

DECISION

Introduction

On November 2, 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 a capital expenditure.

Landlord G.M. and their witness E.V. attended the hearing for the Landlord.

Tenant S.A. attended the hearing for the Tenant.

Service of Notice of Dispute Resolution Proceeding (Proceeding Package) and Evidence

The Tenant confirmed receipt of the Proceeding Package and the Landlord’s evidence.

Based on the Tenant’s testimony, I find the Proceeding Package and the Landlord’s evidence properly served using my authority under section 71(2) of the Act and the hearing proceeded as scheduled.

The Tenant did not submit any documentary evidence for my consideration in this proceeding.

Issue to be Decided

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

Background, Evidence and Analysis

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 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 a furnace replacement in the amount of \$7,463.81.

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 tenant bears the onus to prove 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.

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

Based on the Landlord's 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.

The Landlord stated that there are two floors in the residential property (the Property). The upper floor is occupied by the Landlord and their family while the lower floor is occupied by the Tenant and their family, and both floors are benefited from the furnace replacement.

The Tenant claimed that there are three specified dwelling units in the Property as the Landlord's friend is residing in a self-contained suite on the upper floor that does not share a bathroom or kitchen with the Landlord. However, the Tenant did not provide any documentary evidence to corroborate their claim.

The Landlord replied that their friend is residing in the garage of the Property. They said that the garage does not have a kitchen or bathroom and therefore is not a self-contained suite as claimed by the Tenant. They also said the garage is not benefited from the furnace replacement.

Based on the evidence before me, the testimony of the parties, and on a balance of probabilities, I find there are two dwelling units to be used for calculation of the additional rent increase in accordance with section 21.1(1) of the RTR.

Expenditures incurred in the 18-month prior to the application

The Landlord submitted this application on November 2, 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.

I accept the Landlord's testimony and their documentary evidence that the payments for the work were incurred between October 27 and November 2, 2025. I find the expenditure incurred within 18 months prior to the Landlord making their application.

Expenditure not expected to occur again for at least 5 years

The Landlord stated the expenditure is not expected to occur again for at least 5 years.

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

Eligibility and Amount

The Landlord testified that there were originally two furnaces when they bought the Property in 2018. They said that in September 2025, they noticed one of the furnaces that heat the north side of the Property became inoperative. They subsequently engaged L. Home Services Ltd. to do an inspection and were informed that the furnace broke down and was beyond repair due to its age. They said that the other furnace worked properly and therefore they decided to solely replace the malfunctioning one.

E.V. of L. Home Services Ltd testified to corroborate the Landlord's testimony. They stated that they inspected the furnace per the Landlord's request and notified the Landlord that it broke down and was beyond repair. They said that there was no tag or label as to the manufacturing date on the furnace. However, according to their experience, they opined that the furnace was about 16 to 18 years old.

The Landlords stated that the furnace was ultimately replaced by L. Home Services and that they had to rent a drill for L. Home Services to drill a hole through the concrete for the replacement work to be carried out.

The Landlord submitted evidence including photographs of the old and new furnaces, an invoice issued by L. Home Services Ltd. dated October 27, 2025 and a drill rental receipt dated October 27, 2025.

Policy Guideline #40 indicates the useful life of a furnace is 15 years.

Based on the evidence before me, the testimony of the parties, and on a balance of probabilities, I find the Landlord has sufficiently proved that they replaced the furnace

because it broke down and was beyond repair. In reaching this conclusion, I assigned significant amount of weight to E.V.'s testimony and accepted that the furnace was inoperative and beyond repair. I also find it more likely than not that the furnace was beyond its useful life.

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 furnace 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.

Considering the above, I find that the expenditure of \$7,463.81 to replace the furnace is in accordance with Regulation 23.1(4)(a)(ii), as the Landlord replaced the furnace because it was beyond its useful life and malfunctioning.

The Tenant's submissions

The Tenant testified that they were unaware that the furnace broke down as they did not notice any problem with the heating system. They stated that the Landlord has not submitted any maintenance records as their evidence and therefore have not satisfied their onus under section 4 of Policy Guideline 37C.

Section C4 of Policy Guideline 37C ***Landlord's onus and submitting proof of eligibility*** states the following:

A landlord has the onus of establishing on a balance of probabilities (in other words, that it is more likely than not) that a capital expenditure meets the requirements to be eligible for an additional rent increase.

A landlord should submit documents that could support their application. For the installation, repair or replacement of a major system or major component, a landlord should provide relevant:

- *Photographs or video taken before and after the repair or replacement was done,*
- *Permits,*
- *Laws/bylaws/construction standards,*
- *Expert reports about:*
 - *the useful life of the prior system or component,*
 - *the expected lifespan of the installed, repaired or replaced system or component, and*
 - *the reason the installation, repair or replacement was needed,*
 - *Maintenance records for the system being repaired or replaced,*
 - *Records showing the date the prior system or component was purchased and installed, and*

- *Manufacturer's documents relating to the prior system's or component's useful life expectancy.*

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. If a landlord received payment from another source, a landlord must exclude this amount from the value of the claimed expenditure.

Having thoroughly reviewed the relevant part of Policy Guideline 37C, I find the guideline does not state that a landlord must provide evidence of maintenance records to prove eligibility. While I acknowledge the Tenant's submissions that the Landlord did not provide any maintenance records of the furnace, I find this cannot be considered as the Landlord's failure to proof of eligibility as the maintenance records are merely a type of supporting documents that may support the Landlord's application.

I have previously found that the Landlord meets the requirements of eligibility under section 23.1 of the RTR, for:

- the Landlord has not made an application for an additional rent increase within the previous 18 months;
- the work was to replace a major component of a major system because the component was beyond its useful life and malfunctioning;
- the capital expenditure was incurred within 18 months prior to the Landlord making their application; and
- the capital expenditure is not expected to be incurred again within 5 years.

Section D of Policy Guideline 37C **Ineligibility Criteria for Capital Expenditures** states:

A capital expenditure that meets the eligibility requirements will be ineligible for an additional rent increase if:

- *the repair or replacement was required because of inadequate repair or maintenance on the part of a landlord, or*
- *a landlord has been paid or is entitled to be paid from another source.*

As I have found that the Landlord meets the requirements of eligibility, I find the onus shift to the Tenant to prove that the malfunctioning of the furnace was due to the inadequate repair or maintenance on the part of the Landlord or the Landlord was paid, or entitled to be paid, from another source under section 23.1(5) and section D of Policy Guideline 37C.

The Tenant did not provide sufficient details or documentary evidence on maintenance that was not done or examples of maintenance that had been ignored. Considering this, I find the Tenant failed to sufficiently argue that the malfunctioning of the furnace was due to the inadequate maintenance on the part of the Landlord.

Furthermore, I find the maintenance is of little relevance in this matter as I have found it more likely than not that the furnace was beyond its useful life. There is no obligation on the part of a landlord to extend the useful life of a system or component, nor an obligation to wait until it fails before there is replacement.

Conclusion

The Landlord has proven all the necessary elements for the capital expenditure.

I grant the Landlord's application for the additional rent increase, based on the eligible capital expenditure of \$7,463.81. 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 two specified dwelling units, and that the amount of the eligible capital expenditure is \$7,463.81

Therefore, the Landlord has established the basis for an additional rent increase for a capital expenditure of **\$31.10** ($\$7,463.81 \div 2 \div 120$) per month, per affected tenancy. This is as per section 23.2 of the RTR. Note this amount may not exceed 3% of the 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.

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 27, 2026

Residential Tenancy Branch