



## **DECISION**

### **Introduction**

On October 31, 2025, the Landlord filed an application pursuant to section 43 of the Residential Tenancy Act (the “Act”) and section 23.1 of the Residential Tenancy Regulation (the “RTR”) for an additional rent increase for the capital expenditures.

Agent for the Landlord, J.P. attended the hearing for the Landlord.

No one attended the hearing for the Tenants. I left the teleconference connection open until 11:05 A.M. to enable the Tenants to call into the teleconference hearing scheduled for 9:30 A.M. The Tenants did not attend the hearing.

I confirmed that the correct call-in numbers and participant codes had been provided in the Notice of Hearing. I also confirmed from the teleconference system that J.P. and I were the only ones who had called into the teleconference.

### **Service of Notice of Dispute Resolution Proceeding and Evidence (the Proceeding Packages)**

J.P. testified that the Landlord served the Proceeding Packages on November 6, 2025 by posting them to the doors of the rental units of the named Tenants. Service by posting to the door of a rental unit is permitted for applications under section 43(3) of the Act pursuant to a director’s standing order dated February 17, 2023.

Based on J.P.’s undisputed testimony and the evidence before me, I find the Landlord served the Proceeding Packages in accordance with the Act. Thus, I accept service of the Landlord’s evidence.

None of the Tenants submitted documentary evidence for my consideration in this proceeding.

### **Preliminary Matter – Tenants’ Absence**

*Should the hearing proceed without the Tenants?*

J.P. and I were in the teleconference for a total of 95 minutes, until 11:05 A.M. I checked the internal case management system the day of the hearing for any record of

contact from the Tenants. Rule of Procedure 7.8 requires the Tenants to have a representative attend the hearing and ask for an adjournment if they require one.

J.P. was ready to proceed. In the absence of any contact from the Tenants to request an adjournment, I proceeded with the hearing as permitted by Rule 7.3.

## **Issue to be Decided**

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

## **Background, Evidence and Analysis**

While I have considered the Landlord's documentary evidence and J.P.'s undisputed testimony, not all details of their submissions and arguments are reproduced here. The relevant and important aspects of the Landlord's claim, and my findings are set out below.

The standard of proof in a dispute resolution hearing is on a balance of probabilities, which means that it is more likely than not that the facts occurred as claimed. The onus to prove their case is on the person making the claim.

The Landlord is seeking an additional rent increase for 5 expenditures in the total amount of \$83,594.00. The expenditures are:

1. Replacement of plumbing riser lines \$19,842.00
2. Drywall removal \$6,600.00
3. Drywall replacement \$5,200.00
4. Replacement of hot water tank \$14,086.00
5. Replacement of boiler \$37,866.00

Section 23.1 of the RTR sets out the framework for determining if a landlord can impose an additional rent increase. This is exclusively focused on eligible capital expenditures.

### Statutory Framework

In my determination on eligibility, I must consider the following:

- whether a landlord made an application for an additional rent increase within the previous 18 months;
- the number of specified dwelling units in the residential property;
- the amount of capital expenditure;
- whether the work was an *eligible* capital expenditure, specifically:
  - to repair, replace, or install a major system or a component of a major system; and
  - undertaken:

- to comply with health, safety, and housing standards;
  - because the system/component was either:
    - ❖ close to the end of its' useful life, or
    - ❖ failed, malfunctioning, or inoperative
  - to achieve either:
    - ❖ a reduction in energy use or greenhouse gas emissions; or
    - ❖ an improvement in security at the residential property
- and
- the capital expenditure was incurred less than 18 months prior to the making of the landlord's application for an additional rent increase
  - and
  - the capital expenditure is not expected to be incurred again within 5 years.

The Tenants bear the onus to show that capital expenditures are not eligible, for either:

- repairs or replacement required because of inadequate repair or maintenance on the part of the landlord;
- or
- the landlord was paid, or entitled to be paid, from another source.

Prior Application for Additional Rent Increase

There was no evidence that the Landlord made a prior application for an additional rent increase affiliated with capital expenditures within the previous 18 months.

J.P. testified that the Landlord did not submit any prior application for an additional rent increase for capital expenditures within the previous 18 months.

Based on J.P.'s undisputed testimony, I find that the Landlord has not submitted a prior application for an additional rent increase in the 18 months preceding the date on which the Landlord submitted this application, per section 23.1(2) of the RTR.

Number of specified dwelling units

For the determination of the final amount of an additional rent increase, section 21.1(1) of the RTR defines:

“dwelling unit” means:

- (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.

J.P. stated that there are 17 rental units within the building. They said that the Landlord intends to impose rent increase on only 9 of them, which are the named Tenants.

In accordance with section 21.1(1) of the RTR, I find that there are 17 dwelling units to be used for calculation of the additional rent increase.

#### Expenditures incurred in the 18-month prior to the application

The Landlord submitted this application on October 31, 2025.

Section 23.1(1) of the *RTR* states the Landlord may seek an additional rent increase for expenditures incurred in the 18-month period preceding the date on which the landlord applied.

Thus, the 18-month period is between April 30, 2024 and October 30, 2025.

Policy Guideline 37C discusses when a payment outside the 18-month window is considered part of a project which qualifies for an additional rent increase:

A “capital expenditure” refers to the entire project of installing, repairing, or replacing a major system or major component as required or permitted (see section C.1). As such, 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.

A capital expenditure can take more than 18 months to complete. As a result, costs associated with the project may be paid outside the 18-month period before the application date. For clarity, the capital expenditure will still be eligible for an additional rent increase in these situations as long as the final payment for the project was incurred in the 18-month period.

