

DECISION

Introduction

This hearing addressed the Landlord's Application for Dispute Resolution under the *Residential Tenancy Act* (the Act) for an additional rent increase for capital expenditure in accordance with sections 43(1)(b) and 43(3) of the Residential Tenancy Act (the Act) and section 23.1 of the *Residential Tenancy Regulation* (the Regulation).

Landlord J.F. in his capacity as president of K.G., Landlord senior analyst C.G., Landlord building manager C.L., Landlord property manager L.S. attended the hearing for the Landlord.

Tenant J.D. attended the hearing.

The Landlord confirmed service of Notice of Dispute Resolution and proceeding package to each Tenant by serving the dispute resolution package, including copies of the Landlord's evidence, by registered mail on July 25, 2025. The Landlord provided copies of each registered mail tracking slip to confirm service. The Landlord's representative C.L. stated that 5 packages were returned by Canada Post as unclaimed. For those Tenants, the proceeding packages were delivered to each unit on August 27, 2025.

The Landlord stated that it served 27 Tenants with this proceeding package as 9 tenants had moved into the rental property on or after October 1, 2024, when the work for which the application is based upon was completed. The Landlord stated these 9 tenants' rent was adjusted at the time they moved in and thus equity mandated these tenants not be subject to an additional rent increase.

I find the Tenants were served with the required materials in accordance with the Act.

The Landlord confirmed it received no documentary evidence in objection to its application. It was noted at the hearing that no evidence was received from a Tenant by the RTB.

Issue for Decision

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

Background and Evidence

I have considered the submission of the parties in attendance at the hearing, the documentary evidence submitted by the Landlord as well as the testimony of the participants attending the hearing. However, not all details of the respective submissions are reproduced in this Decision. Only that evidence deemed relevant and material to the Landlord's application and necessary to my findings are set forth in my analysis.

The Landlord testified the rental property was constructed in 1980 and consists of 36 units. In approximately March 2024, the Landlord undertook capital expenditures to replace various components of the structure including: siding, windows and patio doors, trim, decks, the soffit located under the deck and the overhang above the decks, and exterior lighting on each deck. The Landlord noted an invoice from a paint supplier in the amount of \$881.22 was inadvertently included in the application but was incurred for a different property. Additionally, although not included in the application amount, invoices related to a retaining wall and landscaping were submitted in error.

The replaced components were original to the rental property and had exceeded their useful life. Additionally, the Landlord stated when the siding to the rental property was replaced, insulation was added which increased energy efficiency and reduced utilities paid by Tenants.

The Landlord submitted its general ledger entries and copies of invoices from the general and sub-contractors retained to make the improvements. The Landlord testified that all invoices were paid on the dates indicated on the general ledger and in the stated amounts. The Landlord submitted a photograph of the rental property building after the repairs were completed in October 2024 and provided a photograph of the neighboring rental property to represent the condition prior to repairs.

The Landlord confirmed during the hearing that no prior application for an additional rent increase had been made in the 18 months preceding this application, and there were no other sources of payment for the work completed. Furthermore, the Landlord stated the improvements were expected to last at least 5 years.

Tenant J.D. stated his unit was on the ground-floor level and did not have a patio door. His objection was the cost for the replacement of the patio doors would be borne by those units that did not receive this improvement.

Analysis

The standard of proof in a dispute resolution hearing is on a balance of probabilities, which means it is more likely than not the facts occurred as claimed. As the dispute related to the Landlord's application for an additional rent increase based upon eligible capital expenditures, the Landlord bears the burden of proof in support of its application.

Section 43(1)(b) of the Act allows a Landlord to impose an additional rent increase in an amount greater than the annual amount provided under the Regulations by submitting an application for dispute resolution.

1. Legislative History

The BC Rental Task Force set forth its recommendation for the additional rent increase. In a statement to then Premier Horgan and Minister Robinson:

While we are still working to complete our full report, the Task Force has agreed on a recommendation for a change to the Annual Allowable Rent Increase formula. We decided to share this recommendation now, to give the government the opportunity to act this year, as the need is great.

After considerable deliberation the Rental Housing Task Force is recommending that the B.C. government change the rent increase formula from the current formula of inflation plus a guaranteed 2% (4.5% total for 2019) to inflation only (2.5% for 2019), removing the automatic additional 2% yearly increase.

