

## **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, K.S., H.A., K.L., and W.Z. attended the hearing for the Landlord.

Tenants C.D., C.P.2, C.C., and R.G. attended the hearing for the Tenants.

### **Service**

The Landlord confirmed service of the Notice of Dispute Resolution Hearing and proceeding package to the Tenants by leaving them at their doors on October 20, 2025. The Tenants in attendance confirmed that they received 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 capital expenditures?

### **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's Agents submitted that the rental property is a complex consisting of three building structures with a total of 133 residential units and 11 separate civic addresses. The buildings were originally constructed in 1957, and the Landlord acquired them on June 18, 2009. These structures share common areas and systems, such as parking and boiler rooms. The Landlord's Agents confirmed that no additional rent increase under sections 23 or 23.1 of the Regulation had been imposed on these Tenants in the past 18 months.

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

### *1. Paving A-E Buildings*

The Landlord's Agents submitted that paving was necessary because the parking lot in front of buildings A–E had become uneven due to tree roots and sinkholes, creating a safety hazard. They explained that patching had been done for years, but a full repaving was required for long-term safety.

The Tenants argued that the paving was largely cosmetic and unnecessary. They claimed only small patches were done rather than full repaving and that some areas with greater hazards, such as playgrounds, were ignored. They also noted that tree root issues could have been mitigated by arborist intervention. The Tenants also submitted that they do not think the Landlord can include multiple civic addresses in one claim.

### *2. Roof A-E Buildings*

The Landlord's Agents submitted that the roof, which had been installed in 2005 by previous owners, had reached the end of its useful life and was failing, causing leaks, mould, and insulation problems. They submitted that the replacement was essential for health and safety. The Landlord provided photos of the roof to show the condition prior to the replacement.

The Tenants submitted that roof replacement is part of normal maintenance and should not justify a rent increase. They questioned the lack of inspection reports and suggested repairs could have sufficed.

### *3. Fencing*

The Landlord's Agents submitted that fencing was installed around garbage enclosures to improve sanitation and prevent illegal dumping and vandalism. They also mentioned safety concerns related to individuals loitering near dumpsters. The Landlord's Agents submitted that a fence near the back of the property was also repaired as a tree had fallen on it and it was a safety concern. The Landlord's Agents submitted that the work on the back fence was completed by an external company and that they did not go through insurance as the cost of the work was less than the deductible would have been.

The Tenants submitted that the fencing was cosmetic and unnecessary, noting that it created hiding spots for individuals and did not fully enclose dumpsters. They also claimed the work was done by in-house staff, which they submitted is ineligible for capital expenditure recovery.

### *4. Windows*

The Landlord requested to withdraw this issue from consideration and the Tenants consented to this issue being withdrawn. Rule of Procedure 7.12 states that an application can be amended at the hearing where the applicant requests an amendment to their application and the respondent consents to the amendment. Therefore, in accordance with section 64(3)(c) of the Act, I have permitted the application to be amended and this issue is withdrawn.

#### *5. Fire and Safety*

The Landlord's Agents submitted that this expense includes annual fire inspections, upgrades to fire panels, alarm wiring, intercom systems, LED emergency lights, and CCTV cameras to meet safety standards and improve security. The Landlord's Agents corrected the amount being claimed from \$21,923.96 to \$20,306.96 as they had mistakenly claimed one invoice twice.

The Tenants argued that annual inspections and routine safety maintenance are the Landlord's responsibility and not eligible as capital expenditures. They also questioned why costs were pooled across multiple buildings and claimed cameras primarily benefit the Landlord for liability purposes rather than Tenant safety.

#### *6. Boilers and Major Plumbing*

The Landlord's Agents explained that three boilers were replaced because the old units, which were installed before 2000, were obsolete, parts were unavailable, and frequent breakdowns disrupted heat and hot water. They said the replacements were necessary for reliability and compliance with health and safety standards.

The Tenants argued that boiler replacement is part of normal maintenance as heat and hot water are included in rent. They questioned the lack of maintenance records, claimed parts were still available, and noted that grouping costs for multiple buildings and having the work done by in-house staff violates policy. They also raised concerns about warranty-covered parts being included in the claim.

The Landlord's Agents responded that the amounts credited through the warranty were not included in the Landlord's claim.

#### *7. Hallway Carpet and Paint A-E, I Buildings*

The Landlord's Agents submitted that the original carpets and paint were deteriorated, posing tripping hazards and looking unsightly. They replaced carpets, repaired subfloors, and repainted hallways, doors, and railings to improve safety and aesthetics.

