IN THE MATTER OF THE *RESIDENTIAL TENANCY ACT*, SBC 2002, c 78

BETWEEN:

CAPREIT Apartments Inc. and CAPREIT Limited Partnership, collectively, the Landlord

APPLICANT

AND:

Tenants of 10851-10991 Mortfield Road, Richmond, British Columbia, Tenants

RESPONDENTS

LANDLORD'S WRITTEN SUBMISSIONS

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Contents

Documents Referenced Throughout the Landlord's Written Submissions	
Tab 1	Title Summaries
Tab 2a	Invoices for Rec Centre Project
Tab 2b	Proof of Payment Documents for Rec Centre Project
Tab 2c	Invoices and Proof of Payment Documents for Roof Replacement Project
Tab 3	RTPG 37C – Additional Rent Increases for Capital Expenditures
Tab 4	RTPG 40 – Useful Life of Building Elements
Tab 5	Building Condition Assessment Report – All Buildings (October 24, 2022)
Tab 6	Roof Condition Report (10851 Mortfield Road)
Tab 7	*Li v Virk*, 2023 BCSC 83
Tab 8	ARI Decision by Arbitrator R. Yee
Tab 9	ARI Decision by Arbitrator M. Fox
Tab 10	ARI Decision by Arbitrator K. Wang
Tab 11	*Communications, Energy and Paperworkers Union of Canada, Local 30 v Irving Pulp & Paper, Limited*, 2013 SCC 34
Tab 12	Bid Specifications for Roof Replacement Project
Tab 13	Contract and Bid Specifications for Rec Centre Project
Tab 14	Change Order 01 (Rec Centre Project)
Tab 15	After Photographs of Roof (10851 Mortfield Road)
Tab 16	Sense Engineering Field Review Reports (Rec Centre Project)
Tab 17	Sense Engineering Purchase Order (Rec Centre Project)
Tab 18	Contract with Triumph Roofing and Sheet Metal Inc. (Roof Replacement – 10851 Mortfield Road)
Tab 19	Warranty Certificate for Roof Replacement (10851 Mortfield Road)
Tab 20	Warranty Letter for Roof Replacement (10851 Mortfield Road)
Tab 21	Warranty for Roof Hatch (10851 Mortfield Road)
Tab 22	Completed Bid Form for Roof Replacement (10851 Mortfield)
Tab 23	After Photographs of the Rec Centre
Tab 24	Letter from Triumph Roofing and Sheet Metal Inc. re Roof Replacement (10851 Mortfield)
Tab 25	Letter from Roma Building Restoration Ltd. re Rec Centre Project

I. SUMMARY OF THE LANDLORD'S REQUEST FOR AN ADDITIONAL RENT INCREASE

1. CAPREIT Apartments Inc. and CAPREIT Limited Partnership (collectively, the "**Landlord**") apply to the Director for an order approving an additional rent increase on the basis that it incurred eligible capital expenditures at the following six apartment buildings:

Apartment Buildings	
Address of Buildings	10851 Mortfield Road, Richmond (44 units) 10871 Mortfield Road, Richmond (41 units) 10891 Mortfield Road, Richmond (24 units) 10951 Mortfield Road, Richmond (43 units) 10971 Mortfield Road, Richmond (21 units) 10991 Mortfield Road, Richmond (45 units) (collectively, the "**Buildings**") **Total number of units in all six Buildings:**
Age of Buildings	Approximately 55 years old (constructed in 1971-1972) (see **Tab 5 – Building Condition Assessment Report – All Buildings (October 24, 2022)** at page ii).
Landlord	The Building is legally owned by CAPREIT Apartments Inc. and beneficially owned by CAPREIT Limited Partnership [**Tab 1**]. Collectively, CAPREIT Apartments Inc. and CAPREIT Limited Partnership are the Landlord as defined in section 1 the *Residential Tenancy Act*, SBC 2002, c 78 (the "**Act**").
Landlord's Purchase of Building	The Landlord took over ownership and operation of the Buildings on August 19, 2015 **[Tab 1]**
Number of Units (Total for Six Buildings)	218

2. The Landlord incurred capital expenditures for two projects. The first project was to replace the exterior siding and and doors at the recreation centre (the "**Rec Centre**"). The Rec Centre is available for use by the tenants in all six Buildings and the work to the Rec Centre benefitted all tenants equally. As a result, the cost for the work to the Rec Centre has been equally divided between the 218 units in all six Buildings as follows:

