

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 for capital expenditure in accordance with sections 43(1)(b) and 43(3) of Act and section 23.1 of the Residential Tenancy Regulation (the Regulation).

The Landlord's Agents, M.J. and K.I., attended the hearing for the Landlord.

Tenants B.M., T.S., P.O., and M.A., attended the hearing for the Tenants.

Service

The Landlord confirmed service of the Notice of Dispute Resolution Hearing and proceeding package to the Tenants in person on August 8, 2025. On behalf of the Tenants, M.A. confirmed that they were served with the proceeding package, including copies of the Landlord's evidence. I therefore find the Tenants were served with the required materials in accordance with the Act.

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

Issue to be Decided

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

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.

On behalf of the Landlord, K.I. submitted that the rental building consists of 10 units, but this application was only served on 7 units, as the other 3 units are currently paying market rent. The Landlord's Agent advised that the Landlord acquired the rental building in 2023, and that it was built around 1965. The Landlord's Agent confirmed that no additional rent increase under sections 23 or 23.1 of the Regulation had been imposed in the past 18 months.

The Landlord's application requests an additional rent increase for the following capital expenditures:

1. Boilers - \$24,121.81, with last payment made on November 14, 2024,
2. Soffits and Fascia - \$44,992.12, with last payment made on February 14, 2025,
3. Roof, Gutters, and Flashing - \$43,312.50, with last payment made on June 11, 2025.

The Landlord provided copies of invoices for each capital improvement as well as proof of payment. The Landlord also provided photographs of the items being claimed, before and after the replacements were carried out. On behalf of the Landlord, M.J. testified that they have not received any rebates towards the above capital expenditures.

1. Boilers - \$24,121.81

On behalf of the Landlord, M.J. testified that the boiler at the property stopped working and needed to be replaced as it could not be repaired. M.J. testified that the single boiler was replaced with two boilers to ensure redundancy in the event of future failure. M.J. submitted that the new boilers are expected to last at least 10 years.

The Tenants submitted that the boiler had been replaced approximately six years ago under a previous owner. M.A. testified that they had smelled gas and heard a “whooshing” noise from the old boiler, prompting a call to the fire department. The fire department shut off the gas and power due to safety concerns. B.M. and T.S. testified that they had requested maintenance records from the Landlord but did not receive them. The Tenants argued that the boiler failure was due to a lack of maintenance and that tenants should not bear the cost of deferred maintenance.

On behalf of the Landlord, M.J. testified that the Landlord had the boiler repaired when they purchased the property in 2023. The Landlord was unsure as to the age of the previous boiler and was unable to comment on previous maintenance to the boiler as they were unsure what had been done prior to the Landlord purchasing the property.

2. Soffits and Fascia - \$44,992.12

On behalf of the Landlord, M.J. testified that the soffits and fascia were replaced around the entire building, including under balconies and walkways, due to rotting wood and poor ventilation. The Landlord considered partial repairs but determined full replacement was more appropriate given the extent of deterioration. The age of the previous soffits and fascia was unknown, but they may have been original to the building.

The Tenants submitted that they do not believe they should be responsible for any costs related to the replacement of the soffits and fascia as it is the Landlord’s responsibility to maintain the property. The Tenants noted that the previous owner had not appeared to take good care of the property, and that the Landlord would have known this work needed to be done when they purchased the property.

3. Roof, Gutters, and Flashing - \$43,312.50

On behalf of the Landlord, M.J. testified that the roof was around 20 years old. At the time of purchase, the Landlord was advised that the roof had a maximum of five years remaining. A subsequent inspection in 2025 confirmed the need for replacement at that time.

The Tenants did not object to the roof replacement itself but reiterated that the Landlord was aware of the building's condition at the time of purchase. The Tenants submitted that tenants should not be responsible for costs arising from known deficiencies or deferred maintenance.

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.

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. (*emphasis added*)

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 aimed at replacing the prior system of automatic rent increases where landlords may not have been using the generated funds to upgrade the rental property.

Statutory Framework

Section 43(3) of the Act allows a Landlord to request approval of a rent increase in an amount greater than the annual amount provided under the Regulation by submitting an application for dispute resolution.

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. I will not reproduce the sections here but 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 the tenant within the last 18 months;
- the number of specified dwelling units on the residential property;
- the amount of the capital expenditure;
- that the work was an eligible capital expenditure, specifically that:
 - 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; and
 - the capital expenditure is not expected to be incurred again within five years.

The Regulation provides that 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; or

- for which the landlord has been paid, or is entitled to be paid, from another source.

If a landlord discharges their evidentiary burden and the tenant fails to establish that an 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.

Prior Application for Additional Rent Increase

On behalf of the Landlord, M.J. testified they have not applied for an additional rent increase against these Tenants within the last 18 months. The Tenants did not dispute this. Therefore, I find there were no prior applications for an additional rent increase within the 18 months before this application was filed.

Number of Specified Dwelling Units

Section 21.1(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.

