Proposed Amendments to the Residential Tenancy Act

Brad Trivers, MLA District 18 Rustico-Emerald

August 27, 2025

For consultation purposes only. Parliamentary Counsel has not reviewed.

1 Purpose

This document proposes changes to policy, legislation and regulations associated with governance of residential rentals on PEI. It contains detailed amendments to the Residential Tenancy Act and Residential Tenancy Regulations. This proposal is meant for consultation purposes. The Parliamentary Counsel of the Legislative Assembly of PEI has not reviewed the legislative amendments.

2 Executive Summary

This document outlines comprehensive reforms to Prince Edward Island's *Residential Tenancy Act* (RTA) aimed at improving fairness, transparency, and efficiency in the rental housing system. The amendments respond to stakeholder concerns and policy gaps identified through consultations and case law. Key Reforms Include:

2.1 Governance and Dispute Resolution

- **New Independent Body:** Establishes the **Office of Residential Tenancy Services (ORTS)** to handle tenancy administration, with separate, independent **Tenant and Landlord Advisor Offices** to improve access to justice. The Island Regulatory and Appeals Commission (IRAC) will retain its role as the appeal body.
- **Efficient Appeals:** Grants IRAC new authority to **summarily dismiss appeals** that are frivolous, vexatious, or without merit to reduce delays and procedural abuse.

2.2 Rent and Financial Framework

- **Unified Rent Increase Formula:** Consolidates all greater-than-allowable rent increase provisions into a single, transparent section. It establishes a clear,

evidence-based formula to calculate justified increases based on capital expenditures and extraordinary increases in property taxes or insurance.

- **Flexible Implementation**: Balances landlord viability and tenant stability by phasing in approved increases for occupied units while allowing the full approved amount to be applied when a unit becomes voluntarily vacant.
- **Confidentiality and Deposits**: Enhances confidentiality protections for landlord financial data submitted in rent increase applications and prioritizes the use of security deposits for property damage over unpaid rent.

2.3 Tenancy Management and Evictions

- **Balanced Eviction Rules:** Reforms "personal use" evictions with **tiered notice periods** (two months for single-unit landlords) and makes compensation conditional on the length of tenancy.
- **Property Protection:** Introduces clear **legal consequences for tenants who willfully or negligently cause significant property damage**, including liability for summary conviction fines. It also streamlines the enforcement of a landlord's right to inspect a property.
- **Stronger Enforcement:** Defines **"repeatedly late" rent** as three late payments in 12 months and creates a new framework for **enforcing payment orders**, including the potential for wage garnishment and penalties for unjustifiably breaking a lease.
- **Lease and Showing Rules:** Allows landlords to propose reasonable changes to a lease when a fixed term converts to a month-to-month tenancy. It also requires tenants to **temporarily vacate a unit for a short, pre-arranged period** for real estate showings.

2.4 Modernization and Other Key Improvements

- **Heating Conversions:** Removes barriers to facilitate the conversion of heating systems from oil to more efficient options like **heat pumps**.
- **Pet-Friendly Housing:** Encourages more pet-friendly units by introducing an optional **pet damage deposit** of up to one-half month's rent.
- **Abandoned Property: Shifts the responsibility for managing a tenant's abandoned personal property** from the landlord to the Director of Residential Tenancy, streamlining a complex and burdensome process.

3 Table of Contents

4 Governance and Dispute Resolution

4.1 Establishing the Office of Residential Tenancy Services (ORTS)

4.1.1 BACKGROUND

Currently, residential tenancy services in PEI are administered by the Island Regulatory and Appeals Commission (IRAC). This has raised concerns about conflicts of interest, limited access to justice, and the lack of independent advisory supports for tenants and landlords.

The proposed Office of Residential Tenancy Services (ORTS) model is based on the Workers Compensation system, which successfully uses Worker and Employer Advisors to support unrepresented parties.

4.1.2 ISSUES

- Perceived conflict of interest with IRAC both administering tenancy decisions and hearing appeals.
- Tenants and landlords often lack affordable access to legal advice and advocacy.
- Public confidence is undermined by unclear roles and overlapping responsibilities.
- Policy development is constrained under the current structure.

4.1.3 1.1.3 SOLUTION

Create a new, independent Office of Residential Tenancy Services (ORTS), with an **Office of the Tenant Advisor (OTA)** and **Office of the Landlord Advisor (OLA)**.

4.1.4 1.1.4 PROPOSED CHANGES

- Amend the RTA to add definitions for ORTS, OTA, and OLA.
- Amend Section 7 to specify that the Director of Residential Tenancy is appointed under ORTS.
- Create a new Part 9 – Advisory Services to establish OTA and OLA, ensuring independence from ORTS.
- Appeals to remain under IRAC, but with explicit independence.
- Add transitional provisions for staff, files, and case transfer.
- Amend Section 107 to empower regulations respecting governance and operation.