ARI per Unit = (Total Capital Expenditures/Total Number of Units)/120
ARI per Unit = ($300,219.07/218)/120
ARI per Unit = $11.48

3. The second project was to replace the roof at 10851 Mortfield Road. As a result, this work only benefitted the 44 tenants living at 10851 Mortfield Road. The cost for the roof replacement has only been applied to the 44 units in 10851 Mortfield Road as follows:

ARI per Unit = (Total Capital Expenditures/Total Number of Units)/120
ARI per Unit = ($451,878.42/44)/120
ARI per Unit = $85.58

4. The following table shows the total ARI per Unit at each of the six Buildings:

	ARI per Unit					
	10851 Mortfield	**10871 Mortfield**	**10891 Mortfield**	**10951 Mortfield**	**10971 Mortfield**	**10991 Mortfield**
Capital Expenditure 01 (Rec Centre Exterior Walls, Doors, and Siding Work)	$11.48	$11.48	$11.48	$11.48	$11.48	$11.48
Capital Expenditure 02 (Roof Replacement at 10851 Mortfield Road)	$85.58	$0.00	$0.00	$0.00	$0.00	$0.00
Total ARI per Unit	**$97.06**	**$11.48**	**$11.48**	**$11.48**	**$11.48**	**$11.48**

5. The Landlord makes this single application pursuant to section 43(3) of the *Residential Tenancy* Act, SBC 2002, c 78 (the "**Act**") to increase the rent for all 218 rental units in the Buildings for eligible capital expenditures incurred in the 18-month period preceding the date of this application, pursuant to sections 23.1(1) and (3) of the Residential Tenancy Regulation, BC Reg 477/2003 (the "**Regulation**"). The Landlord has not made a

previous application for an additional rent increase in the last 18-months (section 23.1(2), Regulation).

6. In the event $11.48 is more than 3% of the current monthly rent for the units in 10871, 10891, 10951, 10971, or 10991 Mortfield Road, or if $97.06 is more than 3% of the current monthly rent for a unit in 10851 Mortfield Road, then the remaining portion of the approved increase in excess of 3% must be applied in a later year and cannot be imposed all at once upon a tenant.

Residential Tenancy Policy Guideline 37C [Tab 3] at pages 14-16

II. SUMMARY OF LAW RELATING TO ADDITIONAL RENT INCREASE APPLICATIONS

7. The Director must grant an application for an additional rent increase for capital expenditures when the criteria set out in section 23.1, *Residential Tenancy Regulation*, BC Reg 477/2003 (the "**Regulation**") are met.

8. The following section includes a detailed description of how the Landlord has established all the necessary requirements for the Director to grant this application, including a detailed description of the work that was done, why the work was done, and past maintenance and repairs at the Buildings.

9. In addition to providing a detailed analysis in the next section, the Landlord has also provided the following summary table explaining the requirements set out in the Regulation that the Landlord must meet for the Director to grant this application and a brief explanation of how each requirement is established by the Landlord:

ARI Requirements Established by Regulation	How Requirement Met by Landlord for the Building
The Landlord has not applied for an additional rent increase in the 18 months preceding this application (section 23.1(2) of the Regulation)	The Landlord has not applied for an additional rent increase in the 18-months preceding this application.

The Landlord must make a single application to increase the rent for all units on which the Landlord intends to impose the ARI if approved (sections 23.1(1) and (3) of the Regulation)	The Landlord has made this single application to increase the rent for all rental units (218 units total) in the Buildings on which the Landlord intends to impose the ARI if approved.
The capital expenditures must have been incurred for one (or more) of the reasons set out in section 23.1(4)(a)(i), (ii), or (iii) of the Regulation	**Capital Expenditure (01) – Roof Replacement at 10851 Mortfield Road:** The roof was estimated to have been last replaced between 2002 and 2006. The roof replacement work was completed on September 15, 2024. The roof was approximately 18-22 years old when it was replaced. The roof of 10851 Mortfield Road was in very poor condition and was recommended for replacement as soon as budgeting allowed [**Tab 5 – Building Condition Assessment Report (October 24, 2022)**, pages A10 and A11, T**ab 6 – Roof Condition Report (10851 Mortfield),** pages 2, 3 and 4, and **Tab 19 – Warranty Certificate for Roof Replacement (10851 Mortfield)**]. Residential Tenancy Policy Guideline 40 **[Tab 4 – RTPG 40,** page 7**]** estimates that the original modified-bitumen roof had an anticipated useful life of approximately 20 years. Given the very poor condition of the roof, and the last roof replacement was estimated as having been done between 2002-2006, the roof had met the end of its estimated useful life [**Tab 5 – Building Condition Assessment Report (October 24, 2022)**, pages A10 and A11 and T**ab 6 – Roof Condition Report (10851 Mortfield),** pages 2, 3 and 4]. The roof is a major system or major component of the Building (see Residential Tenancy Policy Guideline 37C at page 4 **[Tab 3]**).[1] **Capital Expenditure (02) – Exterior Walls and Door Replacement at the Rec Centre:** The exterior siding assembly and door assemblies at the Rec Centre were estimated to be at least 30 years old and were in poor condition at the time they were replaced [**Tab 5 – Building Condition Assessment Report**

