



DECISION

Introduction

On July 15, 2025, the Applicants, which are two separate corporate entities, K.E.L. and B.E.L., filed two separate applications (910205513 and 910205534) 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 Applications). The Applications state the Applicants have incurred a financial loss from an extraordinary increase in the operating expenses of the residential property.

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

Agent for the Applicants, J.K. testified that the Applicants served the Proceeding Packages on August 20, 2025 on all of the named Tenants by registered mails. The Applicants uploaded the Canada Post customer receipts with tracking numbers to confirm the services.

The Tenants who attended the hearing confirmed receipt of the Proceeding Packages by registered mails.

J.K. stated that on September 22, 2025, the named Tenants under the 910205534 application were served with Applicant B.E.L.’s documentary evidence.

The Tenants under the 910205534 application who attended the hearing confirmed receipt of Applicant B.E.L.’s documentary evidence.

Based on the convincing testimony of the parties and the evidence before me, I find the Applicants served the Proceeding Packages and their documentary evidence in accordance with the Act. Thus, I accept service of the Applicants’ documentary evidence.

Issue to be Decided

Are the Applicants 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 Applicants' claim, and my findings are set out below.

The Applicants submitted that they are seeking an additional rent increase due to extraordinary increase in the operating expenses, primarily, property taxes and commercial insurance premiums.

Ownership

J.K. testified that the entire residential property is co-owned equally by two corporate entities, K.E.L. and B.E.L, and that the operating expenses are therefore split equally between K.E.L and B.E.L. However, the current registered owners on the land title certificate are K.E.L and an individual named I.K. The submitted property tax notices were also issued to K.E.L and I.K.

J.K. testified that there are three individuals listed in B.E.L. I.K. owns 120 voting shares (Class A), J.K. owns 6000 non-voting common shares and J.K.'s brother M.K. owns another 6000 non-voting common shares.

The Applications

J.K. testified that there are 28 units in the residential property. However, the Applicants only intend to impose 22 of them, set out as follows:

910205513

SECTION 9: RENT INFORMATION FOR AFFECTED TENANTS				
PERCENTAGE RENT INCREASE REQUESTED				
Permitted increase _____ % + additional increase _____ % = total increase ³⁰ _____ %				
	Unit or site	Current rent	Requested increase	Total rent
1	2	\$1324.41	\$397.32	\$1721.73
2	3	\$1157.70	\$347.31	\$1505.01
3	4	\$958.90	\$287.67	\$1246.57
4	5	\$1434.77	\$430.44	\$1865.21
5	6	\$1295.26	\$388.58	\$1683.84
6	7	\$1765.88	\$529.77	\$2295.65
7	21	\$1655.51	\$496.66	\$2152.17
8	22	\$1136.78	\$341.04	\$1477.82
9	23	\$1215.96	\$364.79	\$1580.75
10	24	\$1219.49	\$365.85	\$1585.34

910205534

SECTION 9: RENT INFORMATION FOR AFFECTED TENANTS				
PERCENTAGE RENT INCREASE REQUESTED				
Permitted increase _____ % + additional increase _____ % = total increase ²⁵ _____ %				
	Unit or site	Current rent	Requested increase	Total rent
1	8A	§1153.33	§288.33	§1441.66
2	9A	§1178.32	§294.58	§1472.90
3	9	§1141.73	§285.43	§1427.16
4	10	§1158.00	§289.50	§1447.50
5	11	§1324.00	§331.00	§1655.00
6	12	§1249.00	§312.25	§1561.25
7	14	§1459.00	§364.75	§1823.75
8	16	§1639.76	§409.94	§2049.70
9	16A	§1897.00	§474.25	§2371.25
10	18	§1449.00	§362.25	§1811.25
11	19	§1334.00	§333.50	§1667.50
12	20	§1328.00	§332.00	§1660.00

J.K. stated that the Applicants have not listed 6 of the 28 units in the Applications as two were empty, two were occupied by his parents individually, one was occupied by a tenant he was having difficulty with, and one was in the market rent.

J.K. testified that they made two separate applications and looked at each tenant's rent to decide how they could match a rent increase to cover the Applicants' costs. The Applicants ultimately decided to impose an increase of 30% on Units 2, 3, 4, 5, 6, 7, 21, 22, 23 and 24 and named them under 910205513, and impose an increase of 25% on Units 8A, 9A, 9, 10, 11, 12, 14, 16, 16A, 18 19 and 20 and named them under 910205534.

J.K. stated that the Applicants have not included all the 28 units in calculating the percentage of the rent increase as some of them are not part of the applications.

The Financial Statements

The Applicants submitted the following financial statements (in excerpts and redacted) in support of their applications:

K.E.L.'s financial statement

Compilation Engagement Report

To management of K██████ Enterprises Ltd.

On the basis of information provided by management, we have compiled the balance sheet of K██████ Enterprises Ltd. as at December 31, 2024 and the statements of operations and deficit for the year then ended, and Note 1, which describes the basis of accounting applied in the preparation of the compiled financial information.

Management is responsible for the accompanying financial information, including the accuracy and completeness of the underlying information used to compile it and the selection of the basis of accounting.

We performed this engagement in accordance with Canadian Standard on Related Services (CSRS) 4200, *Compilation Engagements*, which requires us to comply with relevant ethical requirements. Our responsibility is to assist management in the preparation of the financial information.

We did not perform an audit engagement or a review engagement, nor were we required to perform procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an audit opinion or a review conclusion, or provide any form of assurance on the financial information.

Readers are cautioned that the financial information may not be appropriate for their purposes.

