



Dispute Resolution Services

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Residential Tenancy Branch
Ministry of Housing

DECISION

Introduction

On July 29, 2024 (the “Application date”) the Landlord filed the 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.

The Landlords (hereinafter, the “Landlord”) and one of the two Tenants (the “Tenant”) who reside in the rental unit attended the scheduled hearing.

Preliminary Issue – service and disclosure of evidence

In the hearing, the Tenant confirmed they received the notice for the hearing and hearing information, as well as the Landlord’s document evidence.

Issue to be Decided

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

Background and Evidence

The single rental unit is a stand-alone home structure owned by the Landlord. The tenancy agreement between the Landlord and the Tenant started in 2001. The Landlord took over at this rental unit in 2022.

The Tenant in the hearing recounted mentioning the issue of the roof leaking to the property manager in 2021. This required areas of the roof being tarped to avoid leaking water in three specific spots in the rental unit. The Tenant saw the roof replacement, which eventually occurred in 2024, as a necessary expense. The Tenant had the impression that the Landlord was trying to avoid this expense for the older rental unit.

The Landlord acknowledged that tarps were in place when they took over the property in 2022, even being replaced three times over this period. The had a detailed quote in place from a roofing company dated September 8, 2023. The quote amount is \$21,254.

The Landlord provided the following regarding payments and invoice amounts:

- invoice 21626, showing a deposit payment amount required of \$4,463.34, and a completion balance to be paid of \$22,316.70 (total is \$26,880.04).
- invoice 22127 (dated February 22, 2024), showing a remaining balance due of \$19,060.86
- cheque to roofer dated December 13, 2023, for \$5,077.59
- cheque to roofer dated March 13, 2024, for \$19,060.86

The cheques total \$24,138.45, by my calculation.

The Landlord entered the amount of \$23,524.20 on their Application for this capital expenditure-associated rent increase. This is the capital expense that the Landlord submits is related to a major system or major component of the rental unit property.

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

With no evidence to the contrary, I find the Landlord made no prior application for an additional rent increase of this type.

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.

As per this definition in the *Act*, I find there was 1 dwelling unit.

Eligibility and Amounts

I address whether the expenditure was *eligible*, and the expenditure *amount*.

As set out in s. 23.1(4) of the *Regulation*, I find the replacement of the roof at the rental unit property qualifies as a replacement of a major component of a major system, with the major system supporting a critical function of the residential property: that being a safe and leak-free roof on the rental unit.

Therefore, this is an eligible expense under the statutory framework. This is also in line with the Landlord’s obligation to maintain the residential property in a state of repair that complies with the health, safety, and housing standards required by law.

In sum, I find the installation of new roofing is an eligible expenditure under this statutory framework.

I find the Landlord submitted evidence showing two different capital amounts. The cheques they provided as evidence total \$24,138.45. The invoice amount provided by the roofer is for \$26,880.04. The Landlord on the Application indicated a different amount: \$23,524.20. These are discrepancies that I am unable to rectify from the Landlord’s evidence. For this reason, I am unable to determine the Landlord’s correct capital expenditure amount.

I dismiss the Landlord’s Application for this reason, with leave to reapply.

Timing of the Capital Expenditure

There is evidence that the Landlord made the final payment for this expenditure in March 2024. This appears to meet the 18-month requirement.

Life Expectancy of the Capital Expenditure

With regard to the Residential Tenancy Policy Guideline 40: Useful Life of Building Elements, I find the roofing has a useful life of 20 years. On this basis, I am satisfied this capital expenditure will not reoccur, and there will be no expenditures again incurred for these items again within 5 years.

Outcome

The Landlord has not proven the amount of the eligible capital expenditure. It is not my role to complete the Landlord's accounting for them on their behalf.

Because of this, I conclude the Landlord has not proven all of the necessary elements for their Application.

I dismiss this Landlord's Application, with leave to reapply.

Conclusion

I dismiss this Landlord's Application, with leave to reapply.

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

Dated: November 5, 2024

Residential Tenancy Branch