



## LEASE AGREEMENTS FOR FARM BUILDINGS

This Factsheet is one of a series on leasing agreements. Leasing and renting buildings is a common practice in rural Ontario. Farm buildings and livestock facilities often outlast their owner's need for them but are still usable. Other operators want the services of certain types of farm buildings but aren't in a position to invest in new facilities. Both parties can benefit by developing a lease arrangement. However, they must agree on the amount of the rental payment and the use and care of the property.

This Factsheet examines the major considerations in developing a lease agreement for crop and livestock facilities from both the landlord and tenant's points of view. A lease form to aid in the development of a lease arrangement is available in the Factsheet *Farm Building Lease*, Order No. 03-093.

### SECTION 1 — THE BASICS OF A LEASE AGREEMENT

#### HUMAN COMPONENTS OF A SUCCESSFUL LEASE

Any form of business agreement requires mutual respect and trust. Leasing buildings or livestock facilities is no different. To be successful the lease arrangement must satisfy both the landlord **and** the tenant. Before entering into a lease both parties should consider more than just price. The compatibility of the landlord and tenant and the fairness of the lease are important considerations. The following is a list of characteristics commonly found in successful lease agreements:

- **Compatibility** — Can you get along and discuss differences?
- **Honesty** — Do you trust the person you're dealing with?
- **Clarity** — Do you both know what the terms of the lease are, and is it in writing?
- **Equitable Terms** — Are the terms fair to each party?

- **Flexibility** — Can you adjust the lease if changes occur?
- **Suitability** — Does the lease fit the use of the building?

#### ADVANTAGES OF A WRITTEN AGREEMENT

While many farm lease agreements are verbal, there are advantages to putting an agreement in writing.

- The greatest benefit is a clear understanding of the terms of the lease agreement. Even though a verbal lease agreement is a valid form of contract, it is exceedingly difficult to prove what the terms are in the event of a disagreement. A written lease provides both the landlord and the tenant with a record of what they have agreed to.
- It makes the expectations and responsibilities of both parties clear. If a dispute arises it can prevent costly legal action by providing for alternatives to a court proceeding.
- It provides a valuable guide to heirs if the landlord or tenant should die.
- It provides documentation for tax purposes.

A written agreement is not a sign of distrust, but rather a desire of both parties to have a clear understanding of the agreement they are making.

**TABLE 1. Summary of Required, Recommended and Optional Lease Items**

WRITTEN LEASE AGREEMENTS		
Required Items	Recommended Items	Optional Items
<b>Names and addresses of tenant and landlord</b>	<b>Right of inspection</b> — landlord has the right to enter the rented property; the tenant has the right to remove the crops and livestock.	<b>Resolving differences</b> — an arbitration clause describes how disagreements that the tenant and landlord cannot resolve themselves, would be dealt with. The most common practice is appointing an arbitrator
<b>Description of property to be rented</b> — includes common legal description and specifies buildings or areas to be excluded	<b>Transfer of property</b> — landlord and tenant should discuss their expectations if/when the landlord sells the farm property to a new owner during the term of the lease	<b>Rights of first refusal</b> — the landlord may include an option for the tenant to purchase the property by matching the offer the landlord receives from a third party
<b>Term and renewal of the lease</b> — when it starts, how long it lasts and, when and how the lease can be renewed	<b>Termination of the lease</b> — clause that clearly spells out how the lease can be terminated	<b>Municipal zoning restrictions</b> — the tenant enters into a farm lease with the express intention of conducting agricultural operations; thus, it is important that the landlord provide an assurance to the tenant that the lands are properly zoned for such use
<b>Rent payable</b> — how much, how it is calculated and when it is to be paid	<b>The use of the property</b> — clause that states how the tenant is going to use the building	
	<b>Environment matters</b> — clause addressing issue of environmental policies and responsibilities	
	<b>Insurance</b> — clause allows landlord and tenant to identify who will be responsible for insurance coverage	
	<b>Rights to assign or sublet the lease</b> — a clause that prevents or allows the tenant to sublet	
	<b>Compensation for repairs to buildings, fences, and improvements</b> — who is responsible for repairing buildings, fences, and other improvements, and how the expenses will be shared	

**THE COMPONENTS OF A LEASE AGREEMENT**

A written lease can be as simple or detailed as the landlord and the tenant wish. *Table 1* summarizes the information to consider in drawing up a lease agreement. These are categorized under 3 headings:

- **Required** — all leases must contain this information
- **Recommended** — items that every landlord and tenant should consider including in the lease agreement
- **Optional** — items add clarity to the lease agreement and provide discussion points for the landlord and tenant as they formulate the lease agreement.