This decision was made after we heard of many cases where renters struggled to pay yearly maximum rent increases. We also heard from tenants who have faced maximum rent increases, while building maintenance was not done. In order to ensure building maintenance is prioritized, we are also recommending that changes be made to allow additional rent increases above inflation through application to the Residential Tenancy Branch. This will allow for additional modest rent increases in cases where renovations and repairs to rental units have been completed. This change would bring us into line with the similar practices that have been used in Ontario and Manitoba for over a decade and will ensure landlords can complete necessary work to maintain their buildings, while continuing to provide necessary housing. We suggest that the Ministry of Municipal Affairs and Housing work with landlord and tenant groups to determine criteria for above the guideline rent increases.

Taken together these two changes will make rent more affordable for British Columbians, while also helping ensure needed repairs are completed to maintain and improve rental housing in British Columbia.

Thus, the recommendation for the additional rent increase, which was subsequently enacted by the Legislature (as set forth below), was to replace the prior system of automatic rent increases where landlords may not have been using the generated funds to upgrade the rental property.

2. Statutory Framework

Sections 21.1, 23.1, and 23.2 of the Regulation set out the framework for determining if a landlord is entitled to impose an additional rent increase for capital expenditures. To summarize, the landlord must prove the following, on a balance of probabilities:

- the landlord has not successfully applied for an additional rent increase against these tenants within the last 18 months (s. 23.1(2));
- the number of specified dwelling units on the residential property (s. 23.2(2));
- the amount of the capital expenditure (s. 23.2(2));
- that the Work was an *eligible* capital expenditure, specifically that:
 - o the Work was to repair, replace, or install a major system or a component of a major system (S. 23.1(4));
 - o the Work was undertaken for one of the following reasons:
 - to comply with health, safety, and housing standards (s. 23.1(4)(a)(i));
 - because the system or component:
 - was close to the end of its useful life (s. 23.1(4)(a)(ii)); or
 - had failed, was malfunctioning, or was inoperative (s. 23.1(4)(a)(ii));
 - to achieve a reduction in energy use or greenhouse gas emissions (s. 23.1(4)(a)(iii)(A)); or
 - to improve the security of the residential property (s. 23.1(4)(a)(iii)(B));
 - o the capital expenditure was incurred less than 18 months prior to the making of the application (s. 23.1(4)(b)); and
 - o the capital expenditure is not expected to be incurred again within five years (s. 23.1(4)(c)).

The Regulations provide tenants may have an application for an additional rent increase for capital expenditure dismissed if they can prove on a balance of probabilities the capital expenditures were incurred:

- for repairs or replacement required because of inadequate repair or maintenance on the part of the landlord (s. 23.1(5)(a)); or
- for which the landlord has been paid, or is entitled to be paid, from another source (s. 23.1(5)(a)).

If a landlord discharges its evidentiary burden and the tenant fails to establish the additional rent increase should not be imposed (for the reasons set out above), the landlord may impose an additional rent increase pursuant to sections 23.2 and 23.3 of the Regulation.

3. Prior Application for Additional Rent Increase

In this matter, based upon the Landlord's representation, I find there have been no prior applications for an additional rent increase within the 18 months before this application was filed.

4. Number of Specified Dwelling Units

Section 23.1(1) of the Regulation contains the following definitions:

"dwelling unit" means the following:

- (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 36 specified dwelling units to be used for calculation of the additional rent increase, although only those units which were included in the Landlord's application and served with a Notice of Hearing in this matter are subject to the additional rent increase, as the Tenants of these units were residing in the rental property prior to October 1, 2024; those tenants moving in on or after October 1, 2024, having their rental rates adjusted to include the capital expenditure.

5. Amount of Capital Expenditure

The Landlord claims the total amount of **\$620,342.62** as detailed in the Landlord's itemized capital expenditure set forth above, which includes the deduction for the paint invoice (\$881.22) that was not part of this improvement project.

6. Is the Work an *Eligible* Capital Expenditure?

As stated above, for the Work to be considered an eligible capital expenditure, the landlord must prove the following:

- the Work was to repair, replace, or install a major system or a component of a major system
- the Work was undertaken for one of the following reasons:
 - to comply with health, safety, and housing standards;
 - because the system or component:
 - was close to the end of its useful life; or
 - had failed, was malfunctioning, or was inoperative
 - to achieve a reduction in energy use or greenhouse gas emissions;
 - or
 - to improve the security of the residential property;

- the capital expenditure was incurred less than 18 months prior to the making of the application;
- the capital expenditure is not expected to be incurred again within five years.

The capital expenditure at issue will be reviewed under this analysis.