4.1.4.1 Amend Section 1 – Definitions

Add the following definitions:

(z) “Office of Residential Tenancy Services” or “ORTS” means the independent office established under this Act to administer residential tenancy services, excluding appeals.

(aa) “Office of the Tenant Advisor” or “OTA” means the office established under Part 9 to provide independent advisory services to tenants.

(bb) “Office of the Landlord Advisor” or “OLA” means the office established under Part 9 to provide independent advisory services to landlords.

4.1.4.2 Amend Section 7 – Appointment of Director

Replace section 7 with:

7. Establishment of Office of Residential Tenancy Services and Appointment of Director

(1) There is established an office to be known as the Office of Residential Tenancy Services (ORTS).

(2) The Lieutenant Governor in Council shall appoint a Director of Residential Tenancy who shall be responsible for the general administration and management of all matters arising under this Act, subject to the powers and duties set out in this Act.

(3) The Director, and any other person employed, engaged, or retained to assist the Director in the administration of this Act, shall operate independently of the Island Regulatory and Appeals Commission (IRAC) in the exercise of their powers and the performance of their duties under this Act.

(4) The Director is responsible for:

(a) exercising the powers and performing the duties of the Director under this Act;
(b) providing information to landlords, tenants and other persons respecting rights and obligations under this Act;
(c) establishing and publishing rules of procedure for the conduct of proceedings under Part 5 and Part 6;
(d) publishing, or otherwise making available to the public, notices, decisions, orders or agreements made under Part 5 and Part 6 or summaries of them, and the status of penalties required to be paid under this Act;
(e) approving forms for the purposes of this Act;

(f) assigning or delegating the Director's powers and duties, including mediation and investigation, to a person that the Director considers appropriate.

(5) The Director may retain other persons to assist the Director with the administration of this Act, including exercising the powers and performing the duties of the Director under this Act and providing information to landlords, tenants and other persons respecting rights and obligations under this Act.

(6) Notwithstanding clause (4)(f), the Director shall not assign or delegate to another person the power to impose an administrative monetary penalty under section 93.

(7) A person who claims to be carrying out a power, duty or function delegated by the Director under this section shall produce, on request, evidence of the delegation.

(8) There are established within the Office of Residential Tenancy Services the Office of the Tenant Advisor (OTA) and the Office of the Landlord Advisor (OLA). The purpose of these offices is to provide independent information and advice to tenants and landlords, respectively, on matters under this Act.

4.1.4.3 Create New Part 9 – Advisory Services

Part 9 – Advisory Services

101. Establishment of Advisory Offices

(1) The Office of the Tenant Advisor (OTA) is hereby established to provide independent advice, education, and support to tenants in matters related to residential tenancy.

(2) The Office of the Landlord Advisor (OLA) is hereby established to provide independent advice, education, and support to landlords in matters related to residential tenancy.

(3) OTA and OLA shall operate independently of ORTS and IRAC, and shall not participate in adjudication, enforcement, or decision-making functions under this Act.

(4) The Lieutenant Governor in Council may make regulations respecting:
(a) the mandate, staffing, and governance of OTA and OLA;
(b) eligibility criteria for advisory services;
(c) confidentiality and conflict of interest safeguards;
(d) reporting and accountability requirements.

4.1.4.4 Amend Section 89 – Appeals

Add:

89(12) Appeals under this Act shall be heard by the Commission, which shall operate independently of ORTS, OTA, and OLA.

4.1.4.5 Add Transitional Provisions

Create a new section:

Section 106.1 – Transitional Provisions

106.1(1) Upon the establishment of ORTS, all files, records, and proceedings under the administration of the Commission related to residential tenancy shall be transferred to ORTS, except for appeals.

106.1(2) Employees engaged in tenancy administration at the Commission may be reassigned to ORTS, subject to applicable employment legislation.

106.1(3) Any ongoing proceedings shall continue under the authority of ORTS without prejudice to the parties.

4.1.4.6 Add new subsections under 107(1) – Regulation-Making Authority

(cc) respecting the governance, staffing, and operation of the Office of Residential Tenancy Services (ORTS);

(dd) respecting the establishment, mandate, and operation of the Office of the Tenant Advisor (OTA) and the Office of the Landlord Advisor (OLA);

(ee) respecting transitional matters arising from the transfer of tenancy services from IRAC to ORTS.

4.2 IRAC Discretion to Dismiss Appeals Without Merit

4.2.1 BACKGROUND

The current Residential Tenancy Act addresses appeals in Section 89. It does not explicitly grant the Commission the discretion to dismiss appeals that are frivolous, vexatious, or without merit. There is no provision for summary dismissal of appeals based on lack of reasonable grounds or jurisdiction.

