



Dispute Resolution Services

Residential Tenancy Branch
Ministry of Housing and Municipal Affairs

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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 pursuant to section 43(3) of the Act and section 23.1 of the Regulation.

The Landlord was represented by legal counsel, along with an agent for the Landlord. (Legal counsel will be referenced as "the Landlord" for the purposes of brevity.) Several Tenants attended the hearing, and eight of those provided testimony, submissions, and argument; the names of those Tenants are listed on the cover page of this Decision. Two additional Tenants dialed into the hearing, but their lines disconnected and I was unable to obtain their names. The hearing began at 9:30 AM and ended at 11:01 AM.

There arose no issues regarding the service of the Landlord's evidence upon the Tenants. Four Tenants provided submissions and served copies of those submissions to Landlord's counsel; those submissions will be considered (though not necessarily reproduced) in this Decision.

Five Tenants submitted or uploaded various documents to the Residential Tenancy Branch file, but copies of those documents were not served upon the Landlord; those submissions and documents will not be considered.

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, arguments, and submissions (both oral and written), and my findings are set out below.

The property is a four-storey apartment building (the "building") in New Westminster. The building was built in 1962 and there are a total of 45 apartment units in the building. 45 dwelling units are included in this application. There are 57 Tenants named in this application. The Landlord took over ownership of the building on September 25, 2015.

The Landlord testified that they have not applied for an additional rent increase for eligible capital expenditures against any of the Tenants or tenancies prior to this application in respect of a roof replacement, which is the capital expenditure being applied for (the "project").

The Landlord testified that the project involved replacing the building's roof, which was over 20 years old when it was replaced. The bitumen roof has a life expectancy of approximately 20 years. As a result, the roof had exceeded the end of its useful life. In addition, the roof was beginning to fail such that it required replacement. A roof inspection report was completed in late 2022, and a copy of that 33-page report is in evidence. The inspection reports notes "Heavy water ponding, deteriorated membrane, numerous temporary /deteriorating repairs, improper flashing detail at the perimeter, granular loss, organics, deteriorated sealant at the soil stack base, missing drain strainers and corrosion were some of the noted defects."

Further, the report recommended a roof replacement to be scheduled within the next one to two years (of 2022).

The total cost of the project was \$632,027.20 and the Landlord paid this in two amounts, \$568,824.48 on February 6, 2024, and a final amount of \$63,202.72 on May 14, 2024. Copies of these invoices were submitted into evidence, along with exterior before-and-after photographs of the roof.

As explained in the Landlord's written submission, the roof replacement project was required to repair or replace a major system or major component that had failed or was close to the end of its useful life and to maintain the building in a state of repair that complies with the health, safety and housing standards required by law, pursuant to section 32(1)(a) of the Act (sections 23.1(4)(a)(i) and (ii), of the Regulation).

Several Tenants provided oral and written submissions regarding this application, which I shall refer to and address later in the decision.

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 pursuant to [sections 23.2 and 23.3](#) of the Regulation.

2. Prior Application for Additional Rent Increase

The Landlord made this application on October 23, 2025. The Landlord submits, and the Tenants do not dispute, that the Landlord has made the same or a similar application for an additional rent increase for eligible capital expenditures (for a roof replacement) in the 18-month period before the date this application was made.

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) 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.

This application includes 45 rental units as specified dwelling units.

4. Amount of Capital Expenditures

The total amount of the capital expenditures for the work is \$632,027.20, and the Landlord has established this amount by providing copies of two invoices and an additional proof of payment document.

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

As stated above, for the project 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.

These will each be addressed in turn.

a. Type of Capital Expenditures

The roof replacement was, as described by the Landlord, to replace and install a new roof. I have no hesitation in finding, as a matter of fact and law, that a roof is a “major system” (see [Residential Tenancy Policy Guideline 37C](#), at page 4, third bullet point.)

b. Reason for Capital Expenditures

The project was undertaken because the roof was beyond the end of its useful life of 20 years. The roof was experiencing heavy water ponding, a deteriorated membrane, and numerous temporary and deteriorating repairs. In short, the roof replacement was necessary and required under the Regulation.

c. Timing of Capital Expenditures

I accept the Landlord’s evidence that the second and final payment made on the project was incurred within an 18-month period preceding the date on which this application was filed. The final payment was made on May 14, 2024, and the date of this application was October 23, 2025—a period of just less than 16 months.

