



## **DECISION**

### **Introduction**

On July 9, 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.

Agents for the Landlord, E.D. and B.K., and Tenants R.Y., E.S., E.G. attended the hearing at the scheduled hearing time. Tenant L.P.M. joined into the hearing 45 minutes after the scheduled hearing time.

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

E.D. testified that the Landlord served the Materials on July 23, 2025 on all of the named Tenants by registered mails. The Landlord uploaded the Canada Post customer receipts with tracking numbers to confirm the services.

Tenant R.Y. and Tenant E.G. confirmed receipt of the Materials by registered mails.

No Tenant submitted any documentary evidence for consideration in this proceeding.

Based on the convincing testimony of the parties and the evidence before me, I find the Landlord served the Materials in accordance with the Act. Thus, I accept service of the Landlord’s evidence.

### **Issue to be Decided**

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

### **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 the following 3 capital expenditures:

1. Replacement of Electric Hot Water Tanks	\$31,230.95
2. Replacement of a patio door (Unit 205)	\$3,675.00
3. Replacement of 22 patio doors	\$72,135.00

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 the capital expenditures within the previous 18 months.

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

Based on E.D.'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 submitted that there are 27 rental units within the building. They submitted that Capital Expenditure #1 benefits the entire building, Capital Expenditure #2 only benefits Unit 205 and Capital Expenditure #3 benefits 22 units of the building.

E.D. stated that the Landlord intends to impose rent increase on only 13 rental units for the capital expenditures because the other rental units are at their reasonable market rent.

In accordance with section 21.1(1) of the RTR, I find that there are 27 dwelling units to be used for calculation of the additional rent increase for Capital Expenditure #1, 1

dwelling unit for Capital Expenditure #2, and 22 dwelling units for Capital Expenditure #3.

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

The Landlord submitted this application on July 9, 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 January 8, 2024 and July 8, 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.

I accept E.D.’s testimony and the Landlord’s evidence that the last payments for the works were incurred on February 27, 2024, March 21, 2024 and May 2, 2025. I find the expenses occurred within 18 months prior to the Landlord making their application.

*Expenditure not expected to occur again for at least 5 years*

E.D. stated that the three capital expenditures are not expected to occur again for at least 5 years.

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

*Eligibility and Amount*

***Capital Expenditure #1 – Replacement of Electric Hot Water Tanks***

E.D. stated that the previous hot water tanks were installed in 2017 and started failing in December 2023. She said that one of them was inoperative and the other one was leaking and did not give out enough hot water.

B.K. stated that the previous hot water tanks started malfunctioning after 7 years due to under capacity. She explained that back in 2017, there were not many residents in the building. However, as times went by there were more families moving into the building, overloading the capacity of the previous tanks.

The Landlord submitted documentary evidence including a quote from K. Appliance Installation Ltd they received on December 5, 2023 stating the following:

*Estimate Project Work*

*To remove existing electric hot water tank and replacing with two 120 gallon stainless steel indirect hot water storage tanks and 2 electric boilers. [...]*

*As the last electric HWTs were installed 8 years ago and 1 has already failed, we suggest putting in a more robust HW system. This system will be separated by component in order to be individually worked on so that future maintenance and repairs are cost effective, saving money in the long-term.*

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

Based on E.D. and B.K.'s testimony, the Landlord's documentary evidence and on a balance of probabilities, I find the Landlord proved that they replaced the hot water tanks because one of them was failed and the other one was malfunctioning, despite they were not close to the end of their 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 hot water tanks are major components as they are significant components 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 tanks was for 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.

Considering the above, I grant the Capital Expenditure #1 of \$31,230.95 for the replacement of the electric hot water tanks.