**GOODS AND SERVICE TAX (GST)**

The treatment of building rents for GST purposes depend on whether the landlord is registered with Canada Customs and Revenue Agency to collect and remit the GST. If a landlord is not registered they are not required to charge GST on the rent. If the landlord is registered, then the GST must be charged on cash rentals. The tenant is able to claim an Input Tax Credit on the tax paid.

**FARMLAND PROPERTY TAX PROGRAM**

The Farmland Property Tax program enables eligible farm properties to be taxed at 25% of the municipal residential/farm tax rate. The farm residence, and 1 acre of land surrounding it, is taxed as part of the residential class. To be eligible for the reduced rate, a property must be part of a farming business with gross farm income of \$7,000 or more, and must have applied for and received a valid farm business registration number. A landlord who is not registered can still obtain the reduced tax rate if the tenant has a valid farm business registration number. For further information contact AGRICORP toll free at 1-866-327-3678 or visit the Web site at [www.farmbusreg.com](http://www.farmbusreg.com).

**SECTION 2 — DEVELOPING A BUILDING LEASE ARRANGEMENT**

Most landlords and tenants want to determine a fair or going rental rate. However, a common rental rate for a particular building or piece of equipment does not always exist. In many areas there is no widespread market for specialized livestock buildings. The fixed location of existing structures often narrows the market to just a few prospective tenants. The factors surrounding each individual case and the bargaining

position of each of the parties involved will determine the final rental rate.

## FACTORS THAT AFFECT RENTAL VALUE

There are a number of factors to consider before leasing a building. All of these can affect the net income from the proposed lease arrangement. These factors are:

**Condition** — Are the building and equipment in usable condition? Will major repairs be needed? Who will pay for repairs and maintenance? Will operating costs be unusually high? Poor feed storage may result in high spoilage, or livestock performance may suffer if equipment breaks down.

**Obsolescence**— Does the facility reflect current technology? Can replacement parts be easily obtained? Does it meet current environmental rules? Extra labour, management, and supervision may be required with obsolete equipment.

**Use** — Does the building or equipment fit the tenant's current needs? A hog producer may have little use for a silo or milking parlour.

**Size** — Are the buildings and equipment of large enough capacity for profitable livestock production, considering the tenant's labour and feed supplies? Is the storage facility large enough for the quantity of grain or forage to be stored? Or is it too large to be utilized efficiently, or to match the tenant's other equipment?

**Location** — How far are facilities located from the tenant's base of operations? Distant buildings are less valuable to the tenant because of the higher transportation costs and greater inconvenience involved. Security risks are higher if livestock, machinery or stored crops are located where they cannot be observed regularly.

**Convenience** — Is the operation of equipment simple and efficient? Can grain or livestock be unloaded and loaded easily? Does machinery contain features that increase operator safety or comfort?

**Alternatives** — Could the same services or facilities be obtained elsewhere? At what cost? If the owner is offering a service, which is difficult to obtain in the area, a higher rental rate is likely.

## ESTIMATING THE LANDLORD'S COSTS

### Landlord's Costs

Landlords are primarily interested in recovering their costs for a particular farm building or set of equipment, particularly any operating costs not paid directly by the tenant. In addition, landlords may consider proper care and maintenance of their property important. At a minimum, the rental rate should

cover any added costs related to the use of the facility. These **variable** costs include use-related repair and maintenance costs, utilities expense, and additional wear and tear. Most of the landlord's costs will remain the same regardless of how much the asset is used, if at all. These costs are usually called ownership or fixed costs and include depreciation due to age, interest (return on investment), property taxes, insurance, and certain repair and maintenance costs not related to use. Because these costs occur whether the asset is rented or not, any rental amount in excess of variable costs is a net gain to the landlord, even if it pays only part of the ownership costs.

Estimating the total of the landlord's costs for the item rented can provide a starting point for negotiating a rental rate. *Table 3* shows an example of how this can be done. Appendix 1 also contains a blank worksheet, *Table 6*, for estimating your own costs.