4.2.2 ISSUE

Under the current Residential Tenancy Act, the Island Regulatory and Appeals Commission (IRAC) lacks the authority to summarily dismiss appeals that are frivolous, vexatious, or

outside its jurisdiction. This limitation results in wasted resources, delays in resolving legitimate disputes, and opens the door to procedural abuse, such as using appeals to stall enforcement or harass the opposing party.

4.2.3 SOLUTION

Granting IRAC the discretion to dismiss meritless appeals would streamline the dispute resolution process, protect parties from misuse of the system, and bring PEI's tenancy framework in line with best practices in administrative law. This change is essential to ensure fairness, efficiency, and timely justice for all parties involved.

4.2.4 PROPOSED CHANGES

4.2.4.1 Amend section 89 (Appeals) by adding:

(12) The Commission may, on its own motion or on application by a party, summarily dismiss an appeal where it is satisfied that:

(a) the appeal is frivolous, vexatious, or an abuse of process;
(b) the appeal discloses no reasonable grounds or prospect of success; or
(c) the appeal is not within the jurisdiction of the Commission.

5 Rent and Financial Framework

5.1 New Rent Increase Framework

5.1.1 BACKGROUND

The current Residential Tenancy Act (RTA) in Prince Edward Island imposes significant restrictions on rent increases. Landlords cannot raise rent to market rates between tenancies; the rent for a new tenant is tied to what the previous tenant paid. Any increase beyond the annual allowable amount set by the Island Regulatory and Appeals Commission (IRAC) must be approved by the Director of Residential Tenancy.

Furthermore, even when a larger increase is approved due to rising costs, Section 50(7) of the Act limits its implementation to a small percentage each year, regardless of whether the unit is occupied or vacant.

This rigidity was highlighted in regulatory decisions which found the existing legislation lacks sufficient discretion for the Director to approve necessary rent increases in special circumstances, such as when rents have been stagnant for decades and landlords cannot secure financing for essential repairs.

5.1.2 ISSUES

This framework creates several critical issues:

- **Discourages Investment:** The inability to adjust rents to reflect costs and market conditions between tenancies discourages landlords from investing in property maintenance and upgrades, especially for aging buildings.
- **Financial Unsustainability:** With rising costs for insurance, property taxes, utilities, and repairs, the capped rent limits landlords' ability to remain financially viable, threatening the sustainability of rental housing.
- **Administrative Burden:** Seeking approval for necessary increases involves a bureaucratic process that landlords find slow and opaque, while the strict limits on implementation prolong financial losses even after an increase is deemed justified.
- **Inflexible System:** The RTA imposes hard limits on rent increases, providing no mechanism for the Director to approve fair increases based on special circumstances, undue financial hardship, or long-term stagnant rents, which can prevent landlords from securing financing for critical repairs.

5.1.3 SOLUTION

The solution is to create a single, unified, and flexible system for all above-guideline rent increases within the Act. This involves replacing the current rigid rules with a comprehensive framework that establishes one clear, evidence-based formula for calculating justified rent increases based on actual costs. The implementation of an approved increase would then differ based on occupancy:

1. **For Occupied Units:** The increase would be phased in over time, with a reasonable annual cap to protect tenants from rent shock, but with new discretion for the Director to exceed this cap in exceptional circumstances.
2. **For Voluntarily Vacant Units:** The full approved increase could be applied immediately, allowing rents to catch up to a sustainable level without impacting a sitting tenant.

This approach provides landlords with a fair process to recover costs while ensuring tenant protection through Director oversight, phased-in increases for occupied units, and new tenant support measures for significant rent adjustments.

5.1.4 PROPOSED CHANGES

The Residential Tenancy Act is amended as follows:

5.1.4.1 Repeal and Replace Section 50

Section 50 of the Act is repealed and the following substituted:

"**50. Application for Rent Increase Above Annual Rate**

(1) Grounds for Application

A landlord may apply to the Director for approval of a rent increase greater than the annual allowable amount if the landlord has incurred or anticipates incurring costs related to:

(a) an Allowable Capital Expenditure; or

(b) an Extraordinary Cost Increase in property taxes or property insurance.

(2) Calculation of Approvable Increase

The total approvable rent increase under this section shall be the sum of the Base Amount and any Pass-Through Adjustments, calculated in accordance with subsections (3) to (6).