[1] Residential Tenancy Policy Guidelines do not have the force of law. However, these policy guidelines are important interpretive aids and are frequently relied on by RTB Arbitrators to interpret the Act and Regulation (see ARI Decisions of Arbitrators R. Yee [**Tab 8**], M. Fox [**Tab 9**], and K. Want [**Tab 10**]. Although prior RTB decisions are not precedential or binding on future arbitrators the way court decisions are, an arbitrator's decision can be set aside as unreasonable on judicial review if it deviates from prior tribunal decisions without a very good reason (see *Communications, Energy and Paperwork Union of Canada, Local 30 v Irving Pulp & Paper, Ltd.*, 2013 SCC 34 at page 6 [**Tab 11**]). Courts in British Columbia routinely refer to policy guidelines when interpreting the Act and Regulation (see *Li v Virk,* 2023 BCSC 83 [**Tab 7**]).

	– **All Buildings (October 24, 2022)** and **Tab 25 – Letter from Roma Building Restoration Ltd. re Rec Centre Project**]. Residential Tenancy Policy Guideline 40 **[Tab 4 – RTPG 40,** pages 7-10**]** estimates that the original wood siding had an anticipated useful life of approximately 15 years and the original doors and insulation had an anticipated useful life of approximately 30 years. These building components were also in poor condition when they were replaced [**Tab 5 - Building Condition Assessment Report – All Buildings (October 24, 2022)**]. These capital expenditures were incurred in order to replace a major system or a major component of a major system that was at or close to the end of its useful life and had failed, was malfunctioning, or inoperative pursuant to section 23.1(4)(a)(ii) of the Regulation. In addition, the exterior siding and doors of the Rec Centre and the roof of 10851 Mortfield Road were in poor condition because of their advanced age and needed to be replaced in order to maintain the Buildings in a state of repair that complies with the health, safety and housing standards required by law in accordance with section 32(1)(a) of the Act, as set out in section 23.1(4)(a)(i) of the Regulation.
The capital expenditures must have been incurred in the 18 months preceding this application (section 23.1(4)(b) of the Regulation)	The Landlord paid the final invoice for this project by electronic funds transfer (EFT) on January 14, 2025. As a result, the Landlord had until July 14, 2026 to make this additional rent increase application.
The capital expenditures cannot be expected to recur in the five years following this application (section 23.1(4)(c) of the Regulation)	**Capital Expenditure (01) – Roof Replacement at 10851 Mortfield Road:** The roof replacement project included a 20-year warranty on labour, a 10-year warranty on roofing membranes, and a 5-year warranty on other products used (e.g., sealants) [**Tab 19 – Warranty Certificate for Roof Replacement (10851 Mortfield)** and **Tab 20 – Warranty Letter for Roof Replacement (10851 Mortfield)**]. The contractor who completed the roof replacement work also estimated that the work would last approximately 20 years **[Tab 24 – Letter from Triumph Roofing and Sheet Metal Inc. re Roof Replacement (10851 Mortfield)].**

