



Kay Four Quarterly

A Newsletter Published by Kay Four Properties Inc.

Summer 2021

Our Office Team

Many of you may not be familiar with our office staff who look after your apartment building and your suite. We are very proud of these very professional folks. They are approachable and friendly and look forward to speaking with you and addressing your concerns.

Melissa or Lynn are usually the people who answer the phone and can answer most of your general questions or direct you to a manager for more advanced questions.

Receptionist:	Melissa
Lease Clerk:	Lynn
Assistant property manager:	Tammy
Accounting:	Sol and Avrom

Senior property manager and maintenance manager:	Murray
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Property manager:	Trish
Senior managers:	Geoffrey, Avrom, Murray and Sam



Please call or email our office with any questions. Our office phone number is 204-339-0461 and email questions should be sent to info@kayfour.ca

Why is My Rent Going Up? Is There not a Rent Freeze?

Some tenants ask why do rents increase by more than the Guideline? This year, people ask why leases reflect increases in 2022 since they heard rents increases are frozen at 0% for 2022. Tenants also ask if they pay for other buildings' repairs. We answer all of those questions below.

Housing is a commodity, but our prices are regulated by the RTB. In contrast to that, most businesses raise their prices whenever they want to, without being audited.

The government carefully controls rent increases through the Residential Tenancies Branch (RTB).

We must prove cost increases to the RTB, through an audited AFRI process (Application For Rent Increase) to obtain rent higher than the annual Guideline. This is a lookback process. We prove that your building's costs rose by an amount more than the allowable rent increase guideline in the year before we ask for a rent increase. Once we prove that our costs rose by more than the rent guideline the RTB will allow us to start recouping the percentage that the costs increased and no more. This means we are always catching up through the AFRI process.

In contrast to our asking to keep pace with rising costs, utilities go to the Public Utilities Board (PUB) and ask for an increase in expected price increases and additional profit. Retailers can price their products as they see fit to maintain the desired profit ratio.

The media incorrectly reported there was a rent freeze; the Guideline is 0%. The exact wording in the budget document reads "*Manitoba will set the annual rent guidelines at 0 per cent for 2022 and 2023.*" (page 145, Budget 2021). This explains why we can raise rents using the AFRI process in 2022 and 2023.

The logic behind the freeze was the rebate of a portion of the education taxes we pay would offset all cost increases. If a landlord proves that our costs have risen by more than the rebate received, we will be allowed rent increases.

You are not paying a portion of the costs for any other building. When we submit an AFRI, the RTB only looks at costs for your building; the costs of running any other part of our business do not form part of the application.

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Why is My Rent Increasing—Continued

What forms our cost of running the building, and thus your rent increase? In simplest terms, before the owner can make any profit, they have to pay the mortgage, property, payroll and income taxes, utilities, insurance, normal and large repairs, staff costs, permits, snow clearing, pest control, and sundry other costs. Many of the largest costs incurred cannot be controlled by us—in fact, you, the tenants, often have more control over our costs than we do in your use of utilities. Similarly, the government controls many of the other costs since they control tax levels and, through the PUB, the utilities rates.

The AFRI form has three main sections for calculating the increase. The first is for changes in operating costs, the second is for capturing a portion of any cost that the RTB deems capital in nature, such as a roof repair or major work in parking lots and the third accounts for inflation. That third section is set at 0% for the next two years since that section is based on the Guideline.

We describe below some of the largest costs and increases, using the average over all the apartment buildings we manage over the last 12 months:

- ⇒ 19% of the rent paid was spent on repairs and maintenance. The cost of repairs and maintenance rises every year. For example, a piece of drywall that cost less than \$30 in 2020 now costs almost \$100. The cost of a new window is increasing by almost 50% starting this month.
- ⇒ Utility costs represent 14% of the rent paid. Utilities costs increased by 3%. This reflects a combination of higher rates and tenant usage, neither of which we control. If you turn off lights when you are not in rooms, turn down your thermostat a degree or two, or run your air conditioner only when someone is home, these bills are likely to increase at a slower pace.
- ⇒ In 2020 property taxes costs represented 10% of rent collected. This has dropped to 8% in 2021 after the reduced education tax portion. It would have drooped more but the City and School tax portions of the bill increase every year.
- ⇒ Insurance costs rose by more than 30% in 2021. Insurance companies are raising premiums for all apartment buildings in North America by up to 50%.
- ⇒ Cable TV rates increased by 6% for buildings that have cable TV included in the rent. Currently, we spend approximately \$46 per suite on cable (4-5% of the rent) each month.
- ⇒ Pest control costs rise every year. They increased by 7% over the last twelve months.

We make every attempt to control costs. We examine our costs building by building and make efforts to reduce costs where we can. Over the last few years, we have switched much of our lighting to LED.

Every time we replace any items, we look for more energy-efficient replacements. We obtain competitive quotes and purchase in bulk where possible.

Rent increases are our way of trying to keep pace with rising operating costs. We are required to prove our cost increases to the government before we can begin to recover these increased costs. The RTB carefully audits our applications for rent increase to ensure that we are not allowed rent increases that are any higher than cost increases justify. The RTB regularly asks us for additional evidence, which often includes proof of expenses that can be lower than \$5.00 at a given property. That is how careful they are in reviewing our applications.

We know that you want a clean, comfortable and secure home. That is why we maintain our properties at a high standard. In order to continue providing high quality properties and stay in business, we must raise rents by more than the Guideline. Any other decision would negatively affect tenants' living conditions and be an unsound business decision.

Feel free to call our office at 204-339-0461 or the RTB at 204-945-2476 if you have any questions about rent increases.

Air Conditioner Reminders

We have had a lot of heat this summer. Please remember the following to maximize enjoyment of your air conditioner

- ⇒ Please turn off the AC unit when not at home. They are not designed to run 24 hours a day
- ⇒ Please leave the area immediately surrounding the AC unit clear to allow air to blow freely
- ⇒ Please clean your filter regularly. Your Resident Manager can show you how
- ⇒ Please close windows while using the AC unit
- ⇒ Please leave drapes (partially) shut in the brightest hours of sunlight to help lessen heat from the windows
- ⇒ Please do not plug other items into the same plug as the AC Unit. That can cause breakers to trip
- ⇒ Please use fans to help circulate the cool air around your suite

These helpful hints should help you stay more comfortable on these hot summer days