### Calculating a Current Value

Most ownership costs can be tied to the current value of a building or facility. The best estimate of the current value of buildings or equipment is the price that could be realized from selling on an open market. However, some items are not sold commonly enough to have an established market price. Original cost is not a very good estimate of the current value of buildings and equipment unless they are only a few years old or are being newly constructed. Current value is usually less than the original cost due to depreciation and obsolescence. However, current replacement cost is a good place to begin when estimating a facility's current value. Replacement cost refers to the cost of a new implement or facility, which is of similar size as the one in question, performs a similar service, and is technologically comparable. Estimating current value as a fraction of today's replacement cost adjusts for both depreciation and inflation since the asset was new.

For example, a building with an estimated useful life of 20 years (see *Table 2* for estimated life) and which is now 13 years old would have an estimated current value equal to 35% of its replacement cost (7 years remaining divided by 20). If the lease period is more than one year, use the average age of the property during the expected lease period. If the property is in particularly good or poor condition for its age or is functionally obsolete, adjust the current value up or down to reflect this. Some facilities have very specialized uses or are attached to a fixed location. This often reduces their market value and rentability. A realistic estimate of current value should take this into account. A professional appraiser or dealer should value unusually complex or expensive facilities, particularly if a long-term rental agreement is being negotiated.

### Calculating Fixed Costs

**Depreciation** — The annual depreciation for equipment or facilities depends on the remaining useful life. For example, items with a 10-year remaining life depreciate at an average rate of 10% of their remaining value annually. Remember

that you are estimating loss of value due to use and obsolescence, not depreciation for income tax purposes.

The full investment cost of many items can be depreciated on the tax return at a much faster rate than their useful value declines. Facilities that have aged well beyond their useful life may be considered to have no depreciation expense.

**Interest** — The interest rate for intermediate term loans and the rate of return from other fixed investments can be used to estimate a cost of capital. Multiply this rate by the current value of the facilities to find an annual interest cost.

**Insurance and Taxes** — These are most accurately estimated by consulting with your municipality and your insurer.

**TABLE 2. Guidelines for Estimating Annual Ownership Costs**

Item	Useful Life (yrs)	Repairs (% of new replacement cost)
Livestock buildings	15-25	1-3%
Livestock equipment	5-10	3-5%
Grain storage, drying	15-20	3-4%
Machinery and hay storage	20-25	1-2%

## Calculating Variable Costs

**Repairs and Maintenance** — Unlike most other ownership costs, repair and maintenance costs usually increase as a building or other structure ages. Repair costs can be estimated as a percent of new replacement value, to allow for changes in the costs of parts and labour. *Table 3* shows some suggested percentages for estimating repair costs for various types of rental items. For older or well-used items, use the high end of the ranges shown.

A more satisfactory method may be to keep a record of actual repair and maintenance costs incurred by the landlord during the lease period. Some tenants may be able to reduce repair costs by providing some or all of the necessary labour.

**Other Operating Costs** — Other operating costs such as water, fuel and oil, electricity or gas should be borne by the tenant, either directly or indirectly through the overall rental charge. The most accurate method is to actually measure consumption of fuel or other energy, perhaps through a separate meter. If electrical use cannot be metered separately, an estimate of its cost can be made based on the size of lights and motors involved and their hours of use.

**TABLE 3. Estimating Owners Costs**

ESTIMATING OWNER'S COSTS			
Building Fixed Costs			Calculated Amounts
1	Current replacement cost	\$40,000	
2	Total useful life	20	Years
3	Average age during lease period	13	Years
4	Years of life remaining (Line 2 – Line 3) (adjusted for condition)	7	Years
5	Average value: (Line 1 x Line 4 ÷ Line 2)	\$14,000	
6	Amount of financing on the building	\$ 0	
7	Interest rate on financing	7.0%	0
8	Depreciation rate per year and total amount (Line 1 ÷ Line 2)	5.0%	2,000
9	Return on Investment (Line 9 x Line 5)	4.0%	560
10	Insurance and taxes rate (Line 10 x Line 5)	1.0%	140
<b>11</b>	<b>Total Fixed Costs (Lines 7 + 8 + 9 + 10)</b>		<b>\$ 2,700</b>
VARIABLE COSTS (if paid by owner)			
12	Repairs (% of replacement cost) (Line 12 x Line 1)	2%	800
13	Utilities		0
14	Total Variable Costs (Line 12 + Line 13)		<b>\$ 800</b>
TOTAL COSTS			
15	Total Annual Ownership Cost (Line 11 + Line 14)		\$ 3,500
16	Cost per month (Line 15 ÷ 12 months)		\$ 292
17	Total Cash Costs (Line 15 – Line 8 – Line 9)		\$ 940
18	Cash Costs per month (Line 17 ÷ 12 months)		\$ 78

A partial budget format can be used to evaluate the cost benefit to the tenant of renting the facility. The tenant would compare the estimated added income and reduced expenses to any reduced income and added costs. *Table 4* shows an example evaluation of a hay storage facility. Appendix 1 contains a blank worksheet, *Table 7*.

