



Dispute Resolution Services

Residential Tenancy Branch
Ministry of Housing and Municipal Affairs

Page: 1

DECISION

Dispute Code: ARI-C

Introduction

This decision is in respect of the Landlord's application made under the *Residential Tenancy Act* (the "Act") and the *Residential Tenancy Regulation* (the "Regulation") for an additional rent increase for eligible capital expenditures under section 43(3) of the Act and section 23.1 of the Regulation.

Hearing Attendance and Participation

A dispute resolution proceeding was convened by teleconference on November 14, 2025, at 9:30 AM. The Landlord attended and participated throughout the proceeding, which ended at 10:08 AM. One Tenant (Mr. F) joined the proceeding at 9:37 AM, briefly gave affirmed testimony, argument, and submissions, and then had to leave at 9:41 AM to catch a flight. No other Tenant attended the hearing, nor were there any written submissions made on this application by any of the respondent Tenants.

Preliminary Issue: Service of Notice of Dispute Resolution Proceeding and Documentary Evidence

The Landlord filed this application and paid the required application fee of \$330.00 on September 13, 2025. On October 6 the Residential Tenancy Branch sent the *Notice of Dispute Resolution Proceeding* to the Landlord by email. The Landlord then served a copy of the *Notice of Dispute Resolution Proceeding* and all documentary evidence pertaining to this application upon the Tenants by witnessed, in-person service on October 9, 2025. A notarized affidavit regarding service, dated October 10, 2025, was submitted into evidence as proof of service. The Landlord acknowledged and confirmed this method of service at the start of the hearing.

Based on this undisputed and affirmed oral and documentary evidence, it is my finding that the Landlord served all required documents pursuant to Rule 11 of the *Rules of Procedure*, under the Act, and pursuant to section 59 of the Act.

Issue

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

Background and Evidence

While I have considered the documentary evidence and the testimony of the parties, not all details of their submissions and arguments are reproduced here. The relevant and important aspects of the parties' claims, and my findings are set out below.

The property in question is a two-storey house of wood construction built in 1912. There are five Tenants residing in three rental units within the property.

Regarding this application, the Landlord testified and confirmed that she has not applied for an additional rent increase for eligible capital expenditures against any of the Tenants or tenancies prior to this application.

The Landlord's application notes that this application is being made to recover expenditures related to the following work (hereafter referred to as "the work"):

excavate perimeter of building to install drain tiles and proper cleanouts excavate & remove existing sewer system and install ABS sewer line to replace PVC sewer line that is old and not deep enough for new drain system.

What led to this was, as the Landlord testified, a concern with dampness in the basement of the property and she had three independent contractors come and inspect the house. At first, it was thought that maybe the old chimney was the culprit. There had been mold forming on the chimney surface and this was removed and painted. There was also mold on tiles in a bathroom. A humidifier was brought in to try and help, but to no avail.

An expert was then brought in who, after doing some excavation, discovered that the concrete drain tiles had basically disintegrated. With the age of this house, drain tiles were originally concrete, which disintegrates over time. It was further discovered that water had pooled under the house; a sump pump was installed and the water pumped out. New drain tiles were installed, along with installation of a new sewer line.

Submitted into evidence is a copy of a three-page, detailed description by the drain installation company. While its content will not be reproduced here, I have reviewed and carefully considered its content. In short, the overall works consisted of an excavation and drainage system installation around the house, including removal and replanting of landscaping, concrete cutting, foundation wall repairs, sump and pipe installation, and full site restoration. In respect of how long the drainage system and pipe installation is expected to last, the Landlord testified that she expects it to last decades.

Page three of the document provides the final amount paid in full of \$45,525.00.

Last, it is noted and the Landlord confirmed that she has not imposed an additional rent increase pursuant to section 23.1 of the Regulation within the last eighteen months.

Analysis

1. Statutory Framework

[Sections 21.1](#) and [23.1](#) of the Regulation set out the framework for determining if a landlord is entitled to impose an additional rent increase for eligible capital expenditures.

Section 21.1 of the Regulation sets out the definitions used in this type of application; I will turn to the relevant definitions below.

Section 23.1 of the Regulation states the following:

- (1) Subject to subsection (2), a landlord may apply under section 43 (3) [*additional rent increase*] of the Act for an additional rent increase in respect of a rental unit that is a specified dwelling unit for eligible capital expenditures incurred in the 18-month period preceding the date on which the landlord makes the application.
- (2) If the landlord made a previous application for an additional rent increase under subsection (1) and the application was granted, whether in whole or in part, the landlord must not make a subsequent application in respect of the same rental unit for an additional rent increase for eligible capital expenditures until at least 18 months after the month in which the last application was made.

- (3) If the landlord applies for an additional rent increase under this section, the landlord must make a single application to increase the rent for all rental units on which the landlord intends to impose the additional rent increase if approved.
- (4) Subject to subsection (5), the director must grant an application under this section for that portion of the capital expenditures in respect of which the landlord establishes all of the following:
 - (a) the capital expenditures were incurred for one of the following:
 - (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;
 - (b) the capital expenditures were incurred in the 18-month period preceding the date on which the landlord makes the application;
 - (c) the capital expenditures are not expected to be incurred again for at least 5 years.

The Tenants may defeat an application for an additional rent increase for capital expenditure if they can prove on a balance of probabilities that the capital expenditures were incurred (1) for repairs or replacement required because of inadequate repair or maintenance on the part of the landlord, or (2) for which the landlord has been paid, or is entitled to be paid, from another source (see subsection 23.1(5) of the Regulation).