	Capital Expenditure (02) – Exterior Walls and Door Replacement at the Rec Centre: The exterior siding and door assemblies have an estimated service life of over 20 years [**Tab 4 – RTPG 40,** pages 7-8 and **Tab 25 – Letter from Roma Building Restoration Ltd. re Rec Centre Project**]. These capital expenditures will not recur within 5 years of time the work was completed. The requirement of section 23.1(4)(c) of the Regulation is met.
Capital expenditures cannot be required due to inadequate repair or maintenance (section 23.1(5)(a) of the Regulation)	The capital expenditures were not incurred due to inadequate repair or maintenance. The Landlord provided a Building Condition Assessment Report from Sense Engineering which noted that the Buildings had been well maintained, there was no evidence of leaks at any of the Buildings, and that showed evidence of past repairs to the Rec Centre [Tab 5 – Building Condition Assessment Report – All Buildings (October 24, 2022), pages ii, A6, and A7]. The Landlord also provided a Roof Condition Report for 10851 Mortfield Road which showed evidence of past maintenance and repairs to the roof of that Building (see **Tab 6 – Roof Condition Report (10851 Mortfield)**, page 14]. In addition, the contractors who completed the above-noted work both confirmed that the work was not due to inadequate maintenance or repair [**Tab 25 – Letter from Roma Building Restoration Ltd. re Rec Centre Project** and **Tab 24 – Letter from Triumph Roofing and Sheet Metal Inc. re Roof Replacement (10851 Mortfield)**].
Landlord cannot apply for an additional rent increase for capital expenditures that are not paid by it (section 23.1(5)(b) of the Regulation)	The Landlord incurred the total capital expenditures for both projects of $752,097.49. The Landlord has not been paid, and is not entitled to be paid, from another source.

III. DESCRIPTION OF ELIGIBLE CAPITAL EXPENDITURE

10. The following table provides a detailed explanation as to how each of the above-noted requirements have been established by the Landlord and why the Director must therefore grant this additional rent increase.

Exterior Wall Repairs at the Rec Centre (Capital Expenditure 01) – All Buildings
<u>**Reason for Work:**</u> Sense Engineering Ltd. ("**Sense Engineering"**) and prepared a Building Condition Assessment Report dated October 24, 2022 [**Tab 5 – Building Condition Assessment Report – All Buildings (October 24, 2022)].** Sense Engineering noted that the wood siding at the recreation centre (the "**Rec Centre**") was rotted and that there were likely concealed conditions. Sense Engineering recommended the wood siding at the Rec Centre be replaced by 2024 [**Tab 5**, page A7]. The existing wall assembly at the Rec Centre consisted of wood stud framing with batt insulation in the stud cavity and painted interior gypsum board covered with polyethylene vapour retarder. Plywood sheathing was installed overtop and covered by asphalt saturated building paper. Painted wood lapped siding and trim was installed over the building paper, forming the exterior wall surface [**Tab 13 – Contract and Bid Specification Package for rec Centre Project,** pages 64-65]. In a few locations, the wood cladding was replaced with fibre cement siding [**Tab 5 – Building Condition Assessment Report – All Buildings (October 24, 2022),** page A6]. Before photographs of the Rec Centre are included at **Tab 13**, page 130. Photographs of the Rec Centre during the work are included at **Tab 16 – Sense Engineering Purchase Order (Rec Centre Project)**, pages 5, 10, 15, 20. After photographs of the Rec Centre are included at **Tab 23.** The work to the Rec Centre was done to repair or replace a major system or major component that had failed or was close to the end of its useful life and to maintain the Building in a state of repair that complies with the health, safety and housing standards required by law, pursuant to section 32(1)(a) of the Act (sections 23.1(4)(a)(i) and (ii) of the Regulation). <u>**Scope of Work:**</u> The Landlord retained Roma Building Restoration Ltd. ("**Roma**") to remove and replace the existing cladding and door assemblies of the Rec Centre The work done by Roma was overseen by Sense Engineer [**Tab 17 – Sense Engineering Purchase Order (Rec Centre Project)**]. Roma completed the following work to the Rec Centre under Sense Engineering's supervision [**Tab 2a – Invoices for Rec Centre Project**, **Tab 13 – Contract and Bid Specification Package for Rec Centre Project**, pages 65-67, **Tab 14 – Change Order 01 (Rec Centre)**, page 3, and **Tab 16 – Sense Engineering Field Review Reports (Rec Centre)**]: • removed the existing wood siding and building paper at all wall locations to expose the existing sheathing; • identified and marked out any areas of rotted or otherwise damaged sheathing and completed framing repairs as necessary and replaced damaged or missing cavity batt insulation;

