

# Additional Rent Increase for Capital Expenditures

Residential Tenancy Branch

RTB-151

## What changes are coming?

Based on an early recommendation from the Rental Housing Task Force, amendments to the Residential Tenancy Regulation will allow landlords to apply for additional rent increases when they have completed necessary repairs to the rental unit or building.

These changes will encourage landlords to invest in their rental properties by allowing them to recover some of those costs through modest rent increases approved by the Residential Tenancy Branch (RTB) Director.

## 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 must have been incurred within the 18-month period prior to applying to the Residential Tenancy Branch; and
  - the capital expenditures are not expected to recur for at least five years.
- 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 now obsolete, or 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, ongoing, or annual maintenance like cleaning carpets, repairing a leaky pipe under a sink, or painting walls.

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## Rules for the additional rent increase

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- A formula set out in the Residential Tenancy Regulations, 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 units and non-rental living accommodation), amortized over a 10-year period (120 months).
- The additional rent increase is capped at a maximum of 3% per year (plus the annual rent increase).
- Any amount exceeding the cap can be rolled over to the second and third year.
- 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).

## What do these changes mean for landlords and tenants?

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- Beginning in July, landlords may apply to the Residential Tenancy Branch (RTB) for additional rent increases for eligible capital expenditures.
- When a landlord applies, they will be provided a Notice of Hearing package. It will include details of the application that the landlord must serve to each tenant involved in the rent increase. The package will also contain details of a teleconference hearing that tenants can participate in and a dispute code used to submit evidence if the tenant believes that the costs the landlord is claiming are not eligible.
- If successful, the RTB's decision will set out the eligible rent increase amount that is granted by the Director based on the formula.
- To impose the additional rent increase, the landlord must provide each tenant with a Notice of Rent Increase that includes a detailed breakdown showing how the rent increase is applied.

For more information, please visit the RTB's website: [www.gov.bc.ca/landlordtenant](http://www.gov.bc.ca/landlordtenant)