



# All Things Related to RENT

## Part Two

This ONLINE Town Hall Meeting continues the discussion on details relating to rent rules for residential units in Ontario.



# ONLINE Town Hall Meetings

- Ontario landlords are governed by an onerous regulatory environment
- Many landlords do not know or understand their rights, obligations or responsibilities
- Town Hall Meetings examine issues landlords commonly face over the course of a tenancy. They offer comprehensive information on how to navigate the legal landscape





# Landlord's Self-Help Centre

- Specialty Community Legal Clinic assisting Ontario's small landlord community
- Founded as Landlord Aid in 1975; received from Legal Aid Ontario in 1977
- Incorporated as a non-profit in 1977
- Membership hovers at the 500 mark
- Assist 10,000 landlords annually
- 30,000+ monthly visits to website
- Follow us to stay informed:
  - **Facebook.com/landlordselfhelp**
  - **Twitter: @lshc1**



# All Things Related to RENT

## Part Two

At this Town Hall Meeting we will discuss:

- Rental Units Exempt from Guideline Increases
- Automatic Rent Reductions due to Tax Decreases
- Agreements to Increase the Rent
- Decrease in Services

# Residential Tenancies Act, 2006

The *Residential Tenancies Act, 2006* (RTA) is the provincial statute that governs most residential rental agreements in Ontario.



The RTA defines the rights and responsibilities of landlords and tenants.

The RTA includes provisions for the termination of a rental agreement. It defines circumstances under which a tenancy may be terminated and establishes notice requirements which vary depending on the reason for notice.

# Rental Units Exempt from Guideline Increases



# Rental Units Exempt From Guideline Increases

Rental units that are exempt from the guideline increase are described in subsection 6 (2) of the *Residential Tenancies Act*. The amount of increase is not limited to the guideline amount if:

1. **The rental unit was *not occupied for any purpose* before June 17, 1998** – Typically this refers to *a unit in a building built after June 17, 1998*; or
2. **A rental unit *no part of which has been previously rented* since July 29, 1975** – meaning *it has never been rented*, and *only the owner has used or occupied the unit since 1975*; or
3. **No part of the building, mobile home park or land lease community was occupied *for residential purposes* before November 1, 1991** - meaning *the building was probably commercially used before 1991 and then was converted to residential use*.

# Exempt Rental Units

(continued)

The rent for exempt rental units may only be increased every **12 months** since the last increase, or **12 months** from the date the tenant first occupied the unit. The landlord must still provide the tenant(s) with **90 days' notice**. However, they are required to use **form N2**.

**Note:** These units are only exempt from the guideline increase amount. They must still comply with the rest of the provisions outlined in the *Residential Tenancies Act*.

Notice of Rent Increase  
Unit Partially Exempt  
N2

Read the instructions carefully before completing this form.

<b>To:</b> (Tenant's name and address)	<b>From:</b> (Landlord's name and address)

**Address of the Rental Unit:**

**Your New Rent** On dd/mm/yyyy, your rent will increase to \$           

per ☐ month ☐ week ☐ other (specify)           .



# **Automatic Rent Reductions due to Tax Decreases**

# Automatic Rent Reductions due to Tax Decreases

Section 131 of the Residential Tenancies Act contains a provision which allows a tenant to reduce their rent when the property taxes for the residential rental building in which they live have decreased when compared to the previous year.



The Regulations of the RTA sets the amount of rent reduction tenants can receive at 20% of the percent of the tax decrease (15% for buildings containing 6 or fewer rental units). This rule is based on the assumption that approx. 20% of a landlord's rental revenue is used to pay property taxes.

# Automatic Rent Reductions due to Tax Decreases (continued)

## How this works

- When the tax decrease is more than 2.49%, tenants can automatically reduce their rents without applying to the LTB.
- When the tax decrease is less than 2.49%, the tenant may file an application with the LTB.

# Automatic Rent Reductions due to Tax Decreases (continued)

## Properties containing 7 units or more:

The Act requires the municipality to notify **both** landlords and tenants if the property taxes have been reduced by more than 2.49%.



## Properties containing 6 or fewer units:

The automatic rent reduction still applies to these complexes and the burden is on the landlord to notify the tenant if the tax decreases by more than 2.49%.



# Notice from the Municipality

(7 or more units)

Municipalities must send rent reduction notices to landlords between June 1st and September 15<sup>th</sup>, and to tenants between October 1st and December 15<sup>th</sup>.

The notices from the municipalities will provide the landlords and tenants with information about the rent reduction including,

- the percentage of the rent reduction, and
- the date the reduction takes effect which is December 31<sup>st</sup> of the year in which the tax reduction takes place.



# A4- Application to Vary the Amount of a Rent Reduction

An application can be filed with the LTB to vary the amount of the rent reduction for any of the following reasons:

1. The amount of the property tax on the notice is not the same as the amount stated in the property tax assessment.
2. The amount the landlord pays in property taxes is not equal to 20 per cent of the landlord's rental revenue (15 percent for buildings containing 6 or fewer rental units).
3. The amount of the tax reduction or rent reduction in the municipality's notice is wrong.