The Tenants submitted that the work was cosmetic and unnecessary, noting that some carpets were in good condition and painting was not needed. They claimed the work was done by in-house staff and suggested the timing was motivated by the ability to claim a rent increase under new rules.

## 8. Safety Equipment

The Landlord requested to withdraw this issue from consideration and the Tenants consented to this issue being withdrawn. Rule of Procedure 7.12 states that an application can be amended at the hearing where the applicant requests an amendment to their application and the respondent consents to the amendment. Therefore, in accordance with section 64(3)(c) of the Act, I have permitted the application to be amended and this issue is withdrawn.

## 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

The Landlord's Agents 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 Agents explained that the property consists of three separate structures with multiple civic addresses and a total of 133 units. They stated that the number of "specified dwelling units" varies depending on the expenditure because some installations or repairs affect only certain buildings (e.g., paving and roofing for A–E buildings, carpeting for A–E and I). Their position is that all units impacted by the work should be included under the definition in Section 21.1(1) of the Regulation.

The Tenants argued that the Landlord cannot combine multiple civic addresses into a single claim. They believe each building should be treated separately for capital expenditure recovery, as per Residential Tenancy Branch Policy Guidelines. The Tenants emphasized that grouping addresses inflates costs unfairly across units that did not directly benefit from certain improvements.

I have considered the definition of “residential property” under section 1 of the Act, and I find that in this case, the rental property is a related group of buildings and the parcels on which these buildings are located. Therefore, the application may properly encompass multiple structures within the same residential property, provided the Landlord identifies the number of specified dwelling units affected by each expenditure in accordance with section 21.1(1) of the Regulation. The focus is on whether the work was carried out in or on the residential property and which units were impacted, rather than on civic address distinctions.

Considering the definition of “residential property” under section 1 of the Act and “specified dwelling unit” under section 21.1(1) of the Regulation, the following numbers of specified dwelling units will be used for the calculation of any additional rent increase:

- Paving A–E Buildings: 57 specified dwelling units
- Roof A–E Buildings: 57 specified dwelling units
- Fencing: 133 specified dwelling units
- Fire and Safety: 133 specified dwelling units
- Boilers and Major Plumbing: 133 specified dwelling units
- Hallway Carpet and Paint A–E, I Buildings: 69 specified dwelling units

These figures reflect the units either located in the buildings where the work was carried out or affected by the installations and repairs, consistent with section 21.1(1) of the Regulation.

#### Amount of Capital Expenditure

The Landlord claims a total amount of \$824,476.28, as detailed in the Landlord’s application, supporting evidence, and the itemized capital expenditures set out in this decision.

#### 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. Paving A-E Buildings - \$22,050.00*

Policy Guideline #37C states that parking facilities are a major system or component of a residential property. Therefore, I find that the parking lot is a major system or component of the residential property. I accept the Landlord's evidence that the parking lot was repaved due to safety concerns, and that the work was needed to comply with health, safety, and housing standards.

The total cost for paving the parking lot was \$22, 050.00, as evidenced by the invoice provided by the Landlord, with payment made by the Landlord on September 18, 2025, which is within 18 months of the application. I find it reasonable to conclude this capital

expenditure will not occur again within five years as the expected useful life of asphalt is 20 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. Roof A-E Buildings - \$617,985.79*

Policy Guideline #37C identifies the roof as a major component of a residential property. Therefore, I find that the roof is a major component integral to the structural system of the property. I accept the Landlord's evidence that the roof was replaced because the previous roof, installed in 2005, had reached the end of its useful life and was causing leaks and mold, creating health and safety concerns.

The total cost for replacing the roof was \$617,985.79, as evidenced by the invoices provided by the Landlord, with final payment made on December 2, 2024, which is within 18 months of the application. I find it reasonable to conclude this capital expenditure will not occur again within five years, as the expected useful life of a roof is approximately 20 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.

### *3. Fencing - \$6,341.31*

Policy Guideline #37C includes security systems as major components. While fencing is not explicitly listed, I find that fencing installed to secure garbage enclosures and prevent unauthorized access is a component that improves the security of the residential property. I accept the Landlord's evidence that the fencing was installed to address security issues and deter illegal dumping and trespassing, thereby improving safety and security for the residential property.

The Landlord provided multiple invoices for the fencing, and the Landlord's Agents testified that the total cost for fencing attributable to the subject residential property is \$6,341.31. The Landlord provided proof of payment dated June 25, 2025, which is within 18 months of the application. I 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.

### *4. Fire and Safety - \$18,322.46*

Policy Guideline #37C identifies fire panels, alarm systems, and security systems as major components. I find that the work undertaken, including fire panel replacement,

alarm wiring, intercom upgrades, LED emergency lights, and CCTV cameras, constitutes repair and replacement of major components integral to the safety and security systems of the property. I accept the Landlord's evidence that this work was required to comply with health and safety standards and improve security.