- installed a new insulated and drained cavity exterior wall assembly, including base of wall flashings and required detailing. The new cladding assembly consisted of fibre cement plank lap siding, pressure treated plywood strapping, rigid mineral wool insulation, and vapour permeable self-adhered waterproofing installed over the existing plywood sheathing, wood stud framing with batt insulation in stud cavity, polyethylene vapour retarded and painted interior gypsum board;
- at the wing walls, replaced the exterior plywood sheathing and installed spray foam air barrier at the framing joint to the building walls with 75mm puck vents at the top and bottom of each wing wall stud space;
- installed new cap flashings to accommodate increased siding thickness;
- all door assemblies were removed and replaced. The existing sliding door assembly was replaced with a double-glazed two track vinyl sliding door. The single swing doors to the meeting room, pool access, weight room, and the entry door, and the double swing door to the mechanical room were replaced with new insulated metal doors; and
- removed exterior light fixtures and replaced them with new LED lights.

<u>Building Maintenance</u>: As previously discussed, it is only when a major system of a major component is replaced before it has reached the end of its estimated useful life that maintenance and repair concerns are relevant. If the major system or major component reaches (or nearly reaches) the end of its estimated useful life, it is eligible for an additional rent increase even if it was not adequately repaired or maintained.

In this case, the exterior siding and doors of the Rec Centre were estimated to be approximately 30 years old at the time they were replaced [**Tab 25 –** Letter from Roma Building Restoration Ltd. re Rec Centre Project]. The estimated useful life for these building elements were 15 years, 20 years, and 30 years respectively [**Tab 4 – RTPG 40,** pages 7-8]. These building components had likely reached their estimated useful life and were due to be replaced. As a result, maintenance and repair concerns are irrelevant.

However, the Landlord has provided evidence to show that this work was not required due to inadequate maintenance or repair. Sense Engineering noted that the Buildings were well maintained and noted evidence of past repairs to the exterior walls of the Rec Centre [**Tab 5 – Building Condition Assessment Report – All Buildings (October 24, 2022)**, pages ii and 14]. Roma provided a letter confirming that the work was not required as a result of the Landlord's failure to maintain the Rec Centre or make necessary repairs [**Tab 25 – Letter from Roma Building Restoration Ltd. re Rec Centre Project**].

<u>Timing of Last Repair/Upgrade</u>: The Landlord does not know exactly when the exterior siding and doors of the Rec Centre were last replaced, but the contractor who completed the work to the Rec Centre estimated that the exterior siding and doors were approximately 30 years old at the time they were replaced [**Tab 25 – Letter from Roma Building Restoration Ltd. re Rec Centre Project**]. The wood clad siding and doors at the Rec Centre were in poor condition and had likely exceeded their anticipated useful life when they were replaced. The Landlord has not completed any similar work since taking over ownership and operation of the Buildings on August 19, 2015 [**Tab 1 – Title Summaries**].

<u>Anticipated Useful Life of Repair/Upgrade</u>: Residential Tenancy Policy Guideline 40 estimates an anticipated service life of 30 years for mineral wool insulation and exterior doors and 40 years for composite/cement board siding [**Tab 4 – RTPG 40,** pages 7-8]. The contractor who completed the work estimated that all replaced building components had an estimated service life of 20-30 years [**Tab 25 – Letter from Roma Building Restoration Ltd. re Rec Centre Project**]. As a result, the Landlord does not anticipate undertaking any similar work for at least 20 years. These capital expenditures will not recur for at least 5 years (section 23.1(4)(c), Regulation).

<u>Expenditures Incurred in Past 18 Months</u>: 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. For example, if a landlord pays for the capital expenditure by cheque, the date the capital expenditure is considered to be incurred is the date the landlord issued the final cheque [**Tab 3 – RTPG 37C Additional Rent Increase for Capital Expenditures at page 7 item 3 and footnote 1**]. The final payment for this capital expenditure is dated February 19, 2025. This means that the Landlord has until August 19, 2026 to apply for an additional rent increase with respect to this capital expenditure. This application was therefore incurred within the 18 months prior to this application (section 23.1(4)(b), Regulation).

<u>Total Cost of Work Completed (Capital Expenditures):</u> $300,219.07
The Landlord incurred these expenses in full and is not entitled to be paid from another source for this capital expenditure (section 23.1(5)(b), Regulation).

