

Additional Rent Increase for Capital Expenditures

Residential Tenancy Branch

RTB-151

What is the Additional Rent Increase for Capital Expenditures Process?

Landlords can apply to the Residential Tenancy Branch (RTB) for additional rent increasing above the maximum allowable annual rent increase when they have incurred costs to complete necessary repairs to the rental unit or building.

What kind of costs are eligible for this process?

- A landlord may apply for an additional rent increase if the landlord has incurred eligible capital expenditures to the residential property where the rental unit is located.
- Capital expenditures are eligible if they are incurred for the installation, repair or replacement of a major system or major component for one of the following reasons:
 - to maintain the residential property in a state of repair to comply with health, safety, and housing standards,
 - that has failed, is malfunctioning, is inoperative, or at the end of its useful life, or
 - that achieves a reduction in energy use or greenhouse gas emissions, or an improvement in the security of the residential property.
- To be an eligible capital expenditure, the landlord must also establish the following:
 - the capital expenditures have been incurred within the 18-month period before applying,
 - the capital expenditures are not expected to recur for at least five years, and
 - the work for which the capital expenditures were incurred is complete before applying.
- A major system includes the electrical system, mechanical system, structural system, and any other system that is integral to the rental property. A major component is an aspect of the rental property that is integral or is a significant component in a major system.
- Examples of eligible capital expenditures include replacing an asphalt roof that is at the end of its service life, updating the single-pane windows for a rental building because they are obsolete, or installing a new boiler for the building.

What costs are not eligible?

- Costs that are the result of inadequate repair or maintenance by the landlord.
- Where the landlord has been paid from another source (e.g., rebates, insurance).
- Routine or annual maintenance like cleaning carpets or repairing a leaky pipe under a sink.

What happens after a landlord applies?

- When a landlord applies, they will be provided a Notice of Hearing package. The package includes important information about the application and the teleconference hearing that tenants can participate in.
- If successful, the RTB's decision will set out the eligible rent increase amount that is granted by the Director based on the formula.
- The landlord must provide each tenant with a Notice of Rent Increase that includes a detailed breakdown showing how the rent increase is applied.

Rules for imposing the additional rent increase

- A formula set out in the Residential Tenancy Regulation determines the additional rent increase amount that can be imposed on each tenant.
- The formula factors in the amount of eligible capital expenditures and the number of dwelling units (rental and non-rental units), amortized over a 10-year period (120 months).
- The additional rent increase is capped at a maximum of 3% per phase (plus the annual rent increase). Any amount exceeding the cap can be rolled over to the second and third phase.
- The additional rent increase must be given with the annual rent increase and must comply with notice and timing requirements under the Act (i.e., three months' notice and at least 12 months since the last rent increase or when rent was first established).

Rules of Procedure for an additional rent increase

- There are specific rules for how additional rent increase for capital expenditure proceedings are conducted. Specifically:
 - Landlords must provide any evidence they wish to rely on at the hearing **at least 30 days before the hearing**,
 - Tenants must provide any evidence they wish to rely on at the hearing **at least 15 days before the hearing**, and
 - Landlords must submit as evidence any documents in their possession that relate to:
 - the maintenance of the major system or component that was repaired or replaced, and
 - payments they have received or are entitled to receive from other sources for installing, repairing, or replacing a major component or system.
- These rules apply to applications made on or after February 17, 2023. For applications made before this date, please refer to the [version of the Rules of Procedure that was in effect prior to February 17, 2023](#).

For more information, please visit the RTB's website: www.gov.bc.ca/landlordtenant