(3) Definitions

In this section,

(a) "Allowable Capital Expenditure" means an expenditure on a major repair, replacement, or addition to a rental unit or building, the cost of which exceeds $5,000 and which is not for routine or cosmetic maintenance, as further defined in the regulations;

(b) "Base Amount" means the annual allowable rent increase percentage set for that year by the Island Regulatory and Appeals Commission;

(c) "Extraordinary Cost Increase" means the percentage by which the cost of property taxes and/or property insurance for a residential property has increased in a 12-month period, less the Base Amount for that same period;

(d) "Prescribed Lifespan" means the expected useful lifespan in years of an item as set out in the schedule of the regulations.

(4) Pass-Through Adjustments

A landlord may apply to the Director to add one or both of the following adjustments to the Base Amount:

(a) For Property Taxes and/or Property Insurance, adjustments may be calculated separately for each cost. The adjustment for each item is an amount equal to its Extraordinary Cost Increase, determined by:

(i) calculating the percentage increase in the annual cost of the item over the most recent 12-month period, and

(ii) subtracting the Base Amount from the percentage determined in subclause (i).

(b) For Allowable Capital Expenditures, a monthly amount calculated by dividing the total cost of the expenditure, including installation, by its Prescribed Lifespan in months.

(5) Excluded Costs

For greater certainty, costs related to mortgages, including principal and interest payments, financing fees, or penalties associated with a residential property, are not eligible for calculation as a Pass-Through Adjustment under subsection (4).

(6) Special Consideration for Mobile Home Parks

In the case of a mobile home park, the Director shall give special consideration to applications under this section where the landlord demonstrates that the increase is necessary to finance the upgrade, replacement, or installation of essential infrastructure or services required under section 36.

(7) Implementation for Occupied Units

Where the Director grants an application under this section and the rental unit is occupied, the approved increase shall be phased in. The amount of the increase in any calendar year shall not exceed **10 per cent** in addition to the annual allowable amount, unless otherwise ordered under subsection (8).

(8) Director Discretion to Exceed Phased-In Cap

Notwithstanding subsection (7), the Director may authorize a phased-in increase greater than 10 per cent per year if satisfied that:

(a) the approved increase is necessary to achieve fair market value or to finance essential repairs, capital expenditures, or infrastructure upgrades;

(b) the landlord would suffer undue financial hardship or risk of insolvency without such an increase; and

(c) the Director has considered the effect of the increase on tenant affordability, including whether a longer amortization schedule could reasonably mitigate hardship.

(9) Implementation for Voluntarily Vacant Units

Notwithstanding subsection (7), where a rental unit becomes voluntarily vacant after an increase has been approved for that unit under this section, the landlord may immediately

implement the full amount of the rent increase approved under subsection (2), subject to the following:

(a) The total increase shall not exceed **20 per cent** of the previous lawful rent, unless the conditions in clause (b) are met.

(b) Where the Director has previously authorized an accelerated phased-in increase for the unit under subsection (8), the limitation in clause (a) **does not apply**, and the landlord may implement the full approved increase.

(c) An increase under this subsection is conditional on the landlord providing evidence satisfactory to the Director that the vacancy was not caused by coercion, intimidation, or constructive eviction.

(10) Documentation

An application under this section must include all documentation necessary to substantiate the costs claimed, as required by the Director.

(11) Director's Overriding Discretion

Notwithstanding the calculations and limitations set out in this section, the Director may, in exceptional circumstances, approve a different rent increase or alter the terms of its implementation if the Director is satisfied that a strict application of the formula would create a significant and unjust hardship for the landlord or the tenant."

Please see Appendix A for examples of rent increases scenarios and the corresponding calculations and rent increases under the proposed amendments.

5.1.4.2 Add New Section 72.1 – Tenant Support Measures

The Act is amended by adding the following new section:

"72.1 Tenant Support Measures for Significant Increases

Where a rent increase approved under section 50 exceeds 20 per cent over a three-year period, the tenant may apply to the Director for one or more of the following support measures:

(a) relocation assistance, including reimbursement of reasonable moving expenses;

(b) additional assistance, as prescribed in the regulations."

5.1.4.3 Add new subsections under 107(1) – Regulation-Making Authority

(ff) prescribing procedures and criteria for phased-in rent increases under subsections 50(7) and 50(8);

(gg) defining “fair market value” and “undue financial hardship” for the purposes of subsection 50(8);

(hh) for the purposes of section 50, further defining what constitutes an Allowable Capital Expenditure and establishing a schedule of Prescribed Lifespans for common capital expenditures;

(ii) prescribing eligibility criteria, procedures, and the nature of assistance for tenant applications under section 72.1.

5.1.4.4 Regulations – Recommended Amendments

Add new section:

12. Determination of Fair Market Value

(1) Definition For the purposes of subsection 50(8) of the Act, **"fair market value"** means the most probable rent that a rental unit should bring in a competitive and open market under all conditions requisite to a fair rental, the landlord and tenant each acting prudently and knowledgeably, and assuming the rent is not affected by undue stimulus.

