

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.

No one attended the hearing for the Tenants. I left the teleconference connection open until 10:00 A.M. to enable the Tenants to call into the teleconference hearing scheduled for 9:30 A.M. The Tenants did not attend the hearing.

I confirmed that the correct call-in numbers and participant codes had been provided in the Notice of Hearing. I also confirmed from the teleconference system that the Landlords, Agent for the Landlords Z.W. and I were the only ones who had called into the teleconference.

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

Z.W. testified that they served the Proceeding Packages on the Tenants on April 7, 2025 by posting them to the door of the rental unit. Service by posting to the door of a rental unit is permitted for applications under section 43(3) of the Act pursuant to a director’s standing order dated February 17, 2023.

Based on the Z.W.’s undisputed testimony, I find the Landlords served the Proceeding Packages in accordance with the Act. Thus, I accept service of the Landlords’ notice of dispute resolution proceeding and their evidence.

Preliminary Matter – Tenants’ Absence

No one representing the Tenants called into the teleconference. I checked internal records to see if the Tenants had called RTB to report problems with attending the teleconference. There are no records of incoming calls from the Tenants.

If a party or their agent fails to attend the hearing, the arbitrator may conduct the dispute resolution hearing in the absence of that party pursuant to *Residential Tenancy Branch Rules of Procedure* 7.3.

As I accept the Tenants were served with the Landlords' application, I conducted the dispute resolution hearing in the absence of the Tenants.

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 Landlords' documentary evidence and Z.W.'s undisputed testimony, 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.

The Landlords submitted that the current monthly rent of this tenancy is \$2,430.00.

The Landlords are seeking to increase the rent by an extra 31.36%, besides the 3% permitted under by the Act and RTR for 2025, totaling an increase of \$835.00 and resulting in a new rent of \$3,265.00.

Z.W. testified that the operating costs have increased over the past few years due to the increase of interest rates, property taxes, and management fees. He added that the Landlords hired him to manage the rental property and therefore have incurred an increase in property management fees.

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

Type of Costs	Column A: Costs last fiscal year	Column B: Costs previous fiscal year	Column C: Costs two fiscal years ago	Column A-B: Net Change
Mortgage payments	\$28,800.00	\$21,606.48	\$21,606.48	\$7,193.52
Property Management	\$2,187.00	\$0	\$0	\$2,187.00
Strata Fee & Levy	\$4,284.60	\$3,000.48	\$2,857.68	\$1,284.12
Property Tax	\$3,180.36	\$2,766.74	\$2,560.81	\$413.62
Net increase in operating expenses				\$11,078.26

The Landlords submitted copies of the bank statements, property tax notices, home insurance invoices, utilities notices, strata fee statements, strata levy statement, and a rental management invoice to corroborate the above.

Z.W. stated that the Landlords have been suffering financial stress that they wanted to sell the rental property but were unable to do so because the Tenants refused to let them do the necessary cosmetic renovation.

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, or sworn affidavits of the Landlords, 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 mortgage 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. I also note that this type of application would only be granted if the landlord is able to establish that they, acting reasonably, have incurred a financial loss for the financing costs of purchasing the rental property, if the financial costs could not have been foreseen under reasonable circumstances.

Having carefully reviewed the remaining operating expenses, I find they indicate either an increase that is usual and typical (property management) or a trivial increase (strata fee and levy, and property tax) 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: June 5, 2025

Residential Tenancy Branch