#### Eligibility and Amounts

For the Landlord’s submitted expenditures 1 through 5 above, I address whether each expenditure was eligible, and whether each expenditure incurred in the 18-month period

preceding the date on which the Landlord applied. I also make findings on whether each expenditure will be incurred again within 5 years.

***Capital Expenditures #1, #2, and #3 (\$31,642.00)***

J.P. submitted that the plumbing riser lines were deteriorating as they were originally installed in 1972 and were past their useful life. They further submitted that as part of the replacement project, the drywall had to be removed and replaced before and after replacing the plumbing lines.

Policy Guideline #40 indicates the useful life of plumbing pipes is 30 years.

Based on J.P.'s undisputed testimony and the evidence before me, I find the Landlord proved that they replaced the plumbing riser lines because they were beyond their useful life and inoperative.

Policy guideline #37C indicates that plumbing system is a major system.

I find the plumbing riser lines is a major system as it is integral to the residential property per section 21.1 of the RTR and Policy Guideline #37C. I accept that the works for removing and replacing the drywall are associated with the replacement of the plumbing riser lines.

I find that the expenditures of \$31,642.00 to replace the plumbing riser lines and to remove and replace the drywall are in accordance with section 23.1(4)(a)(ii) of the RTR, as the Landlord replaced the plumbing riser lines because they were beyond their useful life and inoperative.

I accept J.P.'s undisputed testimony that the last payments for the works were incurred on September 19, September 23, and October 21, 2024. I find the expenses occurred within 18 months prior to the Landlord making their application.

Given the nature of the works involved, I find the works will not reoccur, and there will be no expenditure incurred again within 5 years.

Considering the above, I grant the capital expenditures of \$31,642.00 for the replacement of the plumbing riser lines, and the removal and replacement of the drywall.

***Capital Expenditure #4 (\$14,086.00)***

J.P. submitted that the previous hot water tank was installed in 2008 and that it began leaking and flooded the furnace room. They further submitted that the Tenants had complained they had no hot water in the units.

Policy Guideline #40 indicates the useful life of hot water tank is 15 years.

Based on J.P.'s undisputed testimony and the evidence before me, I find the Landlord proved that they replaced the hot water tank because it was beyond its useful life and malfunctioning.

Policy guideline #37C indicates that heating systems are major systems. The RTR also defines a "major component" in relation to a residential building, as a component of the residential property that is integral to the residential property or a significant component of a major system.

I find that the hot water tank is a major component as it is a significant component of the heating systems, per section 21.1 of the RTR and Policy Guideline #37C.

I find the reason for the replacement of hot water tank was to replace a component of a major system because it was failed and malfunctioning in accordance with section 23.1(4)(a)(ii) of the RTR.

I accept J.P.'s undisputed testimony that the last payment for the work was incurred on April 10, 2025. I find the expense occurred within 18 months prior to the Landlord making their application.

Given the nature of the work involved, I find the work will not reoccur, and there will be no expenditure incurred again within 5 years.

Considering the above, I grant the capital expenditure of \$14,086.00 for the replacement of hot water tank.

***Capital Expenditure #5 (\$37,866.00)***

J.P. submitted that the previous boiler that heated the water for the building radiant heating system was past its useful life as it was original and installed in 1972.

Policy Guideline #40 indicates the useful life of boiler is 25 years.

Based on J.P.'s undisputed testimony and the evidence before me, I find the Landlord proved that they replaced the boiler because it was beyond its useful life and malfunctioning.

I find that the boiler is a major component as it is a significant component of the heating systems, per section 21.1 of the RTR and Policy Guideline #37C.

I find the reason for the replacement of boiler was to replace a component of a major system because it was past its useful life and malfunctioning in accordance with section 23.1(4)(a)(ii) of the RTR.

I accept J.P.'s undisputed testimony that the last payment for the work was incurred on October 14, 2025. I find the expense occurred within 18 months prior to the Landlord making their application.

Given the nature of the work involved, I find the work will not reoccur, and there will be no expenditure incurred again within 5 years.

Considering the above, I grant the capital expenditure of \$37,866.00 for the replacement of boiler.

## **Conclusion**

The Landlord has proven all the necessary elements for the 5 capital expenditures listed in their application.

I grant the Landlord's application for the additional rent increase, based on the 5 eligible capital expenditures of \$83,594.00. This is pursuant to section 43(1)(b) of the Act, and section 23.1(4) of the RTR referred to above.

Section 23.2 of the RTR sets out the formula to be applied when calculating the amount of the additional rent increase as the amount of the eligible capital expenditures, divided by the number of dwelling units, divided by 120. In this case, I found there are 17 specified dwelling units, and that the amount of the eligible capital expenditure is \$83,594.00.

Therefore, the Landlord has established the basis for an additional rent increase for capital expenditures of \$40.98 ( $\$83,594.00 \div 17 \div 120$ ) per month, per affected tenancy. This is as per section 23.2 of the RTR. Note this amount may not exceed 3% of any Tenant's monthly rent, and if so, the Landlord may not be permitted to impose a rent increase for the entire amount in a single year.

I order the Landlord to serve all the named Tenants with this Decision, in accordance with section 88 of the Act. This must occur within two weeks of this Decision. The Landlord may serve each named Tenant by posting a copy of the Decision to each rental unit door.

The parties may refer to RTB Policy Guideline 37C, sections 23.2 and 23.3 of the RTR, 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 may be imposed.

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 13, 2026

Residential Tenancy Branch