The Landlord's Agent explained that there are 10 units in the building, but the application was only served on seven rental units. The Landlord's Agent advised the other 3 units were not included in this application because they recently became tenants and are paying market rent. I am satisfied that all 10 of the units in the building are both dwelling units, and specified dwelling units, given they are all located in the building where the replacements were completed.

Therefore, I find that there are 10 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.

Amount of Capital Expenditure

The Landlord claims a total amount of \$112,426.43, as detailed in the Landlord's application, supporting evidence, and the itemized capital expenditures set out above.

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; and
- the capital expenditure is not expected to be incurred again within five years.

I will address each of these in turn.

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;

Policy Guideline #37C 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.

Policy Guideline #37C also states that 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.

1. Boilers - \$24,121.81

Policy Guideline #37C states that heating systems are a major system of a residential building. Therefore, I find that the boilers are a major system or component of the building. Policy Guideline #37C also states that repairs, or replacements of major systems or components will qualify for an additional rent increase if the system or component has failed, is malfunctioning, or is inoperative, or is close to the end of its useful life.

I find that the replacement of the boiler was necessary as the testimony of the Landlord's Agents and the Tenants supports that the previous boiler was malfunctioning. I find that it is reasonable for the Landlord to have replaced the single boiler with two boilers to ensure redundancy in the event of future failure.

The total cost for replacing the boiler was \$24,121.81, as evidenced by the invoice, with payment made by the Landlord on November 14, 2024, which is within 18 months of the Landlord's application filed July 10, 2025. I find it reasonable to conclude this capital expenditure will not occur again within five years as the expected useful life of a boiler is 25 years as provided in Policy Guideline #40.

I therefore find the Landlord has provided sufficient evidence to satisfy the requirements of the Regulation for this capital expenditure.

2. Soffits and Fascia - \$44,992.12

Policy Guideline #37C states that the roof and siding of a building are major systems or components of a residential building. Given that soffits and fascia are integral parts of the roof and siding systems, serving structural, protective, and ventilation functions, I find that they qualify as major components under the Regulation.

Based on the testimony of the Landlord's Agents, I find that the replacement of the soffits and fascia was necessary due to rotting wood and inadequate ventilation, indicating that these components were at or near the end of their useful life and needed to be replaced to comply with health, safety, and housing standards.

The total cost for replacing the soffits and fascia was \$44,992.12, as evidenced by the invoice, with payment made by the Landlord on February 14, 2025, which is within 18 months of the Landlord's application. I also find it reasonable to conclude this capital expenditure will not occur again within five years.

I therefore find the Landlord has provided sufficient evidence to satisfy the requirements of the Regulation for this capital expenditure.

3. Roof, Gutters, and Flashing - \$43,312.50

Policy Guideline #37C states that the roof is a major component of a residential building. I accept that the gutters and flashing are integral parts of the roof and qualify as major components under the Regulation. Based on the testimony of the Landlord's Agents, and the photographs provided, I find that the replacement of the roof, gutters, and flashing were necessary as the roof was near the end of its useful life.

The total cost for replacing the roof, gutters, and flashing was \$43,312.50, as evidenced by the invoice, with payment made by the Landlord on June 11, 2025, which is within 18 months of the Landlord's application. I also find it reasonable to conclude this capital expenditure will not occur again within five years and note that there was a 10-year workmanship warranty provided to the Landlord.

I therefore find the Landlord has provided sufficient evidence to satisfy the requirements of the Regulation for this capital expenditure.

Tenants' Objections

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.

In this case, the Tenants submitted that they believe the building was not properly maintained by the previous owner. However, the current Landlord did not own the rental building prior to March 2023. Accordingly, I find that the current Landlord cannot be held responsible for any deficiencies in repair or maintenance that occurred prior to acquiring the property.

Based on the evidence and testimony provided, I find there is no indication that the replacements cited in the application were necessitated by any failure on the part of the current Landlord to maintain the systems or components.

Additionally, M.J., on behalf of the Landlord, testified that no rebates or external compensation were obtained for any of the expenditures listed.

Therefore, I find that the Tenants have not provided sufficient evidence to support dismissal of the Landlord's application for an additional rent increase based on the capital expenditures.

Summary

Based on the above, I find that the Landlord has established, on a balance of probabilities, the elements required to impose an additional rent increase for total capital expenditures of \$112,426.43, for the major components or major systems outlined above.

Section 23.2 of the Regulation sets out the formula to be applied when calculating the amount of the additional rent increase as the amount of the eligible capital expenditure divided by the number of specific dwelling units, divided by 120. In this case, I have found there are 10 specified dwelling units and the total amount for the eligible capital expenditure is \$112,426.43.

I find the Landlord has established the basis for an additional rent increase for a capital expenditure of **\$93.69 per unit per month** [**$(\$112,426.43 \div 10 \text{ specified dwelling units}) \div 120 \text{ months} = \93.69**]. 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 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 Residential Tenancy Branch 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 expenditures incurred by the Landlord for major systems or major components to the rental property totaling **\$112,426.43**. 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, 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 printed copy to the Tenant if requested.

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: October 2, 2025

Residential Tenancy Branch