**TABLE 4. Tenants Value in Renting a Building**

Tenants Value in Renting a Hay Storage Building		
1	Added income from using the building	\$ 1,000
2	Reduced costs from not having to own the building	\$ 3,920
3	Reduced or lost income which could be earned by investment in another building or asset	—
4	Added cost from using the building, not including the rent	\$ 600
<b>Added Value In Renting</b>		<b>\$ 4,320</b>
<b>[Line 1 + Line 2 – (Lines 3 + 4)]</b>		

Line 1 — Tenant expects added income because stored hay will result in better quality feed

Line 2 — Annual ownership of a building would be \$3,920. (See Line 15 of *Table 3*)

Line 3 — Income would not be reduced by renting the building

Line 4 — Cost of travel to the location to store and retrieve feed

### ESTABLISHING A RENTAL RATE

In the end a rental rate is negotiated between the landlord and tenant. Use a combination of methods below to arrive at the final price.

#### Total Costs of Landlord

The total of all ownership and operating costs can be used to estimate a rental charge for the whole year or a portion of the year. If a structure or piece of equipment is rented for less than a full year, the annual ownership cost estimates should be reduced proportionately. Or the total can be divided by a typical annual production level to estimate a charge per unit of production or use, such as the cost per pig finished.

Keep in mind that many structures may not attract sufficient rent to pay for all ownership and operating costs, due to their fixed location or a low demand for their services. However, rental rates should at least cover operating costs and added wear to make it worthwhile for the landlord to enter into a lease. When selecting or negotiating with a potential tenant, characteristics such as reliability, experience, honesty, financial condition, availability, possession of skills and equipment for making repairs or improvements, and likely longevity should be considered.

A lower rental charge may be acceptable in exchange for strong performance in these other areas.

#### Commercial Rates

In some cases the same service being offered by the landlord may be available from a commercial source at an established

price. An example is storage for grain. A tenant may not be willing to pay more for grain storage than the rate at which it can be obtained at a local elevator, unless convenience is a factor. In fact, on-farm storage rates tend to be below commercial rates because the tenant must assume the risk of loss, perform the labour and management functions, and use loading and unloading facilities, which may be less convenient. Nevertheless, commercial rates serve as an unbiased reference, which reflect current costs, and supply and demand conditions.

Property rental agents can help determine an appropriate rental rate for a farm home or other building. Some commercial livestock companies may pay standard rates for the use of feeding facilities. An advantage of using commercial custom rates as a guide to rental charges is that they reflect average per unit costs at an efficient level of use.

#### Farm Records

A third approach to setting a fair rental value is to find out how much it costs other farming operations to own and operate the same facilities. Benchmark data, if available, could provide detailed cost data. If possible, use data for the same enterprise and size of operation as for the facilities under consideration. Try to include all the ownership and operating costs that the landlord of the facilities will pay. Keep in mind that records may not include interest (opportunity) costs on the landlord's own capital.

Many private production record services also provide group summaries with detailed enterprise cost data. Generally only members or users of the service have access to this information.

While record data from other farms may not accurately reflect costs for a particular set of facilities, they at least indicate typical opportunity costs for the tenant of not owning his/her own buildings and equipment. These three approaches can provide a starting point for negotiating an acceptable rental rate. The actual rent agreed on will probably fall some-where among these values, depending on each person's bargaining position and the demand for and the supply of similar property in the area.

## SECTION 3 — RESPONSIBILITIES OF THE LANDLORD AND TENANT

Several areas of responsibility need to be discussed and agreed on before the leasing period begins. How these are handled may affect the amount of rent that is paid for the facilities.

#### Repairs

Most buildings and equipment will need some maintenance and repairs eventually. At the beginning of the lease, the tenant and landlord should jointly inspect the rental property to be sure everything is in satisfactory working order. In general, it is the landlord's responsibility to have the facilities in good condition when the lease begins. Some leases contain a 30-day trial period at the beginning during which the landlord agrees

to repair any part of the facility that is not performing satisfactorily. This is especially important when equipment has not been used recently.