██████████
Chartered Professional Accountants

Kelowna, British Columbia
April 21, 2025

<u>For the year ended December 31</u>	<u>2024</u>	<u>2023</u>
Revenue	<u>\$ 206,592</u>	<u>\$ 219,541</u>
Operating expenses		
Amortization	5,099	5,409
Insurance	19,335	13,450
Interest and bank charges	153,758	92,622
Memberships and licences	250	100
Office	166	11
Professional fees	15,077	9,821
Property taxes	40,849	13,642
Sub-contracts	25,035	13,969
Repairs and maintenance	8,694	2,642
Salaries and wages	89,525	84,001
Utilities	29,187	23,853
	<u>386,975</u>	<u>259,520</u>
Net loss	(180,383)	(39,979)
Deficit, beginning of the year	<u>(1,754,542)</u>	<u>(1,714,563)</u>
Deficit, end of the year	<u>\$ (1,934,925)</u>	<u>\$ (1,754,542)</u>

B.E.L.'s financial statement

Compilation Engagement Report

To management of

On the basis of information provided by management, we have compiled the balance sheet of Babic Enterprises Ltd as at September 30, 2024 and the statements of operations and deficit for the year then ended, and Note 1, which describes the basis of accounting applied in the preparation of the compiled financial information.

Management is responsible for the accompanying financial information, including the accuracy and completeness of the underlying information used to compile it and the selection of the basis of accounting.

We performed this engagement in accordance with Canadian Standard on Related Services (CSRS) 4200, *Compilation Engagements*, which requires us to comply with relevant ethical requirements. Our responsibility is to assist management in the preparation of the financial information.

We did not perform an audit engagement or a review engagement, nor were we required to perform procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an audit opinion or a review conclusion, or provide any form of assurance on the financial information.

Readers are cautioned that the financial information may not be appropriate for their purposes.

Chartered Professional Accountants

Kelowna, British Columbia
TBD

For the year ended September 30	2024	2023
Rental income	\$ 207,370	\$ 200,296
Operating expenses		
Advertising and promotion	200	425
Amortization	11,105	7,575
Insurance	17,497	19,797
Interest and bank charges	23,442	20,558
Office	7,902	8,433
Professional	17,958	9,106
Property taxes	34,108	13,642
Repairs and maintenance	23,928	42,200
Salaries and wages	75,332	71,176
Utilities	24,844	27,991
Vehicle	1,821	1,861
	<u>238,137</u>	<u>222,764</u>
Net loss	(30,767)	(22,468)
Deficit, beginning of the year	<u>(370,186)</u>	<u>(347,718)</u>
Deficit, end of the year	<u>\$ (400,953)</u>	<u>\$ (370,186)</u>

The Applicants provided 2023, 2024 and 2025 Property Tax Notices and the Applicants' general ledgers as their documentary evidence.

The 2023 Property Tax Notice indicates that the property tax for 2023 was \$27,283.55. The Applicants' financial statements for the year 2023 show that they each incurred \$13,642.00 in property tax.

The 2024 Property Tax Notice indicates that the property tax for 2024 was \$81,697.01. The Applicants' general ledgers and banking statements show that on June 26, 2024, they each paid \$40,848.50 to City of Kelowna as property tax. The Applicants' financial statements for the year 2024 stipulate K.E.L. incurred \$40,849.00 and B.E.L. incurred \$34,108.00 in property tax.

The 2025 Property Tax Notice indicates that the property tax for 2025 was \$91,084.33. The Applicants' banking statements show that on June 23, 2025, they paid \$45,542.16 and \$45,542.17 to City of Kelowna respectively as property tax.

J.K. stated that the Applicants' financial statements were prepared by their accounting firm and that he does not know why B.E.L.'s 2024 financial statement does not match with B.E.L.'s banking record and ledger in relation to the 2024 property tax.

Tenant C.D.'s submissions

Tenant C.D. stated that on the first page of the Application for Additional Rent Increase #RTB-52, it is specifically stated that a landlord who applies for an increase because an increase is required to compensate for financial loss resulting for an extraordinary increase in operating costs must make a single application to increase the rent for all units in the residential property by an equal percentage. However, the Applicants have failed to do so. She also said that it is the Applicants' responsibility to make sure the financial information provided is accurate.

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 landlord's rental units exceed the revenue generated by the rental units. 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 Applicant,
- 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 Applicant that the financial statements are true.

If there is more than one corporate entity involved with the residential property, a landlord should submit audited or certified financial statements for each of the corporate entities.

Policy Guideline 37D also states that the landlord must make a single application to increase the rent for all rental units in the residential property **by an equal percentage**. In addition, the landlord must include **all rental units** in calculating the percentage of the rent increase that will apply to each unit or site, even if they are not part of the application.

I note that K.E.L. is seeking an increase of 30% whereas B.E.L. is seeking an increase of 25%.

While I accept the Applicants' submissions that they have not made a single application but in two separate applications because there are two corporate entities involved with the residential property, I find that the Applicants have not made their applications to increase the rent for all rental units in the residential property by an equal percentage. I further find that the Applicants have not included all rental units, which are 28 units, in calculating the percentage of the rent increase as stated in Policy Guideline 37D.

Furthermore, while the Applicants submitted financial statements to prove their financial loss, some of the financial information provided in the statements do not align with the Applicants' other documentary evidence. J.K. stated that he could not explain the discrepancy because the financial statements were prepared by the Applicants' accounting firm. I note that while the Compilation Engagement Report of K.E.L. was dated and signed by the Applicants' accounting firm, the Compilation Engagement Report of B.E.L. was not. I find that B.E.L. failed to provide an audited or certified financial statement, which is a requirement to prove a financial loss.

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

Conclusion

The Applicants' applications are dismissed in its entirety, without leave to reapply.

I order the Applicants serve the Tenants with a copy of this decision in accordance with section 88 of the Act.

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: October 24, 2025

Residential Tenancy Branch