunal administratif du logement (TAL) are only **estimates**. If the Tribunal is asked to decide on a rent increase, they will use a formula. This formula will consider the landlord's **real expenses** for the building in question during a particular twelve-month period, *not* the guideline amounts.

If your landlord asks for a rent increase, you have the right to refuse it. You do not have to accept it or move out. You can refuse an increase that you think is unfair based on the Tribunal's guidelines and/or the landlord's expenses.

Step 1: Check that the legal deadlines are being respected.

- The landlord must send a **written** notice 3 - 6 months before the end of a 12-month lease or 1-2 months before the end of a lease of less than 12 months or for an indeterminate time. If a notice is not sent within that time period, the lease is renewed with the same rent and terms.
- The tenant has **one month** to reply. The reply must be in writing and should be sent by registered mail or another method that provides **proof of receipt**. If the tenant does not respond, the lease is renewed and the tenant is assumed to have accepted the increase.
- If the tenant refuses a rent increase, the landlord has **one month** from receiving the refusal to ask the Tribunal to "fix" (decide) the rent. If the landlord does not file an application with the Tribunal, the rent remains the same.
- If the landlord does file an application for rent fixation, the tenant should receive a copy of the application and the landlord's expenses (the "RN") from the landlord. The tenant and landlord will later receive a notice of hearing from the Tribunal. **At the hearing, the rent adjustment will be calculated according to the landlord's actual expenses for the building in question**, using the bills the landlord provides. The rent adjustment granted could be more or less than the Tribunal's guidelines even if there have not been any major repairs. **Note:** *Poor housing conditions, inadequate heating, etc. will not be considered at a rent fixation hearing. Tenants have to file their own cases at the Tribunal for these problems.*

Step 2: Use the TAL's Guidelines to estimate an approximate rent adjustment

The Tribunal's guidelines are **estimates** which can help a tenant decide how to respond to the landlord's notice. The guidelines do not take into account the real expenses of any particular landlord. For example, a landlord may have had a larger than average increase in maintenance expenses which could result in a rent increase that is higher than the guidelines. Also, certain expenses, such as building insurance, municipal and school taxes and major repairs are not included in the estimate.

If the landlord provides all or most of the details about his expenses when asking for a rent increase, and if the Tribunal grants the landlord the increase he asked for or more, the tenant may be ordered to pay the landlord's filing fee (\$54-\$84). Consequently, it is important to look at the landlord's expenses carefully before deciding whether or not to refuse the increase. Please note that Project Genesis advisors cannot confirm the accuracy of information provided by landlords.

To use the Tribunal's guidelines, there are three possible steps to follow:

➤ **1. Identify the TYPE OF HEATING**

The Tribunal's estimates vary depending on the type of heating. If you do not know what type of heating system is used, there are certain indications. Electrical heating usually uses baseboard heaters, gas is distributed in underground pipes, and oil is delivered by truck and stored in large tanks. *Gaz Métropolitain* (514-598-3222) can inform you if a building is heated by gas.

To determine the rent adjustment estimate suggested by the Tribunal's guidelines, multiply the current rent by the appropriate percentage increase or decrease and add it to the current rent.

Electric heating 2.8%: current rent X 0.028

Gas heating 4.5%: current rent X 0.045

Oil heating 7.3%: current rent X 0.073

Heating paid by tenant 2.3%: current rent X 0.023

*Example: The tenant pays \$800.00 for an apartment where heating is paid by the tenant. There were no renovations and the landlord's notice does not mention any other special expenses. The **average** adjustment would be 2.3%: $\$800.00 \times 0.023 = \18.40 increase or $\$818.40$.*

➤ **2. Take into account MAJOR REPAIRS AND RENOVATIONS, if applicable**

The regulations allow the landlord to increase the rent by **\$3.17/month for every \$1000** spent in **major repairs and renovations** during **2022**. Legally, each unit would pay a proportionate share based on its rent. Since we don't have enough information to divide the allowable amount proportionally, we will divide it by the number of units in the building.

Example: Landlord spends \$15,000 on a new roof in a 10-unit building. This means $\$3.17/\text{month} \times 15$ (for each thousand spent) = $\$47.55 / 10$ apartments = $\$4.75/\text{month}$ for each tenant.

➤ **3. Take into account CHANGES IN MUNICIPAL TAXES**

Considering increases or decreases in municipal taxes can also help determine whether a request for a rent increase is reasonable. To obtain information about municipal taxes, call 311 and identify the borough where the building is located, or consult the Évaluation foncière website. Obtain the amount of municipal taxes for both 2022 and 2023 for the address in question. The following formula can be used to roughly estimate the effect that a tax increase (or decrease) could have on the rent:

(Tax increase or decrease ÷ Number of units in the building) ÷ 12 months = Estimated rent increase or decrease based on municipal taxes alone. (This is only an approximation.)

Example: Municipal tax increased from \$10,000 in 2021 to \$11,000 in 2022 in a 30-unit building. $\$11,000 - \$10,000 = \$1000 \div 30$ apartments $\div 12$ months = $\$2.80$. Add this amount to the estimate indicated by the guidelines plus any increase based on major repairs and renovations.

Tenants and landlords are always free to negotiate a rent increase. The information provided in this tip sheet can assist in these negotiations. Make sure you put your final agreement in writing.

Project Genesis advisors are available to help you by phone 514-738-2036) or in person.