The deadline for filing an A4-Application is March 31st of the year following the effective date of the rent reduction and the cost to file this application is \$45.00.



# Keep in Mind...

The automatic rent reduction and notice of rent increase issues should be kept separate.

If a tenant proposes to continue paying the current rent and ignore the automatic rent reduction in exchange for the landlord's promise not to increase the rent through a Notice of Rent Increase, landlords must exercise caution.

We do not recommend that landlords reach these types of agreements with their tenants. The tenant has one year to change their mind and reduce their rent through an application to the LTB. Whereas, the landlord, **cannot go back** and take missed rent increases.



# Tenant Options

**Decrease of 2.49% or less**→ Tenants occupying units in rental properties that experienced a decrease in municipal property taxes of 2.49% or less may **file an application\*** with the Landlord and Tenant Board seeking a rent reduction (if the landlord hasn't already reduced their rent to reflect the change in taxes).

*\*Tenants can apply to the LTB with the T3-Tenant Application for a Rent Reduction*

☐ **Reason 2: The municipal taxes and charges for the residential complex have decreased.**

The **Base Year** is the calendar year in which the municipal tax decrease took effect.  
 The **Reference Year** is the calendar year before the Base Year.

Calendar Year	Base Year <input type="text" value="yyyy"/>	Reference Year <input type="text" value="yyyy"/>
Total property taxes for the complex	\$ <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/>	\$ <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/>

You must attach evidence of the amount of property taxes charged by the municipality for both the Base and Reference Years.

**Decrease of 2.5% or more**→ Tenants in these rental units will have received notification from the City that specifies a percentage amount by which they are entitled to reduce their rent. These reductions are **automatic** and do not need to be approved by the Landlord and Tenant Board or the landlord.

# Agreements to Increase the Rent

# Agreements to Increase the Rent

A landlord and tenant may agree to increase the rent amount during the term of their tenancy **under certain conditions**.

The sections of the RTA which contain provisions in which a landlord and the tenant may agree to increase the rent are

- Section 121, and
- Section 123



# Agreement to Increase the Rent

## Section 121

Section 121 of The *Residential Tenancies Act* allows a landlord and a tenant to agree to increase the rent above the guideline, if:

- The landlord has carried out or plans to carry out capital expenditures in exchange for the rent increase; or
- The landlord has provided or undertakes to provide a new or additional service in exchange for the rent increase.

Agreement to Increase the Rent Above the Guideline  
N10

Read the instructions carefully before completing this form.

<b>Tenant's name and address:</b>	<b>Landlord's name and address:</b>

**Address of the Rental Unit:**

**Your New Rent**

The landlord and tenant agree that on dd/mm/yyyy, the total rent for the unit will increase to \$ .  per (month, week, etc.).

The law allows a landlord and tenant to agree to a rent increase that is more than the rent increase guideline if the landlord:

- has done (or will do) capital work; or
- has provided (or will provide) a new or additional service.

The rent increase cannot be more than the rent increase guideline plus 3%.

**Details of the Work or New or Additional Service**

Provide details of the work or new or additional service. Also include the date the work was (or will be) completed or the service provided.

# Conditions for Rent Increases Under Section 121

- Must be in writing and must be in the form approved by the Board Form N10 (Agreement to Increase Rent Above the Guideline).
- The highest increase that can be agreed to is 3% above the guideline.
- Allows the tenant the right to cancel the agreement by giving written notice to the landlord within five days after signing it.
- The agreement may not come into effect sooner than 6 days after signing.





# Conditions for Rent Increases

## Under Section 121 (continued)



- A landlord and tenant can only agree to increase the rent if at least **12 months** have passed since the last rent increase or since a new tenant moved into the unit.
- Any Notice of Rent Increase given to the tenant before the Agreement to Increase Rent was signed becomes void if it takes effect on or after the day the agreed increase is to take effect.
- An agreement is **void** if it has been entered into as a result of coercion or as a result of a false, incomplete or misleading representation by the landlord or a landlord's agent.

# T4 Tenant Application

A tenant can file a T4 Application within two years of the effective date of increase if:

Tenant Application - Landlord did not Comply with an Agreement to Increase the Rent Above the Guideline  
FORM T4

is form. Print or type in capital letters.

Application

e.g. East) Unit/Apt./Suite

Prov. Postal Code

e a Schedule of Parties form and file it with this application.)

- The landlord failed in whole or in part to carry out a promise under the agreement;
- The agreement was based on work the landlord claimed to have done but did not do; or
- The agreement was based on services the landlord claimed to provide but did not.

# Agreement to Increase the Rent

## Section 123

**Section 123** of the *RTA* allows a landlord to increase the rent charged at any time if the landlord and the tenant agree that the landlord will add any of the following with respect to the tenant's occupancy of the rental unit:

1. A parking space.
2. A prescribed service, facility, privilege, accommodation or thing.



**Note:** There is no specific form required for this type of increase, however, it is recommended that the agreement is put in writing.