(2) Evidence Hierarchy In determining the fair market value of a rental unit, the Director shall consider the following evidence in order of priority:

> **(a) Primary Evidence:** The average rent for at least three comparable rental units for which new tenancy agreements have commenced within the six months preceding the date of the landlord's application.
>
> > **(i)** A unit shall be deemed **"comparable"** if it is in the same or a similar geographic location and is of similar size, has similar amenities, and is in a similar condition to the subject rental unit.
> >
> > **(ii)** Evidence submitted under this clause must consist of redacted tenancy agreements, official data from a recognized rental authority, or other documentation deemed sufficient by the Director.
>
> **(b) Secondary Evidence:** Where the Director is satisfied that primary evidence is not reasonably available, a certified market rent appraisal report for the subject rental unit, conducted by an accredited appraiser within the 12 months preceding the application.

(c) Tertiary Evidence: Where the Director is satisfied that neither primary nor secondary evidence is reasonably available, current public rental listings for at least three comparable rental units that have been advertised for no more than 60 days.

(3) Market Value Corridor An approved rent increase intended to achieve fair market value shall not result in a new rent that exceeds 110% of the fair market value as established under subsection (2). The Director shall use the lower end of the range of rents from the submitted comparable evidence as the primary benchmark for this calculation.

(4) Phased Approach to Market Adjustments Where a landlord provides sufficient evidence to establish the fair market value of a rental unit under subsection (2) of this regulation, the Director shall authorize an additional rent increase based on the following tiered system:

(a) Tier 1: Rent is less than 10% below Fair Market Value.
If the current lawful rent is less than 10% below the established fair market value, no additional increase is permitted under this section. The rent increase shall be limited to the amount calculated under subsection 50(2) of the Act.

(b) Tier 2: Rent is between 10% and 24.9% below Fair Market Value.
If the current lawful rent is between 10% and 24.9% (inclusive) below the established fair market value, the landlord may increase the rent by the amount calculated under subsection 50(2) of the Act, **plus an additional amount equal to one-third of the dollar value of the gap** between the current rent and the established fair market value. The total increase in any given year under this clause shall not exceed 10% of the current rent.

(c) Tier 3: Rent is 25% or more below Fair Market Value.
If the current lawful rent is 25% or more below the established fair market value, the Director may authorize a discretionary increase in accordance with subsection 50(8) of the Act, subject to the limitations in subsection (3) of this regulation.

5.2 Enhancing Confidentiality Protections in Section 50 Rent Increase Applications

5.2.1 BACKGROUND

Section 50 of the current Residential Tenancy Act (RTA) allows landlords to apply for rent increases above the annual guideline. This process requires landlords to submit detailed financial documentation to the Director, which is then made available to tenants under

Section 75(3) to ensure procedural fairness. Landlords have expressed significant concern that this process results in the disclosure of sensitive business information to tenants, including proprietary financial data. In some cases, it is alleged that tenants have shared this information publicly, with no clear recourse or penalty for breaches of confidentiality.

5.2.2 ISSUES

1. Lack of confidentiality protections for sensitive business information submitted by landlords.

2. No formal mechanism to restrict or penalize the unauthorized sharing of such information by tenants.

3. Imbalance between transparency for tenants and privacy for landlords.

5.2.3 SOLUTION

1. **Confidential Submission of Financial Documents**: Landlords should be permitted to submit detailed financial records (e.g., income statements, capital expenditures) in confidence to the Director. These documents would be reviewed by the Director but not automatically disclosed to tenants.

2. **Summary Disclosure to Tenants**: The Director would prepare and provide tenants with a summary report outlining:
- The amount and rationale for the requested increase.
- General categories of cost increases (e.g., “insurance premiums rose 20%”).
- A high-level explanation of the Director’s preliminary assessment. This ensures tenants can evaluate and respond meaningfully without accessing proprietary data.

3. **Confidentiality Undertaking for Tenants**: Tenants receiving any business-related information as part of the process would be required to sign a confidentiality undertaking. Breaches could be addressed through:
- Director’s orders under Section 85.
- Administrative monetary penalties under Section 93.

4. **Regulatory Amendments**: Amend regulations under Section 107 to:
- Define what information is mandatory for disclosure vs. protected as confidential.
- Empower the Director to summarize or redact sensitive information.
- Prescribe penalties for unauthorized disclosure by tenants.

5. **Education and Awareness**: Develop guidance materials for landlords and tenants explaining:

- The confidentiality protections in place.
- Their respective rights and responsibilities during the rent increase process.

