

DECISION

Introduction

This hearing dealt with the Landlord's December 10, 2025, Application under the *Residential Tenancy Act* (the "Act") and the Residential Tenancy Regulation (the "Regulation") for an additional rent increase for \$6,457.67 in capital expenditure pursuant to section 23.1 of the Regulation.

The Landlord attended the February 20, 2026, hearing to provide sworn testimony and refer to evidence.

The two Tenants attended the hearing.

All parties had the opportunity to provide sworn testimony and make submissions.

Service of Notice of Dispute Resolution Proceedings and Evidence

The Tenants confirmed that the Landlord served them with Notice and copies of the documentary evidence as described. This included an August 15, 2025, Service Invoice of the prior furnace which recommended its replacement.

I therefore deem the Tenants served with Notice and copies of relevant documentary evidence as required by the Act and RTB Rules of Procedure.

Parties agreed that the Tenants did not serve their own documentary evidence.

Issues to be Decided

Is the Landlord entitled to impose an additional rent increase for capital expenditures in the amount claimed of \$6,457.67 for the requested capital expenditure.

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 are set out below with my findings.

The residential property is a 3-unit home that was constructed more than 100 years ago. It has been owned by the Landlord's family for over 30 years. The Landlord said they have been Agent since 2016 and owner since 2019.

The named Tenants in this dispute have occupied the basement suite since July 2014. The Landlord stated that they did not name the tenants in the other 2 units at the residential property because their tenancies have been ongoing for less than 1 year.

Parties agreed that:

- Current monthly rent is \$1,691.89 due on the first of the month
- Rent was last increased in January 2025
- The Landlord previously pursued and were successful with an Additional Rent Increase for Capital Expenditure in 2022.
- The gas furnace was replaced in September 2025 for a total cost of \$6,457.67 as shown in the invoice provided.
 - The Landlord provided proof of payment.
 - The Landlord requested this rent increase based on an expectation that there are 3-specified dwelling units within the residential property.
- The heating ducts were cleaned by the Landlord prior to the installation of this new furnace.
- The previous furnace was same furnace throughout this tenancy that started in 2014.
- The Tenants took charge of filter replacements for this old furnace.

The Tenant A.B. suggested that the furnace was maybe previously replaced in 2013.

The Landlord stated that the furnace was replaced in 2025 because it failed. They explained that they had multiple companies quote on replacing the furnace and that they decided to purchase the mid-range, brand name version. The Landlord confirmed that they inquired about eligibility for Fortis Grants but were informed that the furnace chose was ineligible.

The Tenants alleged that the old furnace failed because the Landlord failed to regularly clean the ducts for the furnace as required and so the Tenants should not be responsible for the costs of the new furnace.

The Landlord stated that they attempted to have the ducts cleaned in 2023 in response to Tenant concerns, however, their contractor refused to do this work and o it took the Landlord a while to find willing contractors. The Landlord stated that they always annual service completed on the old furnace which meant that they maintained it as required.

The Tenants stated that they had to spend days cleaning their rental unit after this duct cleaning.

Analysis

1. Statutory Framework

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 these tenants within the last 18 months (s. 23.1(2));
- the number of specified dwelling units on the residential property (s. 23.2(2));
- the amount of the capital expenditure (s. 23.2(2));
- that the Work was an *eligible* capital expenditure, specifically that:
 - o the Work was to repair, replace, or install a major system or a component of a major system (S. 23.1(4));
 - o the Work was undertaken for one of the following reasons:
 - to comply with health, safety, and housing standards (s. 23.1(4)(a)(i));
 - because the system or component:
 - was close to the end of its useful life (s. 23.1(4)(a)(ii)); or
 - had failed, was malfunctioning, or was inoperative (s. 23.1(4)(a)(ii));
 - to achieve a reduction in energy use or greenhouse gas emissions (s. 23.1(4)(a)(iii)(A)); or
 - to improve the security of the residential property (s. 23.1(4)(a)(iii)(B));
 - o the capital expenditure was incurred less than 18 months prior to the making of the application (s. 23.1(4)(b)); and
 - o the capital expenditure is not expected to be incurred again within five years (s. 23.1(4)(c)).

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:

- for repairs or replacement required because of inadequate repair or maintenance on the part of the landlord (s. 23.1(5)(a)); or
- for which the landlord has been paid, or is entitled to be paid, from another source (s. 23.1(5)(b)).

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.

Analysis of Tenant Submissions:

The Tenants argued that the project should be ineligible due to a failure to maintain the heating system and that the furnace failed because the Landlord failed to clean the ducts as required.

As set out in RTB Policy Guideline 1, Landlords are responsible for duct cleaning and as set out in RTB Policy Guideline 40, the expected serviceable life of a furnace is 15 years.

I was not provided with verifiable documentation on the age of the furnace that was replaced. However, given that this tenancy has been ongoing for more than 11 years, I am satisfied that the furnace replaced in September 2025, was likely near the end of its expected service life and that it had failed as set out in the August 2025 service invoice.

I therefore find that the Tenants failed to establish on the balance of probabilities that this project should be considered ineligible under the Regulations.

2. Amount of Capital Expenditure

The Landlord has requested \$6,457.67 as the cost for installation of a new gas furnace. As set out in the invoice provided, this new furnace has a 10-year warranty.

I find that these costs are not expected to re-occur for at least 5 years and that these costs were incurred in the 18 months prior to the Landlord making this application.

I find that they are 3 specified dwelling units because the Landlord identified 3-specified dwelling units despite only naming the Tenants in this basement unit. For clarity, because this application only named the Basement Tenants, this Decision only applies to the Basement Tenants.

3. Was the work completed for an Eligible Reason under the Regulations?

I reviewed the Landlord's request against section 23.1(4)(a) of the Regulations to assess whether:

- 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;

I find that the Landlord established on the balance of probabilities that monies spent to install a furnace at the residential property, qualifies as a major component of the residential property as required by RTB Policy Guideline 37(c).

1. Outcome

I find this is an eligible \$6,457.67 capital expenditure and that I must grant it as required by 23.1(4) of the Regulations.

Section 23.2 of the Regulation sets out the formula to be applied when calculating an additional rent increase:

$$\frac{\text{“amount of the additional rent increase”} \div \text{by \# of specified dwelling units}}{120}$$

I find there are 3 specified dwelling units because the Landlord testified there are 3 specified dwelling units within the residential property.

I therefore order the Landlord may raise the Tenants’ current monthly rent by 3%, or \$17.94 [(\$6,457.67 ÷ 3) ÷ 120)], whichever is lower.

As seen in RTB Policy Guideline 37(c):

The maximum amount a landlord can increase rent by per “phase” when they are granted an additional rent increase is 3% of the tenant’s rent for up to three phases. Amounts exceeding this cannot be carried over or given in another twelve-month period. This maximum does not include the annual rent increase (see Policy Guideline 37A). If a landlord is granted an additional rent increase, a landlord must impose it at the same time as the annual rent increase.

Conclusion

The Landlord has been successful.

I grant the application for an additional rent increase for a capital expenditure in the amount of \$6,457.67.

The Landlord must impose this increase in accordance with the Act and Regulations.

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 20, 2026

Residential Tenancy Branch