



DECISION

Introduction

On November 16, 2025, the Landlords 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 J.C. and Landlord C.M. attended the hearing for the Landlords.

Tenant M.M. attended the hearing for the Tenants.

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

Tenant M.M. confirmed receipt of the Proceeding Packages and the Landlords’ evidence.

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

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

Issue to be Decided

Are the Landlords 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 Landlords’ 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 Landlords are seeking an additional rent increase for a replacement of drainage tile system in the amount of \$41,430.46.

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 Landlords made a prior application for an additional rent increase affiliated with capital expenditures within the previous 18 months.

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

Based on Landlord J.C.'s testimony, I find that the Landlords have not submitted a prior application for an additional rent increase in the 18 months preceding the date on which the Landlords 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.

Landlord J.S. stated that there are two floors in the property. The upper floor is occupied by the Tenants while the lower floor is occupied by other tenants. They said that the Landlords do not intend to impose rent increase on the lower floor tenants because they moved in after the drainage tile system was replaced and are currently at their reasonable market rent.

Tenant M.M. agreed that there are two self-contained suites in the property.

In accordance with section 21.1(1) of the RTR, I find there are 2 dwelling units to be used for calculation of the additional rent increase.

Expenditures incurred in the 18-month prior to the application

The Landlords submitted this application on November 16, 2025.

Section 23.1(1) of the RTR states a 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 May 15, 2024 and November 15, 2025.

I accept Landlord J.C.'s testimony and their documentary evidence that the payments for the work were incurred between October 2024 and May 2025. I find the expenditure incurred within 18 months prior to the Landlords making their application.

Expenditure not expected to occur again for at least 5 years

Landlord J.C. 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

Landlord J.C. submitted that the original drainage tile system, built in 1963, was in a very poor condition and at risk of failure. They stated that inspections were carried out in 2023 and it was found that the concrete tiles were deteriorating with holes.

The Landlords' submitted evidence includes reports and photographs of the original drainage tile system, invoices issued by two drainage contractors on September 7 and 26, 2023, and an invoice issued by W.C. Drainage Solutions on October 30, 2024.

Based on Landlord J.C.'s testimony and the evidence before me, I find the Landlords proved that they replaced the original drainage tile system because it was malfunctioning.

While RTB Policy Guideline #40 does not specify the expected serviceable life of a drainage tile system, I find it more likely than not that the original drainage tile system was beyond its useful life as it was over 60 years old.

I find the drainage system is a major system that is integral to the property per section 21.1 of the RTR and Policy Guideline 37C for it is essential to support the property and protect its physical integrity. Without a functioning drainage tile system, the structure integrity of the foundation would be compromised.

Considering the above, I find that the expenditure of \$41,430.46 to replace the drainage tile system is in accordance with Regulation 23.1(4)(a)(ii), as the original drainage tile system was beyond its useful life and malfunctioning.

Tenant M.M. stated that they do not dispute the additional rent increase for capital expenditure but would like to obtain guidance regarding how this additional rent increase would be imposed.

Conclusion

The Landlords have proven all the necessary elements for the capital expenditure.

I grant the Landlords' application for the additional rent increase, based on the eligible capital expenditure of \$41,430.46. 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 expenditure, divided by the number of dwelling units, divided by 120. In this case, I found there are 2 specified dwelling units, and that the amount of the eligible capital expenditure is \$41,430.46.

Therefore, the Landlords have established the basis for an additional rent increase for a capital expenditure of \$172.63 ($\$41,430.46 \div 2 \div 120$) per month. This is per section 23.2 of the RTR. Note this amount **may not exceed 3%** of the Tenants' monthly rent, and if so, the Landlords 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(<http://www.housing.gov.bc.ca/rtb/WebTools/AdditionalRentIncrease/#NoticeGeneratorPhaseOne/step1>) 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: February 3, 2026

Residential Tenancy Branch