5.2.4 PROPOSED CHANGES

5.2.4.1 Amend Section 50 – Request for Additional Increase to add:

"(9) A landlord may submit supporting financial documentation marked as "confidential" to the Director. Such documentation shall not be disclosed to the tenant unless the Director determines that disclosure is necessary for procedural fairness.
(10) The Director shall provide the tenant with a summary of the landlord's application, including the amount of the requested increase, general categories of cost increases, and a high-level rationale, without disclosing proprietary financial details.
(11) The Director may redact or summarize any documentation submitted by the landlord before providing it to the tenant."

5.2.4.2 Amend Section 75 – Application to Determine Disputes to add:

"(4) Where an application involves confidential business information submitted under Section 50, the Director may limit disclosure of such information to the tenant and may require the tenant to sign a confidentiality undertaking before access is granted."

5.2.4.3 Add New Section 75.1 Confidentiality Undertakings and Penalties:

"*(1) Where a tenant receives confidential information under Section 50, the Director may require the tenant to sign a confidentiality undertaking.*
(2) A tenant who breaches a confidentiality undertaking may be subject to an order under Section 85 or an administrative monetary penalty under Section 93.
(3) The Director may refuse to disclose confidential information to a tenant who refuses to sign a confidentiality undertaking."

5.2.4.4 Add new subsections under 107(1) – Regulation-Making Authority

(jj) prescribing the form and content of confidentiality undertakings required under Section 75.1;
(kk) prescribing the categories of landlord business information that may be withheld or summarized by the Director;
(ll) prescribing penalties or enforcement mechanisms for breach of confidentiality undertakings by tenants;
(mm) prescribing procedures for redaction or summarization of confidential documents submitted under Section 50

6 Tenancy Management and Evictions

6.1 Personal Use Evictions - more balanced approach to protect tenant rights while respecting landlord autonomy.

6.1.1 BACKGROUND

Under the current Residential Tenancy Act of Prince Edward Island, Section 62 requires landlords to provide four months' notice and compensate tenants with one month's rent plus reasonable moving expenses. These provisions were designed to protect tenants from bad faith evictions and housing insecurity.

PEI's rules are among the strictest in Canada. For comparison:
- British Columbia: 2 months' notice, 1 month's rent compensation.
- Ontario: 60 days' notice, 1 month's rent compensation.
- Alberta: 90 days' notice, no compensation.
- Nova Scotia: 3 months' notice, no compensation.
- Quebec: 6 months' notice, no compensation.

PEI is the only province that mandates both one month's rent and moving expenses.

6.1.2 ISSUE

While the intent of the current provisions is to prevent abuse, they have created significant burdens for small landlords, particularly those seeking to reoccupy their own homes. The four-month notice period and dual compensation requirements may be disproportionate, especially in cases involving single-unit properties or owner-occupied duplexes. A more balanced approach is needed to protect tenant rights while respecting landlord autonomy.

6.1.3 SOLUTION

1. Tiered Notice Periods:

- Reduce notice to 2 months for landlords reclaiming single-unit properties or owner-occupied duplexes.
- Maintain 4 months for landlords with larger portfolios.

2. Conditional Compensation:

- Require compensation only if the tenant has resided in the unit for 5+ years.
- Allow landlords to offer alternative accommodations in lieu of compensation.

3. Strengthen Enforcement:

- Require landlords to file a declaration of occupancy post-eviction.
- Impose penalties only in cases of proven bad faith.

6.1.4 PROPOSED CHANGES

6.1.4.1 Small Landlord Exception -Amend section 62(2) by adding the following after the first sentence:

Where the rental unit is a single-unit dwelling or an owner-occupied duplex, the date for termination specified in the notice of termination shall be at least two months after the notice is given.

6.1.4.2 Declaration of Occupancy - Amend section 62 by adding the following subsection:

(6) Within two months after the effective date of termination, the landlord shall file with the Director a declaration stating whether the landlord or the person named in the notice has taken occupancy of the rental unit. Failure to file such a declaration may be considered in any subsequent determination of bad faith.

6.1.4.3 Exceptional Circumstances - Amend section 62 is amended by adding the following subsection:

(7) Despite subsection (2), the Director may approve a shorter notice period where exceptional circumstances exist and it is reasonable to do so, having regard to the interests of both parties.

6.1.4.4 Amend section 72 "Compensation for personal use" by replacing with:

(1) Subject to subsection (2), a landlord shall compensate a tenant who receives a notice of termination of a tenancy under section 62 or 63 in an amount equal to one month's rent plus reasonable moving expenses in accordance with the regulations or offer the tenant another rental unit acceptable to the tenant.

(2) Subsection (1) applies only where the tenant has occupied the rental unit for a continuous period of five years or more, immediately prior to the notice of termination.

(3) The Director may waive or reduce the compensation required under this section where the landlord demonstrates undue financial hardship or where the landlord has offered and the tenant has accepted alternate accommodation of comparable quality and rent.