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 page 1). Under this policy guideline, a roof of the type installed has a useful life expectancy of 20 years (see page 7 of the policy), which is consistent with the Landlord’s evidence as to how long the roof is expected to last.

Therefore, I find that the life expectancy of the roof will all exceed five years and that a capital expenditure to replace the roof cannot reasonably be expected to reoccur within the next five years, which is a requirement under subsection 23.1(4)(c) of the Act.

And so, for the above-stated reasons, I find that the capital expenditures incurred on the roof replacement project are eligible capital expenditures as defined by the Regulation.

6. Tenants' Submissions and Rebuttals

Subsection 23.1(5) of the Regulation narrowly defines the grounds upon which tenants may oppose an application for an additional rent increase based on capital expenditures. Tenants may succeed only if they establish either:

- (a) 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
- (b) the landlord has been paid, or is entitled to be paid, from another source.

The Tenants in this matter provided submissions and argument, both oral and written. The written submissions largely mirror the oral submissions and argument; I will therefore not cite portions of the written submissions, as I have done with oral submissions, as follows.

Tenant (D.N.) explained that the building had long-standing water damage and mould, including a lobby ceiling so deteriorated it could be punctured by hand. They stated that the Landlord had been aware of these issues but did not act in a timely manner, and they criticized the Landlord's lack of responsiveness to tenant concerns.

They also noted that affected tenants were not relocated during abatement work, which they believed was performed improperly. Because their own rental unit was not impacted by the water damage, they argued they should not have to pay the additional rent amount.

Tenant (S.T.) described years of recurring leaks in their unit, with only temporary and inadequate patchwork performed despite numerous maintenance requests. They referenced inspection findings suggesting unresolved structural issues, including a faulty cap near their floor level. They questioned why the roof was only replaced in 2023 despite nearly a decade of documented problems and requested disclosure of historical roof-replacement records. They also reported significant disruption during the project, including open gaps in their bedroom ceiling and being tasked with communicating directly with contractors.

Tenant (N.N.) and said the Landlord failed to disclose the need for a major roof replacement when they moved into the building. They expressed concern about whether proper permits and inspections had been obtained, especially in relation to a fourth floor that had been added to what was originally a three-storey building. They also raised asbestos-related concerns, stating that ceiling patchwork in the hallways appeared inadequately abated and simply painted over. Additionally, they questioned the high cost of the roof replacement and requested a full cost breakdown based on their experience working in the trades. (It should be noted that Landlord's counsel interjected at this point and referred to a submitted-into-evidence cost breakdown.)

Tenant (R.) stated that they agreed with the concerns raised by other Tenants but deferred detailed comments to their co-Tenant, who had been the primary occupant during key periods of the issues described. They noted that their co-Tenant would be better positioned to provide specifics about the history of leaks and interactions with management. Their remarks indicated general support for the argument that the rent increase was unfair in light of the building's longstanding maintenance issues.

Tenant (L.G.) described a major leak incident in November 2023 that caused the ceiling of the unit above them to split open, forcing the tenant to relocate. They argued that this incident demonstrated the failure of the Landlord's long-term patching approach and that a full roof replacement occurred only when the problem became unavoidable. They also stated that emergency work performed under crisis conditions tends to be more expensive and that the Tenants should not be expected to pay for costs driven by prolonged neglect. Their comments were based on their direct experience during the leak event.

Tenant (D.S.) explained that they moved in on November 1 without knowing about the proposed rent increase, partly because their co-tenant was away receiving treatment for a serious illness. They also pointed out what they viewed as an inconsistency in the Landlord's approach, noting that one Tenant received a rent decrease on the same day others received notices regarding this application. They expressed concern that many residents would be unable to afford the increase and suggested that numerous units might become vacant as a result. Their comments focused on fairness and the financial impact on the Tenants.

Tenant (S.M.) said that although their own unit had not been affected, they had observed numerous leak issues elsewhere in the building since 2021. They argued that a rent increase should not be approved when major repair costs stem from inadequate maintenance by the Landlord. They referenced the principle that costs arising from poor maintenance are not eligible for recovery through rent increases. They maintained that requiring the Tenants to pay for the roof replacement under these circumstances would be unfair.