Section 21.1 of the Regulation defines “major system” and “major component”:

"major system", in relation to a residential property, means an electrical system, mechanical system, structural system or similar system that is integral

- (a) to the residential property, or
- (b) to providing services to the tenants and occupants of the residential property;

"major component", in relation to a residential property, means

- (a) a component of the residential property that is integral to the residential property, or
- (b) a significant component of a major system;

RTB Policy Guideline 37 provides examples of major systems and major components:

Examples of major systems or major components include, but are not limited to, the foundation; load bearing elements such as walls, beams and columns; the roof; siding; entry doors; windows; primary flooring in common areas; pavement in parking facilities; electrical wiring; heating systems; plumbing and sanitary systems; security systems, including things like cameras or gates to prevent unauthorized entry; and elevators.

Residential Tenancy Branch Policy Guideline 37 states:

A capital expenditure is considered “incurred” when payment for it is made.

Policy Guideline 37C provides “the date on which a capital expenditure is considered to be incurred is the date the final payment related to the capital expenditure was made.”

I find each of the components replaced on the rental building – the exterior siding, the windows and patio doors, trim, decks, soffit and exterior lighting on the decks – comprise a major component or major system of the rental building. I find the replacement was necessary as these elements were more than 40 years old and each was at the end of its useful life. I further find the exterior lighting increases Tenant safety.

Therefore, I find the Landlord has provided sufficient evidence to satisfy the requirements of the Regulation.

I accept the Landlord's evidence that final payment for the work was made in November 2024, within 18 months of the Landlord making this application on July 17, 2025.

The Landlord provided the invoices and receipts for the capital expenditure. I find it is reasonable to conclude this capital expenditure will not occur again within five years as the Landlord testified.

Tenant Objections to the Capital Expenditure

As stated above, the Regulation limits the reasons which a tenant may raise to oppose an additional rent increase for capital expenditure. In addition to presenting evidence to contradict the elements the landlord must prove (set out above), the tenant may defeat an application for an additional rent increase if they can prove that:

- the capital expenditures were incurred because the repairs or replacement were required due to inadequate repair or maintenance on the part of the landlord, or
- the landlord has been paid, or is entitled to be paid, from another source.

I find the Landlord completed and paid for the necessary work and is bound only by the statutory framework in seeking the capital expenditure.

Tenant J.D. stated his unit did not have a patio door and thus he did not consider it fair that ground-level units be required to pay for this replaced component. The policy guideline states that windows are considered a major component or major system. Patio doors, like windows, are part of the structural integrity of the building and serve to provide building occupants with safety from the elements. As with windows, I find the patio doors are a major component of the rental building that is integral to its structural integrity.

I find the Tenants have not provided sufficient evidence to support a dismissal of the Landlord's application for an additional rent increase for the capital expenditure.

Based on the above, I find the Landlord is entitled to recover for the replacement of major components and major systems replaced at the rental property as set forth in the Landlord's application in the amount of \$620,342.62.

Summary

The Landlord has been successful with its application. The Landlord has established, on a balance of probabilities, the elements required to impose an additional rent increase for a total capital expenditure in the amount of **\$620,342.62**, for the replacement of the major components described herein as the respective useful life of each system or component had expired.

Section 23.2 of the Regulation sets out the formula to be applied when calculating the amount of the additional rent increase as the number of specific dwelling units divided

by the amount of the eligible capital expenditure divided by 120. In this case, I have found there are 36 specified dwelling units and the total amount for the eligible capital expenditure is \$620,342.62.

I find the Landlord has established the basis for an additional rent increase for a capital expenditure of **\$143.60 per unit [(\$620,342.62 ÷ 36 specified dwelling units) ÷ 120 months = \$143.60], for those Tenants residing in their rental unit prior to October 1, 2024 and whom were served by the Landlord with the proceeding package for this application.** If this amount exceeds 3% of a Tenant's monthly rent, the Landlord may not be permitted to impose a rent increase for the entire amount in a single year.

The parties may refer to RTB Policy Guideline 40, section 23.3 of the Regulation, section 42 of the Act (which requires that a landlord provide a tenant three months' notice of a rent increase), and the additional rent increase calculator on the RTB website for further guidance regarding how this rent increase made be imposed.

Conclusion

I grant the application for an additional rent increase for the capital expenditure totaling **\$620,342.62**. The Landlord must impose this increase in accordance with the Act and the Regulation.

I order the Landlord to serve the Tenants with this Decision, in accordance with section 88 of the Act, within two weeks of the date of this Decision. I authorize the Landlord to serve those Tenants by email if the Tenant provided an email address for service. The Landlord must also provide a copy to any Tenant that requests a printed copy.

This decision is issued on authority delegated to me by the Director of the Residential Tenancy Branch under section 9.1(1) of the Act.

Dated: September 6, 2025

Residential Tenancy Branch