6.2 Legal Consequences for Property Damage

6.2.1 BACKGROUND

Under the current Residential Tenancy Act (RTA), tenants are responsible for maintaining ordinary cleanliness and repairing undue damage caused by themselves or others they permit on the property (Section 28(4)). However, the Act does not explicitly define "undue damage" or distinguish it from intentional or negligent destruction. While tenants are not liable for reasonable wear and tear (Section 28(5)), failure to repair damage may lead to a termination notice for cause (Section 61(1)(g)) and potentially an order from the Director requiring compensation (Section 85(1)(d)).

6.2.2 ISSUE

The Act does not currently classify intentional or negligent property damage as an offence nor does it impose fines or criminal liability for such conduct. This gap means that landlords must rely on civil remedies through the Director's order process, which may not adequately deter serious or repeated damage.

Damage beyond ordinary wear and tear - including intentional or negligent destruction - should carry legal consequences. Landlords argue that such behaviour is too often minimized, and that PEI's tenancy laws must better protect property owners from misuse and vandalism.

6.2.3 SOLUTION

The proposed amendments aim to address this by introducing clear definitions, compensation orders, and summary offence provisions for significant damage.

6.2.4 PROPOSED CHANGES

6.2.4.1 Amend Section 1 (Definitions) to add

(y) "wear and tear" means deterioration that occurs through normal use of the rental unit by a tenant over time, including minor scuffs, fading, or wear to flooring, paint, or fixtures, but does not include damage caused by negligence, misuse, or failure to maintain cleanliness.

6.2.4.2 Amend Section 11 (Tenancy agreement in writing) to add

(2)(j) a tenancy agreement shall include a clause, in the approved form, distinguishing reasonable wear and tear from tenant-caused damage, consistent with the definition in section 1(y).

6.2.4.3 Amend Section 28 (Obligation to repair and maintain) to add

(6) A tenant who causes damage to the rental unit or residential property beyond reasonable wear and tear, whether through negligence, recklessness, or intentional conduct, is liable to the landlord for the cost of repairs and may be subject to an order for compensation under clause 85(1)(d).

6.2.4.4 Amend Section 106 (Offences) to add

(5) A tenant who willfully or negligently causes significant damage to a rental unit or residential property commits an offence and is liable on summary conviction to a fine of not more than $5,000.

6.3 Timely Enforcement of Inspection Rights and Tenant Cooperation

6.3.1 BACKGROUND

Under the current Residential Tenancy Act, section 23 "Landlord's right to enter rental unit restricted", a landlord may only enter a rental unit under the following conditions:

1. With tenant's permission (at the time or within 10 days prior).
2. With 24 hours' written notice for:
    - Repairs or maintenance.
    - Viewing by a mortgagee, insurer, or appraiser.
    - Inspections for compliance with health and safety standards.
3. To show the unit to:
    - A potential purchaser (with 24 hours' notice).
    - A prospective tenant (if the tenancy is ending and entry is between 9 a.m. and 9 p.m.).
4. In emergencies to protect health, safety, or property.
5. If the tenant has abandoned the unit.
6. If authorized by an order of the Director.

If a tenant unreasonably denies access or otherwise interferes with lawful entry, the landlord may:

- Apply to the Director under Section 75 for an order enforcing access.

- Seek termination of the tenancy under Section 61(1)(h) for failure to comply with a material term of the tenancy agreement.
- Request compensation for any losses incurred due to the tenant's obstruction (Section 85(1)(d)).

6.3.2 ISSUE

The timelines when a tenant does not comply with section 23 are too long and therefore do not allow a timely ability to terminate the tenancy when a property is being damaged, ability to make urgent repairs or maintenance, or ability to make urgent changes to comply with health and safety standards.

6.3.3 SOLUTION

When tenants refuse access to a properly noticed inspection and fail to agree on a new inspection time within five days, an eviction notice should be allowed. Hearings in such cases should also follow an expedited timeline, with a decision reached swiftly and appeals limited to three days.

6.3.4 PROPOSED CHANGES

6.3.4.1 Amend Section 23 (Landlord's right to enter rental unit restricted) to add

(1) Where a tenant fails to permit access for an inspection after receiving proper notice under clause (b), and fails to agree to an alternative inspection time within five days of the proposed date, the landlord may issue a notice of termination for cause under section 61.

6.3.4.2 Amend Section 61 (Landlord's notice for cause) to add

(1)(m) the tenant has unreasonably refused access for a properly noticed inspection and has failed to agree to an alternative time within five days of the proposed inspection date.

6.3.4.3 Amend Section 86 (Order without hearing) to add

(d) the tenant has refused access for inspection in contravention of section 23 and the landlord has provided evidence of proper notice and lack of cooperation.