Next the landlord and tenant need to agree on how future repairs and maintenance costs will be handled. Lubrication, sharpening, adjustments to controls, and replacement of fasteners, controls, and small equipment are usually the tenant's responsibility. This ensures that such repairs are done quickly and also motivates the tenant not to abuse equipment. When major building components need to be fixed or replaced, the landlord generally pays the cost. The tenant may provide labour and expertise to perform the repairs, when possible.

Either party can provide portable items such as feeders and waterers, heaters, gates and panels, skid loaders, and feed grinders. Naturally, the rental rate will be higher if the landlord provides such items. The lease agreement should list who will supply specific items. In any case, the owner of such equipment usually pays major repair costs. Some leases allow the tenant to charge repairs up to a maximum dollar amount without prior approval, but the landlord must approve amounts over this limit before they are carried out. Another possible lease provision is to allow a third party arbitrator to decide if major repair costs are caused by normal wear and tear or by tenant misuse of the buildings and equipment.

### Water

An adequate supply of water is essential for livestock facilities. Determine the source of the water and condition of pumps and waterlines at the beginning of the lease. Include the value of the water system when estimating a fair rental rate. Repairs and maintenance can be handled as described in the previous section.

If the water supply becomes inadequate due to drought or other problems, the lease needs to state who is responsible for obtaining supplemental water. When the problem is due to natural causes, some tenants and landlords divide the cost of obtaining extra water. This may include reimbursing the tenant for hauling costs. Or, the landlord may pay the cost of the water while the tenant transports it.

If water is supplied by a utility, such as a rural water system, the variable cost is usually borne by the tenant. If the cost or use cannot be metered directly, some other method of measuring monthly consumption must be determined.

### Manure Disposal

Manure collection and disposal is becoming an increasingly important issue in livestock production. It is the landlord's responsibility to see that leased facilities meet all applicable laws and zoning regulations related to livestock wastes. Responsibilities of the landlord and tenant under municipal nutrient management bylaws or the *Nutrient Management Act* 2002 must be clearly outlined within the lease agreement. The question of who removes manure and to whose land it is applied is best answered according to practical considerations, and included as part of any nutrient management plans. Who has the proper equipment and who has cropland that can utilize the manure are good places to start. Distance of cropland from the livestock facility is also a factor.

If the same party both disposes of the manure and benefits from it, then probably no payment needs to be considered. However, if the tenant applies the manure on the landlord's land, for example, then the tenant should probably receive payment for performing this service or have the rental charge for the facility reduced accordingly. Times and locations for spreading must also be set. Table 5 shows the cost of custom rates for manure handling, as reported in the 2000 Custom Rate survey. For more detailed information on custom rates by provincial region refer to the OMAF Factsheet *Guide To Custom Farmwork and Short-Term Equipment Rental*, Order No. 02-215.

**TABLE 5. Manure Handling Rates**  
**Manure Handling Rates - 2000 Custom Rate Survey**

	Unit	No. of farms reporting	2000 Provincial average	Percentile	
				15th	85th
Loader only	hr.	28	\$44	\$33	\$60
Spreading only	hr.	19	\$48	\$37	\$60
Loading and spreading	hr.	34	\$82	\$55	\$121
Surface irrigated	1000 gal.	4	\$7	\$6	\$8
	hr.	3	\$167	\$115	\$220
Tanker spreading – surface applied	1000 gal.	9	\$8	\$5	\$10
Trucking	hr.	15	\$98	\$61	\$135
	hr.	3	\$110		

## Insurance

Generally, each party is responsible for insuring their own property. This means the landlord would carry comprehensive insurance on buildings, equipment, fences and other property, as well as general liability insurance. These costs are built into the rental charges. The tenant would need to insure livestock, feed, and their own equipment.

## Time and Basis of Payment

The date that rental payments are due should coincide with the periods in which the tenant receives cash income. Annual or semi-annual payments are common, although, for a continuous livestock production facility, monthly payments may be reasonable. If a facility is used for only part of a year, annual rental charges should be reduced accordingly. An exception might be a grain bin, which generally can be used only once a year, even if the grain is stored for just a few months.

Some rental rates for buildings and equipment are based on the actual level of usage rather than a fixed annual amount. For example, a swine finishing facility may be rented for a set rate per head finished, or a machine shed may be rented for so much per square foot of space used. In these cases, the landlord and tenant need to agree on how the level of usage will be determined.

## RESOURCES

Table 6 and 7 are located in *Appendix 1*. They are blank worksheets that a landlord and a tenant can use to calculate their costs and returns.

