



Dispute Resolution Services

Page: 1

Residential Tenancy Branch
Ministry of Housing

DECISION

Introduction

On August 20, 2024 (the “Application date”), the Landlord filed an Application pursuant to s. 43 of the *Residential Tenancy Act* (the “Act”) and s. 23.1 of the *Residential Tenancy Regulation* (the “Regulation”) for an additional rent increase for capital expenditures pursuant to s. 23.1 of the *Regulation*.

The Landlord attended the hearing at the scheduled time. The Tenants listed as Respondents, who live at the rental unit property, did not attend the hearing. Collectively, I refer to the “Tenants” listed as Respondents for this hearing as the “Tenant” in this decision.

Preliminary Issue – service and disclosure of evidence

The Landlord presented a record of their delivery to each rental unit in the building. They served to each rental unit, by name to each Tenant, a copy of the hearing materials, including the Notice of Dispute Resolution Proceedings, and their prepared evidence for this hearing under a cover letter. This was by posting the information to the door of each rental unit on September 11, 2024. To show this, the Landlord provided an affidavit of service to present details on this process.

From this evidence, I find that the Landlord served each Tenant in accordance with the *Act*.

Issue to be Decided

- Is the Landlord entitled to impose an additional rent increase for capital expenditures?

Background and Evidence

The rental unit property consists of a single building, constructed in 1953. There are 16 units in total, all of which the Landlord is basing this Application on. As submitted by the Landlord, given that the expenditure concerns a security system, this impacts/affects all 16 rental units.

As set out by the Landlord on their Application:

- in February 2022 a communications firm provided a quote to upgrade the rental unit property “access control system, security cameras, and related equipment”
- this upgraded system added the feature of an access card system
- the communications firm installed the security system in early 2023
- the firm provided one invoice for the work, showing the amount of \$19,427.62
- the Landlord paid this invoice on July 13, 2023

The Landlord submits that this security upgrade “can be classified as a major system and/or major component that improves the security of the Rental Property and the Tenants.” In their written submission, the Landlord cited the legislation as validation for this submission.

The Landlord presented the single invoice for the work completed. This shows supply/installation for: entrance panel, card access (card readers) for doors, and installation of 2 cameras, as well as a supply of new door fobs.

Analysis

The *Residential Tenancy Regulation* (the “*Regulation*”), s. 23.1 sets out the framework for determining if a landlord can impose an additional rent increase. This is exclusively focused on eligible capital expenditures.

Statutory Framework

In my determination on eligibility, I must consider the following:

- whether a landlord made an application for an additional rent increase within the previous 18 months;
 - the number of specified dwelling units in the residential property;
 - the amount of capital expenditure;
 - whether the work was an *eligible* capital expenditure, specifically:
 - to repair, replace, or install a major system or a component of a major system; and
 - undertaken:
 - to comply with health, safety, and housing standards;
 - because the system/component was either:
 - close to the end of its' useful life, or
 - failed, malfunctioning, or inoperative
 - to achieve either:
 - a reduction in energy use or greenhouse gas emissions; or
 - an improvement in security at the residential property
- and
- the capital expenditure was incurred less than 18 months prior to the making of the landlord's application for an additional rent increase and
 - the capital expenditure is not expected to be incurred again within 5 years.

The Tenant bears the onus to show that capital expenditures are not eligible, for either:

- repairs or replacement required because of inadequate repair or maintenance on the part of the Landlord;
- or
- the Landlord was paid, or entitled to be paid, from another source.

Prior Application for Additional Rent Increase

In this case, I find the Landlord did not make a prior application for an additional rent increase within the previous 18 months. I find this to be fact, where this work was

completed in early 2023, the Landlord paid the invoice on July 13, 2023, and the Landlord completed this Application on August 20, 2024.

Number of specified dwelling units

For the determination of the final amount of an additional rent increase, the *Regulation* s. 21.1(1) defines:

“dwelling unit” means:

- (a) living accommodation that is not rented and not intended to be rented;
- (b) a rental unit.

“specified dwelling unit” means

- (a) a dwelling unit that is a building, or is located in a building, in which an installation was made, or repairs or a replacement was carried out, for which eligible capital expenditures were incurred,
- or
- (b) a dwelling unit that is affected by an installation made, or repairs or a replacement carried out, in or on a residential property in which the dwelling unit is located, for which eligible capital expenditures were incurred.

I find there are 16 dwelling units, of which all 16 are eligible. This was as specified by the Landlord in the hearing. I make this finding based on s. 21.1(1)(a) of the *Regulation*, set out immediately above.

Eligibility and Amount

For the Landlord’s submitted expenditures, I address whether it was *eligible*, and then determine the expenditure *amount*.

As set out in s. 23.1(4) of the *Regulation*, I find the installation of card access, entrance panel, and new cameras are major components of a major system. As per s. 23.1(4)(a)(iii)(A) of the *Residential Tenancy Regulation*, these achieve an improvement in the security of the residential property.

The invoice provided by the Landlord, for relevant work, is \$19,427.62. I find the invoice bears sufficient detail to show how it is related to the improvement of security at the residential property.

I grant this capital expenditure, as provided on the Landlord's Application, for the amount of \$19,427.62.

Timing of the Capital Expenditure

I accept the Landlord's evidence that their single payment for the work was on July 13, 2023. This is within 18 months of the Landlord bringing this Application to the Residential Tenancy Branch on August 20, 2024.

Life Expectancy of the Capital Expenditure

Given the nature of the work involved, I find this work will not reoccur, and there will be no expenditure incurred again within 5 years.

Outcome

The Landlord has proven all of the necessary elements for this Application.

I grant the Landlord's Application for the additional rent increase, based on the eligible capital expenditure of \$19,427.62. This is pursuant of s. 43(1)(b) of the *Act*, and s. 23.1(4) of the *Regulation*, referred to above.

The *Regulation* s. 23.2 sets out the formula to be applied when calculating the amount of the additional rent increase as the amount of the eligible capital expenditures, divided by the number of dwelling units, divided by 120. In this case, I found there are 52 specified dwelling units, and that the amount of the eligible capital expenditure is \$19,427.62.

Therefore, the Landlord has established the basis for an additional rent increase for capital expenditures of \$10.12 ($\$19,427.62 \div 16 \div 120$) per month, per affected tenancy. This is as per s. 23.2 of the *Regulation*. Note this amount may not exceed 3% of any tenant's monthly rent, and if so, the Landlord may not be permitted to impose a rent increase for the entire amount, calculated above, in a single year.

I direct the Landlord to the Residential Tenancy Branch Policy Guideline 37, page 11, to properly calculate the rent increase in accordance with the *Regulation* s. 23.3. This is positively the Landlord's responsibility and obligation. As well, I direct both parties to s. 42 of the *Act* that sets out annual rent increases, which the Landlord is still entitled to impose.

Conclusion

I grant the Landlord's Application for an additional rent increase for the capital expenditure of \$19,427.62.

I order the Landlord to serve all tenants with this Decision, in accordance with s. 88 of the *Act*. This must occur within two weeks of this Decision.

I make this decision is made on the authority delegated to me by the Director of the Residential Tenancy Branch under s. 9.1(1) of the *Act*.

Dated: October 28, 2024

Residential Tenancy Branch