# Prescribed Services

In addition to parking spaces, **section 16 of the O. Reg. 516/06** sets out the following prescribed services, facility, privilege, accommodation or thing:

- Hydro;
- Heat;
- Air conditioners;
- Extra hydro for air conditioners;
- Extra hydro for a washer or dryer in the rental unit;
- Water/sewage services (but not capital work);
- Floor space;
- Cable/satellite television;
- Block heater plug-ins;
- Lockers/storage space.



# Maximum Rent Increase

The maximum increase in rent allowed is the actual cost to the landlord of the service provided. Where the actual cost cannot be established, the rent increase can reflect a reasonable amount based on the value of the service.

**For Example:** If it costs the landlord \$25/month to connect and supply internet to a tenant's unit, and the tenant agrees to this increase in exchange for the additional service, the landlord cannot increase the rent by more than the \$25/month it will cost to provide this added service.



**Note:** An agreement to increase the rent is **void** if it has been entered into as a result of coercion or as a result of a false, incomplete or misleading representation by the landlord or a landlord's agent.

# Decrease of Services

Section 125 of the RTA is a provision that requires the landlord to decrease the rent where both the landlord and tenant agree that parking or a prescribed service, facility, privilege, accommodation or thing will no longer be provided to the tenant.



- A tenant may file a T3 → Tenant Application for a Rent Reduction (where the landlord took away a service/amenity that was provided without proper compensation to the tenant).
- The tenant has 12 months from when the service or facility was discontinued to file a T3 Application.



# Reminder:

## New Forms...New Website!

As of June 1, 2015, landlords should only be using the new Landlord and Tenant Board notices and applications. Use of the old forms may be harmful to your case and/or result in the dismissal of your application.

- These forms can be found on the Social Justice Tribunals Ontario website at <http://www.sjto.gov.on.ca/lrb/>

**Note:** As of July 1, 2015, the Landlord and Tenant Board serves the Notice of Hearing package to all parties, in most cases.



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At this Town Hall Meeting we have discussed:

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- ✓ Automatic Rent Reductions due to Tax Decreases
- ✓ Agreements to Increase the Rent
- ✓ Decrease in Services

# Resources:

## All Things Related to RENT

### Landlord's Self-Help Centre

FAQs - Index of Q and A's

- [http://www.landlordselfhelp.com/education/forum\\_q\\_a.asp?sub\\_id=16&sub\\_catid=1&sub\\_name=Increasing the Rent](http://www.landlordselfhelp.com/education/forum_q_a.asp?sub_id=16&sub_catid=1&sub_name=Increasing the Rent)
- [http://www.landlordselfhelp.com/education/forum\\_q\\_a.asp?sub\\_id=93&sub\\_catid=1&sub\\_name=Rent Reduction](http://www.landlordselfhelp.com/education/forum_q_a.asp?sub_id=93&sub_catid=1&sub_name=Rent Reduction)

### RTA Fact Sheets

- [http://www.landlordselfhelp.com/facts/2007\\_rent\\_rules.pdf](http://www.landlordselfhelp.com/facts/2007_rent_rules.pdf)
- [http://www.landlordselfhelp.com/facts/2007\\_automatic\\_rent\\_reduction.pdf](http://www.landlordselfhelp.com/facts/2007_automatic_rent_reduction.pdf)

### e-laws

- Search Residential Tenancies Act, 2006 - [www.e-laws.on.ca](http://www.e-laws.on.ca)

# Resources:

## All Things Related to RENT

### Landlord and Tenant Board

- Your Rights and Responsibilities (Rent, Rent Deposits and other charges)  
<http://www.sjto.gov.on.ca/ltb/rights-and-responsibilities/#faq4>
- 2016 Rent Increase Guideline  
[http://www.sjto.gov.on.ca/documents/ltb/Brochures/2016%20Rent%20Increase%20Guideline%20\(EN\).pdf?7094a0](http://www.sjto.gov.on.ca/documents/ltb/Brochures/2016%20Rent%20Increase%20Guideline%20(EN).pdf?7094a0)
- 2015 Rent Increase Guideline  
[http://www.sjto.gov.on.ca/documents/ltb/Brochures/2015%20Rent%20Increase%20Guideline%20\(EN\).pdf?7094a0](http://www.sjto.gov.on.ca/documents/ltb/Brochures/2015%20Rent%20Increase%20Guideline%20(EN).pdf?7094a0)
- Automatic Rent Reductions and Tax Decreases  
[http://www.sjto.gov.on.ca/documents/ltb/Brochures/Automatic%20Rent%20Reductions%20&%20Tax%20Decrease%20\(EN\)%20Revised\\_Bill140\\_June15\\_2015.pdf?7094a0](http://www.sjto.gov.on.ca/documents/ltb/Brochures/Automatic%20Rent%20Reductions%20&%20Tax%20Decrease%20(EN)%20Revised_Bill140_June15_2015.pdf?7094a0)
- A Guide to the Residential Tenancies Act -  
[http://www.ltb.gov.on.ca/en/Key\\_Information/STEL02\\_111677.html](http://www.ltb.gov.on.ca/en/Key_Information/STEL02_111677.html)
- Guide to the RTA in Multiple Languages -  
[http://www.ltb.gov.on.ca/en/Key\\_Information/157371.html](http://www.ltb.gov.on.ca/en/Key_Information/157371.html)