

DECISION

Introduction

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

- An order for a rent increase for expenditures under section 23 of the Residential Tenancy Act Regulation, B.C. Reg. 477/2003 (the Regulation).

Landlord R.P. and Landlord P.M. attended the hearing for the Landlord.

Tenant L.N.C. the hearing for the Tenant.

Service of Notice of Dispute Resolution Proceeding (Proceeding Package)

The Tenant confirmed receipt of the Proceeding Package through registered mail and that they had enough time to review it. Therefore, I find the package properly served per section 89 of the Act.

Service of Evidence

The Tenant confirmed receipt of the Landlord's evidence through registered mail and that they had enough time to review it. Therefore, I find that it was served per section 88 of the Act.

The Landlord confirmed receipt of the Tenant's evidence which was delivered to them by it being posted on their door and that they had enough time to review it. Therefore, I find that it was served per section 88 of the Act.

Issues to be Decided

Is the Landlord entitled to an order allowing them a Rent Increase for Expenditures?

Background and Evidence

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

Both parties agree that this tenancy began on April 1, 2014, and the rent is currently \$1,972.19 per month.

The Landlord is seeking to raise the rent to \$3,000.00 per month.

Both parties agree the Landlord has imposed 3 rent increases during the tenancy. The latest was imposed in 2025, and the Landlord also imposed a rent increase in 2024.

The Landlord provided the following account regarding the current operating deficit for the rental unit, shown in the table below. I note the Landlord included their mortgage payments in the operating expenses, which the Tenant objected to. I also note there was no certified or audited financial statement, which the Tenant also objected to.

Category	2024	2023	2022
Total rent for period	\$22,977.00	\$ 22,200.00	\$22,200.00
Other income	\$ -	\$ -	\$ -
Total operating costs	\$41,842.87	\$36,099.44	\$ 36,442.23

Operating Expenses

The Landlord provided the account of their operating expenses shown in the table below. The Landlord provided records for all of their expenses.

Type of costs	2024	2023	2022	Net Change (A-B)
Mortgage	\$31,431.84	\$ 28,026.69	\$ 25,594.44	\$3,405.15
Property Taxes	\$ 4,468.81	\$ 4,146.67	\$ 3,781.04	\$ 322.14
Insurance	\$2,550.35	\$2,279.52	\$2,028.00	\$270.83
Maintenance & Repairs	\$3,391.87	\$1,646.56	\$5,038.75	\$1,745.31
Net increase in operating expenses	\$5,743.43			

The Landlord claimed at the hearing that the unforeseeable operating expense that they could not control was the rise in their property taxes. The Tenant argued the property taxes have risen at around the same rate for the entire period the Landlord has provided records for.

Mortgage

The Landlord provided records for the rental unit's mortgage. The mortgage had 3 different rates over the course of the Landlord's ownership. I have reproduced the key details of the 3 iterations of the mortgage agreement below.

- First mortgage
 - Start Date: June 21, 2013
 - Principal Balance: \$380,688.75
 - Interest rate: 2.99%
 - Term: 600 months (50 years)
- Second Mortgage
 - Start Date: May 20, 2018
 - Principal Balance: \$480,000.00
 - Interest rate: 3.44%
 - Term: 60 months (5 years)
- Third Mortgage
 - Start Date: August 20, 2023
 - Principal Balance: \$ 465,000.00
 - Interest rate: 5.49%
 - Term: 60 months (5 years)

The Landlord testified that they took equity out of the property for the second mortgage so they could purchase another property. They stated that the third mortgage's interest rate represented a once in a generation interest rate increase.

The Tenant argued that the Landlord opened themselves to the risk by agreeing to a change in terms in the second mortgage.

Analysis

Operating Expenses

Section 23 (1) (a) allows a landlord to apply for an additional rent increase if:

1. they suffered a financial loss
2. due to an extraordinary increase
3. in the operating expenses for the residential property.

Residential Tenancy Policy Guideline 37 D states that a financial loss occurs when expenses exceed revenue for a fiscal year. It also states a extraordinary increase means a very unusual or exceptional increase, meaning there should be a sharp increase without warning. Finally, it notes operating expenses do not include capital expenditures or financing costs.

I find the increase in property taxes were not extraordinary, based on the property tax records the Landlord provided. I find, as the Tenant noted, the costs had been increasing at roughly the same rate for the years the Landlord provided records for. The last raise in property taxes in the records the Landlord provided was an increase of

7.7%. I note this increase, is similar to the increase noted in Residential Tenancy Policy Guideline 37 D:

“If the cost of garbage collection increased 7% over the previous year, this would probably not be extraordinary.”

Therefore, I find I cannot grant the Landlord a rent increase under section 23 (1) (a).

Financing Costs

Section 23 (1)(b) allows a Landlord to apply for an additional rent increase if:

1. acting reasonably
2. they suffered a financial loss,
3. due to the financing costs of purchasing the residential property,
4. if the financing costs could not have been foreseen under reasonable circumstances.

Residential Tenancy Policy Guideline 37 D states financing costs refer to the costs of borrowing money. It also notes acting reasonably involves the landlord exercising “care, foresight, judgment, financial prudence, and due diligence.”

I find the Landlord’s application fails in this case because I find the increase in the interest rate the Landlord claims was unforeseeable was not due to the purchase of the residential property. Based on the first mortgage, I find the financing costs the Landlord incurred for purchasing the property was the 2.99% interest on the \$380,688.75 principal. I find the new terms the Landlord received when they re-opened the mortgage for a higher rate and subjected themselves to negotiations every 5 years instead of every 50, was not financing costs due to the purchase of the residential property. Rather, I find the new rate and the increased amount borrowed was due to the Landlord borrowing against the residential property to buy another property.

I find the financing costs from the first mortgage would have been predictable. Therefore, as the Landlord has not proven there were unforeseeable financing costs I find I cannot grant the Landlord an additional rent increase under section 23 (b).

Conclusion

I dismiss the Landlord’s application for an order for a rent increase for expenditures under section 23 of the Regulation 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