If a landlord discharges their evidentiary burden and the tenants fail to establish that an additional rent increase should not be imposed (for the reasons set out above), the landlord may then impose an additional rent increase.

2. Prior Application for Additional Rent Increase

The Landlord made this application on September 13, 2025. The Landlord stated, and the Tenants did not dispute, that the Landlord has made the same or a similar application for an additional rent increase for eligible capital expenditures in the 18 months preceding the date of this current application.

3. Number of Specified Dwelling Units

A landlord may make this application for an additional rent increase in respect of a rental unit that is a "specified dwelling unit." Section 21.1(1) defines this as follows:

"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.

This application pertains to 3 rental units as specified dwelling units.

4. Amount of Capital Expenditures

Residential Tenancy Policy Guideline 37C. Additional Rent Increase for Capital Expenditures, ver. June 2023, at page 9, requires that a landlord “must also establish the amount of the capital expenditure. This can be done by providing invoices and proof of payment for the costs of the installation, repair, or replacement of the major system or major component.”

The total amount of the capital expenditures for the work is \$45,525.00, and the Landlord has submitted documentary proof of this expenditure in the form of an invoice.

5. Is the Work an “Eligible” Capital Expenditure?

As stated above, for the work to be considered an eligible capital expenditure, the landlord must prove each of 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
 - because it 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.

I will address each of these in turn.

a. Type of Capital Expenditures

It is my finding that the work was to replace and install a major system. A drainage system is, by all accounts, a major system of any property.

b. Reason for Capital Expenditures

The work was undertaken because the drainage system was beyond the end of its useful life.

c. Timing of Capital Expenditures

I accept the Landlord's evidence that payment was made on the capital expenditure on September 5, 2024, which is within an 18-month period preceding the date on which this application was filed.

d. Useful Life of the Capital Expenditures

Useful life is the approximate period that an item or asset can reasonably be expected to last before it must be replaced or undergo major maintenance (*Residential Tenancy Policy Guideline 40. Useful Life*, ver. February 2025, at p. 1).

In this application, the Landlord testified that she expects the drain tiles to last decades. Given that the new system is largely constructed of PVC, this is a reasonable assumption for the Landlord to make. In other words, I have no hesitation in concluding that the useful life of the drain tiles and associated components to vastly exceed five years.

For this reason, then, I find that the life expectancy of the components replaced and repairs made will all exceed five years and that a capital expenditure to replace or repair them cannot reasonably be expected to reoccur within five years, which is a requirement under subsection 23.1(4)(c) of the Act.

6. Tenants' Submissions

As stated above, subsection 23.1(5) of the Regulation limits the grounds 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), of course, a tenant may defeat an application for an additional rent increase if they can prove at least one of the two factors set out in subsection 23.1(5), which is previously summarized on page 5 of this decision.

The Tenant Mr. F testified that his rental unit—which happens to be on the basement level of the property, and where he has lived for four years—is damp and that there is, or was, black mold, and that the Landlord has increased electricity costs. Further, he argued that the collapsed drain system is the Landlord’s responsibility and that this expenditure should not be passed along to the Tenants.

I certainly acknowledge the Tenant’s apparent frustrations with the rental unit and his disagreement with this application. However, he has not provided any evidence for me to find that the Landlord’s capital expenditures were incurred because of inadequate repair or maintenance on the part of the Landlord. Respectfully, I do not accept that, based on what the Tenant told me, the Landlord’s application ought to be dismissed.

7. Outcome

The Landlord has been successful in this application. The Landlord has proven, on a balance of probabilities, all the statutory elements required to be able to impose an additional rent increase for a capital expenditure. Therefore, I grant the Landlord’s application, in part, pursuant to section 23.1 of the Regulation.

Having granted the Landlord’s application, the additional rent increase is determined under section 23.2 of the Regulation. Section 23.2(2) of the Regulation states:

The director must

- (a) divide the amount of the eligible capital expenditures incurred by the number of specified dwelling units, and
- (b) divide the amount calculated under paragraph (a) by 120.

In this application, \$45,525.00 is divided by 3 specified dwelling units, which is \$15,175.00. The amount of \$15,175.00 is then divided by 120, resulting in \$126.46.

Having calculated this amount, the Landlord is required, upon receiving this Decision, to apply sections 23.2(3) and (4) of the Regulation in determining the amount of additional rent increases for eligible capital expenditures. For the benefit of the parties, sections 23.2(3) and (4) are as follows:

- (3) The landlord must multiply the sum of the rent payable in the year in which the additional increase is to be imposed and the annual rent increase permitted to be imposed under section 43(1)(a) of the Act in that year by 3%.
- (4) The landlord may only impose whichever is the lower amount of the 2 amounts calculated under subsection (2) or (3).

For additional guidance on how and when this additional rent increase may be imposed, the Landlord may access the Residential Tenancy Branch's online additional rent increase calculator at:

<https://www2.gov.bc.ca/gov/content/housing-tenancy/residential-tenancies/rent-rtb/rent-increase-costs-expenses#capital>

and at:

<https://www.housing.gov.bc.ca/rtb/WebTools/AdditionalRentIncrease/#Explorer/step1>

Conclusion

For the reasons above, the Landlord's application is granted.

The Landlord is ordered to serve the Tenants with a copy of this decision in accordance with section 88 of the Act.

This decision is made on delegated authority under section 9.1(1) of the Act.

Dated: November 17, 2025

Residential Tenancy Branch