Description of All Work Done, Dates Costs Incurred, and Method of Payment by Landlord

Contractor	Invoice No.	Tab 2a Pg.#	Cost	Date Paid	Method of Payment	Tab 2b Pg.#
Sense Engineering Ltd.	23vR134A-1	1	$7,271.25	February 13, 2024	EFT	1-2
Sense Engineering Ltd.	23vR134A-2	2	$1,076.25	May 28, 2024	EFT	3-4
Roma Building Restoration Ltd.	1179	14-15	$13,528.15	August 20, 2024	Cheque	17-19
Sense Engineering Ltd.	23vR134A-4	4	$2,782.50	August 27, 2024	EFT	7-8
Sense Engineering Ltd.	23vR134A-3	3	$6,247.50	September 24, 2024	EFT	5-6
Sense Engineering Ltd.	23vR134A-5	5	$6,405.00	September 24, 2024	EFT	5-6
Roma Building Restoration Ltd.	1182	28-29	$43,488.07	September 24, 2024	Cheque	20-22
Roma Building Restoration Ltd.	1189	37-38	$42,651.82	October 22, 2024	Cheque	23-25
Sense Engineering Ltd.	23vR134A-6	6	$6,326.25	October 29, 2024	EFT	9-10
Sense Engineering Ltd.	23vR134A-7	7	$7,927.50	October 31, 2024	EFT	11-12
Roma Building Restoration Ltd.	1193	49-50	$65,595.14	November 19, 2024	Cheque	26-28
Roma Building Restoration Ltd.	1197	58-59	$25,278.98	December 10, 2024	Cheque	29-31
Sense Engineering Ltd.	23vR134A-8	8	$1,837.50	December 17, 2024	EFT	13-14
Sense Engineering Ltd.	23vR134A-9	9	$997.50	January 14, 2025	EFT	15-16

Roma Building Restoration Ltd.	1202	65-66	$42,870.87	January 21, 2025	Cheque	32-34
Roma Building Restoration Ltd.	10% Holdback*	14, 28, 38, 50, 59, and 66	$25,934.78	February 19, 2025	Cheque	35-37
		Total Cost	**$300,219.07**			

*The holdback amount for each Roma Building Restoration Ltd. invoice (before tax) is identified as "10% hold-back". The Holdback was not required to be maintained in a separate account by the owner, nor paid until the date when it was paid. The total pre-tax holdback for this project was $24,699.79. With GST, the final holdback amount was $25,934.78. The total holdback was calculated as follows:

Invoice No.	**10% Holdback**
1179	$1,431.55
1182	$4,601.91
1189	$4,513.42
1193	$6,941.28
1197	$2,675.03
1202	$4,536.60
Pre-Tax Subtotal	$24,699.79
5% GST	$1,234.99
TOTAL HOLDBACK	**$25,934.78**

Roof Replacement (Capital Expenditure 02) – 10851 Mortfield Road Only ("10851 Building")

<u>Reason for Work</u>: Sense Engineering inspected the roof in October 2022 Tri-Tech Pinnacle Group Inc. ("**Tri-Tech"**) inspected the roof at the 10851 Building on July 20, 2022 [**Tab 5 – Building Condition Assessment Report (October 24, 2022)** and **Tab 6 – Roof Condition Report (10851 Mortfield Road),** page 2]**.** Tri-Tech estimated that the roof was likely installed in or around 2006 [**Tab 6**, **page 3**]. Tri-Tech rated the roof condition as very poor, noting blisters, cracking in the modified bituminous cap sheet throughout the field of the roof, ridges and areas of wrinkled roof membrane, and deteriorated roof sealant around the collar of the furnace stack [**Tab 6**, **pages 5-11**]. Tri-Tech recommended that the roof be replaced as soon as budgeting allowed [**Tab 6, page 4**]. Sense Engineering also noted extensive blisters, ridges and cracks in the roof and recommended the roof be replaced by 2025 [T**ab 5,** pages A11 and A12].

Photographs of the roof before it was replaced are included in the Roof Condition Report at **Tab 6**. Photographs taken after the balcony replacement work was completed are included at **Tab 15.**

The roof replacement work was completed on September 15, 2024 [**Tab 19 – Warranty Certificate for Roof Replacement (10851 Mortfield)** and **Tab 20 – Warranty Letter for Roof Replacement (10851 Mortfield)**]. The roof was approximately 18-22 years old at the time it was replaced (estimated to have been last replaced between 2002 and 2006) [T**ab 5 – Building Condition Assessment Report (October 24, 2022),** page A10 and T**ab 6 – Roof Condition Report (10851 Mortfield),** pages 2, 3 and 4].