Having carefully considered the written and oral submissions of the Tenants, I fully acknowledge the concerns raised regarding historical maintenance practices, communication challenges, disruptions during repair work, and the financial impact of any rent increase may have.

The submissions reflect a high level of engagement and provide important context about the lived experience of tenants during the roof replacement. I also acknowledge that several Tenants expressed the view that the roof replacement resulted from inadequate past maintenance and therefore should not be recoverable as capital expenditures.

That having been said, under the Act and the Regulation to which I am bound, the question before me is not whether Tenants will or have experienced hardship or whether past maintenance was ideal, but whether the Landlord has satisfied the statutory requirements for an additional rent increase for capital expenditures (“ARI-C”). Section 43 of the Act permits a landlord to apply for an additional rent increase when the increase is “ordered by the director in the circumstances prescribed in the regulations.”

The Regulation further specifies that a capital expenditure is eligible when it relates to the installation, repair, or replacement of a *major system or major component*, where that system has failed, is malfunctioning, is inoperative, or is at the end of its useful life. Policy Guideline 37C, which provides interpretive guidance for ARI-C applications, reiterates that a landlord may apply for an increase if they have “incurred eligible capital expenditures related to the residential property,” and that the legislation sets strict criteria governing eligibility.

The guideline identifies ineligibility criteria—most notably, costs arising from inadequate repair or maintenance—that tenants may raise, but it also states that tenants bear the onus of proving that such ineligibility criteria apply. In addition, the landlord must show that the expenditure is not expected to recur within five years and that it was incurred within the required 18-month period.

I acknowledge that several Tenants submitted that the roof had been inadequately maintained for years and that patchwork repairs were insufficient.

While these concerns are recognized, the ARI-C framework requires that I assess whether the Landlord has provided sufficient documentary evidence that the roof replacement constitutes an eligible capital expenditure under the Regulation. The repair or replacement of a building's roof is explicitly listed in the policy guideline as an example of an eligible capital expenditure when the roof is at the end of its service life.

Whether the Landlord could or should have replaced the roof earlier does not, on its own, disqualify the expenditure unless the evidence establishes that the cost arose *because* of inadequate maintenance, according to the regulatory criteria. Once a building component has exceeded its useful life, no amount of maintenance can forestall replacement.

In the present proceeding, the Landlord has supplied invoices, a roofing condition report, and evidence of the timing, scope, and completion of the work. As required, I must evaluate this evidence against the statutory and policy criteria. The submissions made by Tenants are relevant to the ineligibility analysis, and they have been closely reviewed. However, the fact that Tenants experienced inconvenience, disruption, or dissatisfaction with past maintenance does not in itself negate the Landlord's statutory right to apply for an ARI-C where the legal requirements have been met.

In summary, although I have carefully considered all Tenant submissions—including those alleging historical neglect, inadequate communication, and unfair financial impact—the legislative framework requires that I determine eligibility based strictly on the criteria set out in the Act, the Regulation, and the policy guideline. Thus, where the Landlord has demonstrated that the roof replacement constitutes an eligible capital expenditure under these provisions, the Tenants' concerns, while important and acknowledged, do not in themselves bar the Landlord from requesting an additional rent increase.

7. Outcome

The Landlord has been successful in this application. The Landlord has proven, on a balance of probabilities, all the elements required to be able to impose an additional rent increase for capital expenditures. As such, I grant the Landlord's application 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 that:

The director [that is, the arbitrator with delegated authority] 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, \$632,027.20 is divided by 45 specified dwelling units, which is \$14,045.04. The amount of \$14,045.04 is then divided by 120, which is \$117.04.

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).

The parties may wish to further refer to any applicable policy, section 23.3 of the Regulation, and section 42 of the Act (which requires that a landlord provide a tenant three months' notice of a rent increase).

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

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

CONCLUSION

The application is hereby granted.

The Landlord is ordered to forthwith provide a copy of this Decision to the Tenants.

This decision is final and binding, except where otherwise permitted under section 79 of the Act, or by way of an application for judicial review made under the *Judicial Review Procedure Act*, RSBC 1996, c. 241.

Dated: January 26, 2026

Residential Tenancy Branch