**The Building Rent Calculator** — an Excel computer worksheet that contains all the worksheets in this Factsheet can be found on the OMAF Web site [www.omaf.gov.on.ca](http://www.omaf.gov.on.ca).

## SUMMARY

Building lease arrangements provide the both the landlord and the tenant with the opportunity of utilizing their assets in the most effective way possible. Good communication and the development of a written lease allow each party to benefit from the arrangement.

This publication is intended as general information and not as specific advice concerning individual situations. It outlines some of the legal and tax considerations of leasing arrangements but it should not be considered as either an interpretation or complete coverage of the *Income Tax Act* or the law affecting building rental arrangements. The Government of Ontario assumes no responsibility towards persons using it as such. All land rental arrangements should be discussed with your farm management advisor, accountant or lawyer before they are signed.

This Factsheet was written by **Rob Gamble**, Finance and Business Structures, Program Lead, Agriculture Division, OMAF, Guelph. Portions of this Factsheet were taken from the North Central Regional Extension Publication No.214 entitled *Rental Arrangements for Farm Buildings and Livestock Facilities*, by **William Edwards**, Iowa State University and **Fred Benson** formerly University of Minnesota. The author would like to gratefully acknowledge their permission to do so.

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## **OTHER OMAF BUSINESS FACTSHEETS**

### **Business Structures Series**

*Farm Corporations*, Order No. 01-057

*Farm Partnerships*, Order No. 02-047

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*Crop Share Lease Agreements*, Order No. 01-067

*Flexible Cash Lease Agreements*, Order No. 01-069

*Land Lease Arrangements*, Order No. 01-065

*Lease Agreements for Cropland*, Order No. 01-071

*Lease Agreements for Pastures*, Order No. 03-091

### **Farm Management and Taxation Series**

*Budgeting Farm Machinery Costs*, Order No. 01-075

*Canada Pension Plan*, Order No. 01-029

*Farm Business Insurance*, Order No. 00-041

*Field Crop Budgets (annual)*, Publication 60

*Guide to Custom Farmwork and Short-Term Equipment Rental*,

Order No. 02-015

*Leasing Farm Equipment*, Order No. 01-003

*Ontario Farm Record Book*, Publication 540

*Options for Farmers Dealing With Financial Difficulty*,

Order No. 00-051

*Programs and Services for Ontario Farmers*, Order No. 02-043

*Taxation on the Transfer of Farm Business Assets to Family*

*Members*, Order No. 03-023

*Troubleshooting Your Farm Business*, Order No. 00-107

APPENDIX

**TABLE 6. Blank Worksheet for Estimating Owner's Costs**

<b>ESTIMATING OWNER'S COSTS</b>		
<b>BUILDING FIXED COSTS</b>		<b>Calculated Amounts</b>
1	Current replacement cost	\$
2	Total useful life	Years
3	Average age during lease period	Years
4	Years of life remaining (Line 2 – Line 3) (adjusted for condition)	Years
5	Average value: (Line 1 x Line 4 ÷ Line 2)	\$
6	Amount of financing on the building	\$
7	Interest rate on financing	%
8	Depreciation rate per year and total amount (Line 1 ÷ Line 2)	%
9	Return on Investment (Line 9 x Line 5)	%
10	Insurance and taxes rate (Line 10 x Line 5)	%
<b>11</b>	<b>Total Fixed Costs (Lines 7 + 8 + 9 + 10)</b>	<b>\$</b>
<b>VARIABLE COSTS (if paid by owner)</b>		
12	Repairs (% of replacement cost) (Line 12 x Line 1)	%
13	Utilities	
<b>14</b>	<b>Total Variable Costs (Line 12 + Line 13)</b>	<b>\$</b>
<b>TOTAL COSTS</b>		
15	Total Annual Ownership Cost (Line 11 + Line 14)	\$
16	Cost per month (Line 15 ÷ 12 months)	\$
17	Total Cash Costs (Line 15 – Line 8 – Line 9)	\$
18	Cash Costs per month (Line 17 ÷ 12 months)	\$

**TABLE 7. Blank Worksheet for Estimating Tenants Value from Renting**

<b>Tenants Value in Renting a Building</b>	
1	Added Income from using the building
2	Reduced costs from not having to own the building
3	Reduced or lost income which could be earned by investment in another building or asset
4	Added cost from using the building, not including the rent
<b>Added Value In Renting [Line 1 + Line 2 – (Lines 3 + 4)]</b>	
	<b>\$</b>

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