



## **DECISION**

### **Introduction**

On January 16, 2025, the Landlords filed an application pursuant to section 43 of the Residential Tenancy Act (the “Act”) and section 23(1) of the Residential Tenancy Regulation (the “RTR”) for an additional rent increase (the Application). The Application states the Landlords have incurred a financial loss from an extraordinary increase in the operating expenses of the residential property.

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

The Tenant confirmed receipt of the Proceeding Package.

Based the Tenant’s testimony, I find the Proceeding Package properly served using my authority under section 71(2) of the Act and the hearing proceeded as scheduled.

The Tenant submitted a photograph to the RTB as her evidence but failed to serve it on the Landlords. For this reason, I exclude the Tenant’s evidence from my consideration.

### **Issue to be Decided**

Are the Landlords entitled to an additional rent increase for an extraordinary increase in operating expenses?

### **Background and Evidence**

While I have considered the documentary evidence and the testimony of the parties, not all details of their submissions and arguments are reproduced here. The relevant and important aspects of the Landlords’ claim, and my findings are set out below.

Both parties agreed that the current monthly rent of this tenancy is \$1,150.00.

The Landlords are seeking to increase the rent by an extra 71%, besides the 3% permitted under by the Act and RTR for 2025, totaling an increase of \$850.00 and resulting in a new rent of \$2,000.00.

A.M. testified that the operating costs are much higher than the current rent due to the increase of interest rates, property taxes, professional accounting fees, repairs and insurance and that she has been using her money to cover the operating costs of the rental unit.

The Landlords listed the extraordinary increase of the operating costs in their Application as follows:

Type of Costs	Column A: Costs last fiscal year (2024)	Column B: Costs previous fiscal year (2023)	Column C: Costs two fiscal years ago (2022)	Column A-B: Net Change	Column A-C: Net Change
Interest	\$14,566.44	\$14,628.47	\$9,437.49	-\$62.00	\$5,129.00
Water	\$195.27	\$217.52	\$227.52	-\$22.00	-\$32.00
Property Tax	\$4,378.59	\$4,458.00	\$4,047.80	-\$80.00	\$331.00
Insurance	\$1,148.00	\$1,019.00	\$857.00	\$129.00	\$291.00
Net Income	\$20,288.30	\$20,322.99	\$14,569.81	-\$34.00	\$5,719.00
Net increase in operating expenses				-\$34	\$5,719.00

The Landlords submitted copies of the bank statements, property tax notices, utility bills, insurance payments to corroborate the above.

The Tenant stated that she is aware that the operating costs have increased during the past few years and that she is willing to pay a higher rent only if it is an allowable increase under the law for the year, for example a 3% increase for the year of 2025.

## Analysis

The standard of proof in a dispute resolution hearing is on a balance of probabilities, which means that it is more likely than not that the facts occurred as claimed. The onus to prove their case is on the person making the claim.

An application for an additional rent increase due to a financial loss from extraordinary increases in operating expenses under section 23 of the RTR can be successful if the operating costs of the Landlords' rental unit exceed the revenue generated by the rental unit. The financial loss must be the result of an **extraordinary increase** in **operating expenses**.

RTB Policy Guideline 37D states that to prove a financial loss, a landlord must ordinarily submit into evidence an audited or certified financial statement that:

- summarizes the financial condition of the landlord,
- includes a statement of profit and loss, and
- is signed by someone authorized to sign audited financial statements in the Province of British Columbia, or is certified by a professional accountant, or is accompanied by a sworn affidavit of the landlord that the financial statements are true.

The Landlords did not provide an audited or certified financial statement, which is a requirement to prove a financial loss.

Furthermore, Policy Guideline 37D addresses the meanings of “extraordinary” and “operating expenses” as follows:

Extraordinary means very unusual or exceptional. If operating expenses sharply and suddenly increase without warning, it may 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 financing costs** or capital expenditures (both of which have separate additional rent increase provisions), fines or penalties levied for failure to meet an obligation, capital cost allowance or depreciation, and income taxes.

I find that interest payment is not considered as an operating expense as this type of expense is a financing cost expense, and that it falls under the application type of financial loss for financing costs of purchasing property.

Having carefully reviewed the remaining operating expenses, namely water (utility), property tax, and insurance, I find they indicate either a trivial increase or even a decrease from 2022 to 2024 and therefore cannot be considered as “extraordinary increase”. As such, I find the Landlords have not provided sufficient evidence to establish, on a balance of probabilities, that they have sustained an extraordinary increase in operating expenses.

For the reasons, I dismiss the Landlords’ application for an additional rent increase due to a financial loss from an extraordinary increase in the operating expenses without leave to reapply.

## Conclusion

The Landlords’ application is dismissed in its entirety, without leave to reapply.

This 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 15, 2025

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Residential Tenancy Branch