

DECISION

Introduction

This hearing dealt with the Landlord's Application for Dispute Resolution under the *Residential Tenancy Act* (the "Act") for:

- an additional rent increase for extraordinary increase in operational expenses

The Landlord attended the hearing for the Landlord.

The Tenants attended the hearing for the Tenants.

Service of Notice of Dispute Resolution Proceeding (Proceeding Package) and Evidence

Based on the testimony of both parties I find that the Tenants were served with the Proceeding Package and Landlord's evidence in accordance with sections 88 and 89 of the Act.

Based on the testimony of both parties I find that the Landlord was served with the Tenants' evidence in accordance with section 88 of the Act.

Issues to be Decided

Is the Landlord entitled to an additional rent increase for extraordinary increases in operational expenses?

Background and Evidence

I have reviewed all presented evidence, including the testimony of the parties, but will refer only to what I find relevant for my decision.

Evidence was provided showing that this tenancy began on February 1, 2022. Monthly rent of \$2,601.00 is currently due on first day of the month.

The Landlord testified that he has incurred a financial loss from an extraordinary increase in the operating expenses of the residential property and is seeking to increase the monthly rent to \$3,290.27 per month. The Landlord's Application for dispute resolution selected the operating expense reason for seeking an additional rent

increase. The box stating “The landlord, acting reasonably, has incurred a financial loss for the financing costs of purchasing the residential property or manufactured home park, if the financing costs could not have been foreseen under reasonable circumstances (complete sections 5, 7, 9, 10 and 11)” was not selected. Section 7 of the Application for Dispute Resolution titled “Increase in Financial Costs” was not filled out.

The Landlord listed the following operating expenses in the Application for Dispute Resolution:

Type of costs	Cost last fiscal year (January 1-December 31, 2023)	Cost previous fiscal year (January 1-December 31, 2022)	Net Change
Strata	\$7,418.00	\$6,992.00	\$426.00
Property tax	\$2,322.00	\$2,144.62	\$50.53
Home insurance	\$954.00	\$828.00	\$126.00
Interest change	\$27,301.93	\$14,297	\$13,004.93
Net increase in operating expenses			\$13,607.46

The Landlord entered into evidence documents which support the figures presented in the above table. The Landlord testified that the majority of his financial loss stems from the increase in the interest payable on his personal line of credit which he used to finance the purchase of the rental property.

The Landlord's Application for Dispute Resolution states that for the 2022 fiscal year total income was \$28,950.00 and total operating expenses were \$24,400.47. The Landlord's Application for Dispute Resolution states that for the 2023 fiscal year total income was \$30,906.00.00 and total operating expenses were \$37,995.93. The Landlord testified that he is in a situation where he loses money every month.

The Tenants testified that the Landlord's Application for Dispute Resolution is incomplete and should not be considered as sections pertaining to increases in financing costs were not filled in.

The Tenants testified that the increase in strata fees, property taxes and insurance rates can all be covered by the allowable yearly increase and an additional rent increase is not appropriate.

Analysis

Section 43(3) of the Act and section 23(1)(a) of the Regulation permits a landlord to apply for an additional rent increase if the landlord has incurred a financial loss from an extraordinary increase in the operating expenses of the residential property.

Residential Tenancy Policy Guideline 37 D states that extraordinary means very unusual or exceptional. If operating expenses sharply and suddenly increase without warning, it may be extraordinary. For example, if the cost of a kilowatt hour of electricity doubled in a period of 3 months, this may be considered extraordinary. If the cost of garbage collection increased 7% over the previous year, this would probably not be extraordinary.

Operating expenses include utility charges (heat, hydro, water), municipal taxes (property and school taxes), recycling, sewer and garbage fees, insurance premiums, routine repair and maintenance, reasonable management fees for the management of the residential property, and the cost of leasing land for purposes directly related to the operation and use of the property.

Operating expenses do not include capital expenditures or financing costs (both of which have separate additional rent increase provisions).

I find that the Landlord did not apply for an additional rent increase for a financial loss for the financing costs of purchasing the residential property. I find the Landlord's claim of loss stemming from higher interest rates on his personal line of credit which he used to purchase the property is clearly a loss related to the financing costs of purchasing the residential property. I find that since the Landlord did not fill out the required financial information required under section 7 of the Application for Dispute Resolution, it would be inappropriate to amend this Application for Dispute Resolution to make such a claim.

This Decision will make findings on the right of the Landlord to an additional rent increase due to a financial loss from an extraordinary increase in the operating expenses of the residential property as that is what the Landlord applied for. Operating expenses do not include financing costs.

Based on the figures provided by the Landlord, I find that following operating expenses increased by the following amounts from 2022 to 2023:

- strata fees: 6.09%
- property tax: 8.27%
- home insurance: 15.22%

I find that the above operating expenses did not increase sharply and represent standard increases. I find that the increases noted above are nominal and do not meet the threshold of an extraordinary increase. The Landlord's Application for Dispute Resolution is therefore dismissed without leave to reapply.

Conclusion

The Landlord's Application for Dispute Resolution is dismissed without leave to reapply.

This interim decision is made on authority delegated to me by the Director of the Residential Tenancy Branch under section 9.1(1) of the Act.

Dated: April 22, 2024

Residential Tenancy Branch