***Capital Expenditures #2 and #3 – Replacement of Patio Doors***

E.D. stated that the patio doors were originally installed in 1976 and therefore were past their useful life. She said that the Landlord had received numerous complaints from the residents that the patio doors could not be closed properly. She also said that the new

patio doors can improve energy performance. In support, the Landlord provided an email they received from the patio door contractors, R.T. Window MFG. Ltd. on May 14, 2025 stating the following:

*The old deteriorating and non-efficient aluminum single glazed patio doors at [the rental building] that were replaced were the original units and not energy efficient because they were made of a metal frame, which conducts heat/cold and had only a single piece of glass, which has very little insulation value. However, the new patio doors installed will offer improve energy performance because they are double glazed with a ½" airspace and have a low-E (low emissivity) coating set in an energy efficient nonconducting vinyl frame. The energy-saving benefits of the new doors completely outweigh the original ones.*

Policy Guideline #40 indicates that the useful life of sliding glass door is 25 years.

Based on the testimony of the parties, the Landlord's documentary evidence, and on a balance of probabilities, I find the Landlord proved that they replaced the patio doors because they were beyond their useful life and malfunctioning. I also find that the replacement could achieve a reduction in energy use.

Policy guideline #37C indicates that entry doors are major systems.

I find the patio doors are a major system, as they are integral to the rental property, enclose the building and protect its physical integrity, per section 21.1 of the RTR and Policy Guideline #37C.

I find the reason for the replacement of the patio doors was to replace major systems because they were beyond their useful life and malfunctioning, in accordance with section 23.1(4)(a)(ii) of the RTR.

Considering the above, I grant the Capital Expenditures #2 and #3 of \$75,810.00 for the replacement of the patio doors.

### The Tenant's Submissions

Tenants E.S. and E.G. argued that it was unfair that the Landlord only imposes rent increase on 13 rental units, including theirs. They opined that they were being penalized by the Landlord because the Landlord could not increase their rent due to their existing tenancy. They also opined that they are paying for the repairs for those who are not named in the Landlord's application.

Tenant L.P.M. agreed that the patio door was in poor condition. He also agreed that it is likely the newly installed patio door is more energy efficient as the previous one kept wiggling open on windy days and thus could not keep the heat in very well. However, he

opined that tenants with disabilities should be exempt from additional rent increase if the Landlord's application is granted.

Tenant R.Y. stated that the patio door was working fine. However, he admitted that the rollers on the patio door had rubbed out a long time ago. He said that the tenants should not be paying for the Landlord's expenses in the repairs as they were the basic repairs that must be carried out eventually.

While I am sympathetic about the hardship a rent increase of any amount may pose for the named tenants, the RTR limits the reasons which a tenant may raise to oppose an additional rent increase for capital expenditure, and I find the Tenants' submissions are insufficient under the RTR to result in dismissing the Landlord's application.

## Conclusion

The Landlord has proven all the necessary elements for the three capital expenditures.

I grant the Landlord's Application for the additional rent increase, based on three eligible capital expenditures of \$107,040.95. 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.

For **Capital Expenditure 1**, I find there are 27 specified dwelling units, and that the total amount of the eligible capital expenditure is \$31,230.95. Therefore, the Landlord has established the basis for an additional rent increase for Capital Expenditure #1 of **\$9.64** ( $\$31,230.95 \div 27 \div 120$ ) per month, per affected tenancy.

For **Capital Expenditure 2**, I find there is 1 specified dwelling unit (Unit 205), and that the total amount of the eligible capital expenditure is \$3,675.00. Therefore, the Landlord has established the basis for an additional rent increase for Capital Expenditure #2 of **\$30.63** ( $\$3,675.00 \div 1 \div 120$ ) per month, per Unit 205.

For **Capital Expenditure 3**, I find there are 22 specified dwelling units, and that the total amount of the eligible capital expenditure is \$72,135.00. Therefore, the Landlord has established the basis for an additional rent increase for Capital Expenditure #3 of **\$27.32** ( $\$72,135.00 \div 22 \div 120$ ) per month, per affected tenancy.

Note the amount of a rent increase **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 tenants with this decision, in accordance with section 88 of the Act. This must occur within two weeks of this decision. I authorize the Landlord to serve each 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 (<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: September 8, 2025

---

Residential Tenancy Branch