However, I find that annual inspections do not constitute repair or replacement of a major component and find that they are expected to occur annually. Therefore, I have subtracted \$1,984.50 from the total cost to remove the annual inspection fees.

The total cost for eligible fire and safety upgrades is therefore \$18,322.46, as evidenced by the invoices provided by the Landlord. The Landlord provided proof of payment dated July 31, 2025, which is within 18 months of the application. With the removal of the annual inspection fees, I 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.

#### *5. Boilers and Major Plumbing - \$110,602.48*

Policy Guideline #37C identifies heating and plumbing systems as major systems. I find that the replacement of boilers and associated plumbing constitutes repair and replacement of a major system integral to providing heat and hot water to the Tenants. I accept the Landlord's evidence that the previous boilers were installed before 2000, had reached the end of their useful life, and were failing, causing service interruptions.

The total cost for replacing boilers and major plumbing was \$110,602.48, as evidenced by the invoices provided by the Landlord, with final payment made on March 3, 2025, which is within 18 months of the application. I find it reasonable to conclude this capital expenditure will not occur again within five years, as the expected useful life of boilers is 20 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.

#### *6. Hallway Carpet and Paint A-E, I Buildings - \$34,480.77*

Policy Guideline #37C identifies flooring in common areas as a major component. I find that the replacement of hallway carpet therefore constitutes repair and replacement of a major component of the residential property. I accept the Landlord's evidence that the carpets had exceeded their useful life, had deteriorated, and posed tripping hazards.

Policy Guideline #37C states that wall painting is not considered an installation, repair, or replacement of a major system or major component. Therefore, I find that only the carpet replacement, and not the painting, is an eligible capital expenditure. I have subtracted \$12,708.97 from the total cost to remove the painting fees.

The total cost for hallway carpet was \$34,480.77, as evidenced by the invoices provided by the Landlord, with final payment made on October 21, 2025, which is within 18 months of the application. I find it reasonable to conclude this capital expenditure will not occur again within five years as the expected useful life of carpet is 12 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.

### 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 tenants 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 roof and boilers were not properly maintained by the Landlord. However, the roof and the boilers had exceeded their useful life as set out in Policy Guideline #40. 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 Landlord to maintain the systems or components.

The Landlord confirmed that certain parts related to the boilers were under warranty, but that these parts were not included in their claim. I have reviewed the invoices provided and I also confirm that these parts were credited and are not being included in the claim.

The Tenants' other main objections were that the Landlord cannot combine multiple civic addresses into a single claim, and that the Landlord cannot claim labour costs completed by in-house staff.

I have addressed the multiple addresses issue above, under "Number of Specified Dwelling Units." Regarding in-house labour, while Policy Guideline #37C states that a landlord cannot claim an amount for their own labour as part of an eligible capital expenditure, I find that this does not include an amount paid by a landlord to an employee for labour carrying out an eligible capital expenditure, as this is an actual cost incurred by the landlord, as evidenced by the documentation provided.

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 \$809,782.81, 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.

Therefore, I find the Landlord has established the basis for an additional rent increase for capital expenditures as follows:

- Paving A–E Buildings: **\$3.22 per unit per month** [ $(\$22,050.00 \div 57 \text{ specified dwelling units}) \div 120 \text{ months} = \$3.22$ ].
- Roof A–E Buildings: **\$90.35 per unit per month** [ $(\$617,985.79 \div 57 \text{ specified dwelling units}) \div 120 \text{ months} = \$90.35$ ].
- Fencing: **\$0.40 per unit per month** [ $(\$6,341.31 \div 133 \text{ specified dwelling units}) \div 120 \text{ months} = \$0.40$ ].
- Fire and Safety: **\$1.15 per unit per month** [ $(\$18,322.46 \div 133 \text{ specified dwelling units}) \div 120 \text{ months} = \$1.15$ ].
- Boilers and Major Plumbing: **\$6.93 per unit per month** [ $(\$110,602.48 \div 133 \text{ specified dwelling units}) \div 120 \text{ months} = \$6.93$ ].
- Hallway Carpet and Paint A–E, I Buildings: **\$4.16 per unit per month** [ $(\$34,480.77 \div 69 \text{ specified dwelling units}) \div 120 \text{ months} = \$4.16$ ].

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 as set out above. 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 made on authority delegated to me by the Director of the Residential Tenancy Branch under section 9.1(1) of the Act.

Dated: January 5, 2026

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Residential Tenancy Branch