The existing roof was a 2-ply modified bitumen roof membrane over 2-inch fibreboard insulation, Kraft paper vapour retarded, and a wood deck [**Tab 6 - Roof Condition Report (10851 Mortfield Road),** page 4]. A bitumen roof has an estimated useful life of 20 years [**Tab 4 – Residential Tenancy Policy Guideline 40 – Useful Life, page 7**]. The roof was therefore within approximately two years of its estimated useful life when it was replaced.

The roof replacement work was done to repair or replace a major system or major component that had failed or was close to the end of its useful life and to maintain the 10851 Building in a state of repair that complies with the health, safety and housing standards required by law, pursuant to section 32(1)(a) of the Act (sections 23.1(4)(a)(i) and (ii) of the Regulation).

Scope of Work: Triumph Roofing and Sheet Metal Inc. ("**Triumph**") was retained to replace the roof at the 10851 Mortfield Road Building. Triumph completed the following work to replace the roof [**Tab 2c – Invoices and Proof of Payment Documents for Roof Replacement Project**, pages 1, 4, 7, and 10 and **Tab 12 – Bid Specifications for Roof Replacement Project,** pages 15-16 (section 1.6) and pages 20-22 (section 1.9), **Tab 22 – Completed Bid Form for Roof Replacement (10851 Mortfield)**, pages 6-7, and **Tab 24 - Letter from Triumph Roofing and Sheet Metal Inc. re Roof Replacement (10851 Mortfield)**]:

- removed the existing roofing components/assembly (including all flashings, membranes, insulation, etc.) down to the existing roof deck. Triumph also removed any damaged or deteriorated wood decking and replaced it with exterior grade plywood sheathing;
- upgraded the vapour barrier to better air seal;
- upgraded insulation to R40 average (existing insulation was R10);
- installed a new polyvinyl chloride ("**PVC**") conventional roofing assembly and all associated components, including roof drains, stack jackets, vent cones, pitch pockets, prefabricated flashings at all curbs, penetrations, pipings, etc., duct/pipe/gas-line/cable tray supports, walkway pavers, metal flashing, metal counterflashing, metal cap flashing, and sealant;
- built roof curbs to accommodate the new roofing system thickness and to have 8" clear height above the roof finish level;
- removed and replaced the existing roof hatch, including building a curb such that the opening minimum height was 12" from the finished roof level;
- disconnected all mechanical and electrical equipment in order to complete the above-noted work. Once the roof replacement work was completed, Triumph reconnected and tested all mechanical and electrical equipment; and
- cleaned, primed, and painted all gas pipelines with new yellow corrosion inhibiting paint; and removed all gas line supports and replaced with new gas line supports.

Building Maintenance: It is only when a major system of a major component is replaced before it has reached the end of its estimated useful life that maintenance and repair concerns are relevant. If the major system or major component reaches (or nearly reaches) the end of its estimated useful life, it is eligible for an additional rent increase even if it was not adequately repaired or maintained.

The policy rationale for making capital expenditures ineligible for an additional rent increase if they are due to improper maintenance or failure to adequately repair building components (section 23.1(5)(a), Regulation) is to incentivize landlords to take care of the rental property and to ensure that major building systems and components are in use for their approximate expected useful life. When a major system, such as a roof, is replaced at or near the end of its estimated useful life, this capital expenditure is eligible for an additional rent increase even if that system was not adequately maintained. This is made clear by this Tribunal in its policy guideline regarding additional rent increases for capital expenditures [**Tab 3 - Residential Tenancy Policy Guideline 37C at page 9**]:

> An example of an ineligible capital expenditure due to the inadequate repair or maintenance of a landlord would be if a landlord knew or ought to have known that the roof was leaking but did not act promptly to fix the leak adequately and, as a result, had to repair structural damage, remediate mould, and replace drywall. The roof expenditures would be eligible because the roof was at the end of its service life. However, if the extent of the repairs or replacement necessary is due to a landlord's inaction, the full amount may not be eligible. For example, if the leaking roof was not at the end of its useful life and could have been repaired instead of being fully replaced had a landlord acted sooner, then only the amount that reflects what the repairs would have cost would be eligible.

In this case, the roof was approximately 18-22 years old at the time it was replaced [**Tab 5**, page A10 and **Tab 6**, page 3]. The estimated useful life for this roof was approximately 20 years [**Tab 4 – Residential Tenancy Policy Guideline 40 at page 7**]. The roof reached its estimated useful life and was due to be replaced. As a result, maintenance and repair concerns are irrelevant.

