

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 in accordance with sections 43(1)(b) and 43(3) of Act and section 23 of the Residential Tenancy Regulation (the Regulation).

The Landlord and Agent K.L. attended the hearing for the Landlord.

The Tenant attended the hearing.

Preliminary Matters

At the outset of the hearing, I confirmed the spelling of the Landlord's last name and have amended the application to reflect the correct spelling. The style of cause on the cover page of my decision reflects this amendment.

Service

The Landlord confirmed service of the Notice of Dispute Resolution Hearing and proceeding package to the Tenant in person and by email on October 10, 2025. The Tenant confirmed at the hearing they were served with the proceeding package, including copies of the Landlord's evidence. I therefore find the Tenant was served with the required materials in accordance with the Act.

The Tenant did not provide any documentary evidence for the hearing.

Issue to be Decided

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

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.

The rental property is a standalone, single-family house constructed around 1952. The Landlord owns approximately 19 other rental properties, which are not part of this application.

The current monthly rent for the subject property is \$1,673.84. The Landlord testified that rent has been increased annually in accordance with the Act. The Landlord confirmed that no application for an additional rent increase has been made against this Tenant within the past 18 months.

The Landlord submitted financial documentation to support their claim of increased operating expenses associated with the rental unit. This included their 2024 tax return, which shows a loss in from rental operations 2024. K.L. explained that the loss was due to rising costs across the Landlord's portfolio and submitted that the Landlord could no longer offset losses from one property with gains from others.

The Landlord also provided property tax records showing an increase from \$5,340.66 in 2022 to \$6,372.15 in 2023, and \$5,937.54 in 2024. Insurance costs also show an increase from \$1,099.75 in 2022 to \$1,254.75 in 2023, and \$1,344.78 in 2024. K.L. clarified that while insurance used to be billed per property, the current policy covers the entire portfolio, and costs are now allocated proportionally based on assessed property values.

The Landlord also provided a breakdown of operational cost increases across categories such as advertising, automotive, banking, licensing, office supplies, telecommunications, and wages. K.L. explained that these costs reflect the general expenses incurred in operating the Landlord's rental business, which have risen significantly over the past year. To allocate these costs to the subject property, the Landlord divided the total operational expenses by 20, representing the number of rental units in the portfolio. This calculation resulted in a monthly amount of \$142.29 attributed to the rental unit.

The Landlord therefore attributed increased costs totaling \$212.45 per month to the rental property. However, the Landlord is requesting an additional rent increase of \$163.87 per month.

The Tenant expressed an understanding that costs such as insurance and property taxes have increased but opposed the Landlord's application for an additional rent increase. The Tenant submitted that the increase in property taxes and insurance is largely driven by land value appreciation, which does not benefit them as a Tenant and should not be a basis for increasing rent. They further submitted that the Landlord owns multiple properties and has likely experienced substantial equity gains over time. In the Tenant's view, the Landlord should not pass on the financial burden of maintaining their properties to tenants.

Analysis

Section 43(3) of the Act states that in the circumstances prescribed in the regulations, a landlord may request the director's approval of a rent increase in an amount that is greater than the amount calculated under the regulations referred to in subsection (1) (a) by making an application for dispute resolution.

Sections 23(1)(a) and (b) of the Regulation states:

(1) A landlord may apply under section 43 (3) [additional rent increase] of the Act for an additional rent increase, other than for eligible capital expenditures, if one or more of the following apply:

(a) the landlord has incurred a financial loss from an extraordinary increase in the operating expenses of the residential property;

[...]

The Landlord's application requests an additional rent increased based upon a financial loss from an extraordinary increase in operating expenses of the rental property.

Financial loss from extraordinary increase in operating expenses

Policy Guideline #37D states:

Financial loss [occurs] when expenses exceed revenue over a fiscal year. For example, if the operating costs of a building exceed the revenue generated by the building (usually through payment of rent), this may result in financial loss. The financial loss must be the result of an extraordinary increase in operating expenses...

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.

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. Factors that the director must consider on such an application include the rent history for the affected rental unit in the 3 years before the date

of the application and a change in operating expenses and capital expenditures in the 3 years before the date of the application that the director considers relevant and reasonable.

Audited or certified financial statements provide probative evidence that a qualified professional reviewed the Landlord's expenses, confirmed the accuracy of those expenses, and likely included all appropriate documents to corroborate the correct calculation of the expenses. Audited or certified financial statements also assure that a requested rent increase to cover an extraordinary increase in operating expenses does not operate as a windfall to the landlord in exorbitant profits.

In this case, the Landlord submitted that their 2024 tax return shows a net loss from rental operations. However, the submitted document is difficult to interpret, and the Landlord did not provide audited financial statements or an affidavit to support the financial information. However, even if I accept that the Landlord has incurred a financial loss, Policy Guideline #37D further provides:

The financial loss must be the result of an extraordinary increase in operating expenses. 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. (emphasis added)

I find that the operating expenses claimed - property insurance, property taxes, and general operating expenses such as advertising, automotive, banking, licensing, office supplies, telecommunications, and wages, do not show a very unusual or exceptional increase over the past three years. Therefore, I find that these expenses cannot be characterized as "extraordinary." Rather, the annual increase in these expenses is intended to be covered by the annual rent increase authorized by the regulation.

I also note that while the Landlord allocated operational expenses to the subject property by dividing the total costs by 20, it is not clear that this method accurately reflects the expenses specific to this rental unit. For example, the Landlord included advertising costs, yet there is no evidence to suggest that any advertising was undertaken for this property in the past year.

Accordingly, I find that the Landlord has not provided sufficient evidence to establish, on a balance of probabilities, that they have sustained an extraordinary increase in operating expenses pursuant to section 23 of the Regulation.

Conclusion

The Landlord's application for an additional rent increase due to an extraordinary increase in operating expenses is dismissed 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: November 7, 2025

Residential Tenancy Branch