

## **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 capital expenditure rent increase under section 23.1 of the Residential Tenancy Act Regulation, B.C. Reg. 477/2003 (the Regulation).

Landlord J.F.2, Landlord C.G., Landlord K.F., Landlord D.M., Landlord J.R. attended the hearing for the Landlord.

Tenant D.B. attended the hearing for the Tenant.

At the start of the hearing the Landlord noted their application does not apply to Tenants D.H., L.P.D.O., P.I., or P.I.2. Therefore, I note any findings, or orders in this decision do not apply to the listed Tenants tenancies.

### **Service of Notice of Dispute Resolution Proceeding (Proceeding Package)**

The Landlord testified that they registered mailed the Proceeding Package to the Tenant on March 27, 2025, to the rental unit's address. The Landlord provided Canada Post registered mail tracking stickers stamped for March 27, 2025.

Based on the Landlord's testimony, and the tracking stickers, I find the Landlord proved that they served the Tenant in accordance with section 89(1).

Section 90(a) of the Act provides that a document served by mail is deemed to be received on the fifth day after it is mailed.

I find the Tenant is deemed to have received the Proceeding Package on April 1, 2025, per section 90(a) of the Act.

### **Service of Evidence**

The Landlord testified their evidence was served the same time using the same method as their Proceeding Package.

Therefore, for the same reasons I found the Proceeding Package deemed received on April 1, 2025, I also deem the Landlord's evidence received on that date per 90(a) of the Act.

No documentary evidence was submitted by the Tenant for this application.

## **Issues to be Decided**

Is the Landlord entitled to an order allowing them a Capital Expenditure Rent Increase?

## **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 Landlord testified they have not successfully applied for a capital expenditure rent increase in the last 18 months.

The Landlord testified there were 22 specified dwelling units in the residential property affected by the capital expenditure.

The Landlord is claiming \$49,350.00 for resurfacing the roof. The Landlord testified that the roof resurfacing was necessary because the roof was leaking. The leak was damaging the building. The Landlord testified that they do not expect to repeat this repair for 25 years. The Landlord testified that the roof was asphalt. The Landlord provided an invoice for this project dated December 15, 2023.

The Landlord is claiming \$14,672.02 for the replacement of a hot water tank. The Landlord testified that the hot water tank was leaking and was over 10 years old. They expect the new tank to last at least 10 years.

The Landlord provided an invoice for the hot water tank project dated September 11, 2023. The invoice states that the Landlord initially contacted Thompson River Plumbing due to the leak.

No submissions were made by the Tenants against the Landlord's application at the hearing. No clear position for the Tenants was advanced. D.B. was the only Tenant who participated when they asked how the amount of a capital expenditure rent increase is determined.

Residential Tenancy Branch records show the Landlord made their application on March 7, 2025.

## **Analysis**

For the Landlord's application for a capital expenditure rent increase to be successful they must prove all of the following on a balance of probabilities:

1. That they have not made a successful application for an additional rent increase for capital expenditure in relation to the same rental units for at least 18 months;
2. That the capital expenditure was made for one of the reasons explained in section 23.1 (4) (1) of the Regulation;
3. That the capital expenditure was made within 18 months of making their application; and
4. That a capital expenditure for the same purpose is not expected to occur again for at least five years.

### *Application*

Based on the Landlord's uncontradicted testimony, I find that the Landlord did not successfully apply for a capital expenditure rent increase within 18 months of this application.

### *Purpose*

According to section 23.1 (4) (1) of the Regulation the following are the legally permissible purposes to apply for a capital expenditure rent increase:

“(i)the installation, repair or replacement of a major system or major component in order to maintain the residential property, of which the major system is a part or the major component is a component, in a state of repair that complies with the health, safety and housing standards required by law in accordance with section 32 (1) (a) [*landlord and tenant obligations to repair and maintain*] of the Act;

(ii)the installation, repair or replacement of a major system or major component that has failed or is malfunctioning or inoperative or that is close to the end of its useful life;

(iii)the installation, repair or replacement of a major system or major component that achieves one or more of the following:

(A)a reduction in energy use or greenhouse gas emissions;

(B)an improvement in the security of the residential property;”

Under section 21.1(1) a major system is a system integral to the residential property or is integral to providing services to occupants of the residential property. A major component is a component integral to the residential property or a major system.

Residential Tenancy Policy Guideline 37C also suggests that cosmetic upgrades connected to an eligible capital expenditure can be included in it.

A roof is listed as a major system in Residential Tenancy Policy Guideline 37-C. Based on the Landlord’s uncontradicted testimony, I find that the roof was leaking and malfunctioning. Therefore, I find the Landlord’s roof resurfacing project falls under section 23.1 (4) (1) (ii) of the Regulation.

I find that a hot water tank is a major part of the plumbing and sanitary system. The plumbing and sanitary system is listed as a major system in Residential Tenancy Policy Guideline 37-C. Based on the Landlord’s uncontradicted testimony and the invoice, I

find the hot water tank was leaking and malfunctioning. Therefore, I find the Landlord's hot water tank project falls under section 23.1 (4) (1) (ii) of the Regulation.

#### *Made within 18 months of the Application*

Residential Tenancy Policy Guideline 37-C states that the timing of a capital expenditure is based on the date of final payment. Based on the Landlord's testimony and the invoices, I find the roof resurfacing project was completed on December 15, 2023. I find the hot water tank project was completed on September 11, 2023. I find both dates are within 18 months of the Landlord's application date of March 7, 2025.

#### *Not required for another 5 Years*

The Landlord testified that they expect the roof repairs to last 25 years. Residential Tenancy Policy Guideline 40 states that the estimated useful life of an asphalt roof is 20 years. Based on the Landlord's uncontested testimony and Residential Tenancy Policy Guideline 40, I find the Landlord has proven the roof resurfacing project is likely not to reoccur for at least 5 years.

The Landlord testified that they expect the hot water tank to last at least 10 years. Residential Tenancy Policy Guideline 40 states that the estimated useful life of a hot water tank is 15 years. Based on the Landlord's uncontested testimony and Residential Tenancy Policy Guideline 40, I find the Landlord has proven the hot water tank project is likely not to reoccur for at least 5 years.

#### *Granted Rent Increase*

Therefore, I find there is a \$14,672.02 eligible capital expenditure for the hot water tank replacement and a \$49,350.00 for the roof resurfacing expenditure. The total eligible capital expenditure is \$64,022.02.

The additional rent increase is the lesser of 3% of the current rent combined with the yearly permitted rent increase, or the  $[(\text{total eligible capital expenditure} \div \text{the number of specified dwelling units}) \div 120]$  under section 23.2 of the Regulation.

A specified dwelling unit, as defined by section 21.1(1) of the Regulation, is a living accommodation (whether or not it is vacant) located in a building (or residential property) that is impacted by the eligible capital expenditure. I find there are 22 dwelling units] specified dwelling units.

Therefore, I order the Landlord may raise the rent 3% of the current rent after the current yearly rent increase is added, or  $\$24.25 [(\$64,022.02 \div 22) \div 120]$ , whichever is lower.

## **Conclusion**

The Landlord has been successful. I grant the application for an additional rent increase for a capital expenditure in the amount of \$64,022.02. The Landlord must impose this increase in accordance with the Act and the Regulation.

I order the Landlord to 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: June 05, 2025

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Residential Tenancy Branch