However, the Landlord has provided evidence to show that the roof was not replaced due to inadequate maintenance or repair. Triumph provided a letter confirming that the roof replacement work was not required as a result of the Landlord's failure to maintain the Building or make necessary repairs [**Tab 24 – Letter from Triumph Roofing and Sheet Metal Inc. re Roof Replacement (10851 Mortfield)**]. The Roof Condition Report also noted evidence of past repairs to the roof [**Tab 6 – Roof Condition Report (10851 Mortfield)**, page 14]. The Building Condition Assessment Report prepared by Sense Engineering noted that the Buildings were well maintained [**Tab 5**, page ii].

Timing of Last Repair/Upgrade: The roof was estimated to have last been replaced between 2002-2006, approximately 18-22 years prior to the roof replacement work by Triumph [**Tab 5,** page A10 and **Tab 6**, page 3]. The roof was at the end of its anticipated useful life and was in poor condition when it was replaced [**Tab 4, page 7** and **Tab 6**, **page 3**].

Anticipated Useful Life of Repair/Upgrade: The roof replacement project included a 5-year warranty on sealant and mastic products, a 10-year warranty on roofing membranes, and a 20-year warranty on workmanship [**Tab 19 – Warranty Certificate for Roof Replacement (10851 Mortfield),** and **Tab 20 – Warranty Letter for Roof Replacement (10851 Mortfield)**]. Residential Tenancy Policy Guideline 40 does not include an estimated useful life for PVC roof assemblies specifically but estimates that a bitumen roof will have a service life of approximately 20 years [**Tab 4**, page 7].

The Landlord does not anticipate doing any similar work in the next 20 years. These capital expenditures will not recur for at least 5 years (section 23.1(4)(c), Regulation).

Expenditures Incurred in Past 18 Months: 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. For example, if a landlord pays for the capital expenditure by cheque, the date the capital expenditure is considered to be incurred is the date the landlord issued the final cheque [**Tab 3 – RTPG 37C Additional Rent Increase for Capital Expenditures at page 7 item 3 and footnote 1**]. The final payment for this capital expenditure is dated January 14, 2025. This means that the Landlord

has until July 14, 2026 to apply for an additional rent increase with respect to this capital expenditure. This application was therefore incurred within the 18 months prior to this application (section 23.1(4)(b), Regulation). **Total Cost of Work Completed (Capital Expenditures):** $451,878.42 The Landlord incurred these expenses in full and is not entitled to be paid from another source for this capital expenditure (section 23.1(5)(b), Regulation).

Description of All Work Done, Dates Costs Incurred, and Method of Payment by Landlord						
Contractor	**Invoice No.**	**Tab 2c Pg.#**	**Cost**	**Date Paid**	**Method of Payment**	**Tab 2c Pg.#**
Triumph Roofing and Sheet Metal Inc.	50947	1	$62,351.48	August 20, 2024	EFT	2-3
Triumph Roofing and Sheet Metal Inc.	53104	7	$29,697.50	October 22, 2024	EFT	8-9
Triumph Roofing and Sheet Metal Inc.	53433	10	$4,351.16	November 19, 2024	EFT	11-12
Triumph Roofing and Sheet Metal Inc.	51166	4	$310,290.44	January 7, 2025	EFT	5-6
Triumph Roofing and Sheet Metal Inc.	10% Holdback**	1, 4, 7, and 10	$45,187.84	January 14, 2025	EFT	13-14
		Total Cost	**$451,878.42**			

*The total invoiced amount for invoice 50941 was $67,102.07. however, there was an error in this invoice. The tax was calculated at 13% rather than 5%. As a result, the Landlord only paid the correct amount of $62,351.48. The amount the Landlord actually paid is included in this application, not the amount of the invoice.

**The holdback amount for each invoice (before tax) is identified as "Holdback" on each respective invoice. The Holdback was not required to be maintained in a separate account by the owner, nor paid until the date when it was paid. The total pre-tax holdback for this project was $43,036.04. With GST, the final holdback amount was $45,187.84. The total holdback was calculated as follows:

Invoice No.	10% Holdback
50947	$6,598.04
51166	$32,834.97
53104	$3,142.59
53433	$460.44
Pre-Tax Subtotal	$43,036.04
5% GST	$2,151.80
TOTAL HOLDBACK	**$45,187.84**