6.3.4.4 Amend Section 89 (Appeals) to add

(5.1) Where an order under section 86 relates to an inspection refusal, the time to appeal shall be limited to three days from the date the order is provided to the tenant.

6.4 Urgent Hearings in Extreme Cases of Severe Property Damage, Threats to Safety, or Immediate Risk to Persons or Property

6.4.1 BACKGROUND

The current Residential Tenancy Act does empower the Director to act immediately and decisively in urgent cases. Under Section 86 – Order Without Hearing the Director may issue an order without notice or hearing if:

- the matter is urgent and involves safety or security;
- the tenant or their guest has put the landlord's property at significant risk;
- the landlord has failed to return a security deposit and not applied to retain it.

This covers urgent safety and property risk scenarios, including serious breaches, but does not explicitly require supporting evidence or define categories like "severe damage" or "immediate risk."

The Director has discretion to issue orders without a hearing under Section 86, but no procedural guarantee of any given timeline (e.g. a 48-hour review).

Also, Section 75 – Application to Determine Disputes allows landlords or tenants to apply to the Director to resolve disputes. However, there is no mandated timeline for scheduling hearings, even in urgent cases.

6.4.2 ISSUE

Intervention is not happening swiftly enough in urgent circumstances, especially those involving severe property damage. The legislation needs to be strengthened to provide clearer criteria for requiring emergency hearings and specify timelines.

6.4.3 SOLUTION

In cases involving severe property damage, threats to safety, or serious breaches of the lease, landlords are calling for an emergency hearing option. This would allow matters to be reviewed by the Director within 48 hours, providing swift intervention when there is clear evidence of immediate risk to the property or occupants.

6.4.4 PROPOSED CHANGES

6.4.4.1 Amend Section 86 (Order without hearing) to add

(d) the landlord has submitted an application supported by evidence of:
(i) severe property damage;
(ii) threats to the safety of occupants or others; or

(iii) a serious breach of the tenancy agreement that poses an immediate risk to persons or property;

6.4.4.2 Amend Section 75 (Application to determine disputes) to add

(4) Where an application is made under clause 86(d), the Director shall schedule a hearing within 48 hours of receipt of the application and may issue an interim order pending the hearing.

6.5 Defining Repeatedly Late Rent Payments and Related Exceptional Circumstances

6.5.1 BACKGROUND

The current Residential Tenancy Act clause 61 "Landlord's notice for cause" addresses repeatedly late rent payments. Clause 61(1) reads, "*A landlord may end a tenancy by giving a notice of termination where one or more of the following applies:*", and 61(1)(b) specifies, "*the tenant is repeatedly late in paying rent;*". This leaves the interpreation of "repeatedly late" up to IRAC.

6.5.2 ISSUE

Stakeholder feedback highlighted ambiguity in the interpretation of 'repeatedly late' rent payments under Section 61(1)(b) of the RTA. The current language allows for subjective interpretation, which can disadvantage landlords, particularly small-scale ones.

6.5.3 SOLUTION

Introduce a clear threshold for what qualifies as 'repeatedly late' rent to ensure consistency and fairness in adjudication. Allow ‘exceptional circumstances’ for a tenant to be considered to ensure fairness and balance. To ensure clarity and consistency, define 'exceptional circumstances' in the Residential Tenancy Regulations and reference this definition in the Act.

6.5.4 PROPOSED CHANGES

6.5.4.1 Amend Section 61(1)(b) to read:

(b) the tenant has been late in paying rent on three or more occasions within a 12-month period, regardless of the number of days late, unless the tenant demonstrates that the lateness was due to exceptional circumstances beyond their control, as defined in the regulations;”

6.5.4.2 Add the following section to the Residential Tenancy Regulations:

11. Interpretation – Exceptional Circumstances

For the purposes of clause 61(1)(b) of the Act, "exceptional circumstances beyond the tenant's control" may include, but are not limited to:

(a) verified medical emergencies or hospitalization;
(b) delays in income assistance or employment insurance payments;
(c) banking system failures or errors;
(d) natural disasters or extreme weather events;
(e) other circumstances deemed reasonable by the Director, having regard to the tenant's history and efforts to communicate with the landlord.

6.6 Temporary Tenant Vacating Requirement During Real Estate Showings

6.6.1 BACKGROUND

Under the current Residential Tenancy Act, Section 23(c) permits landlords to enter a rental unit to show it to a prospective purchaser with 24 hours' written notice. However, the Act does not require the tenant to vacate the premises during such showings. This has led to situations where tenants remain present during showings, potentially impeding the marketing and sale of the property.

6.6.2 ISSUE

Landlords and real estate professionals have reported that the presence of tenants during showings can:

- Deter prospective buyers from engaging fully with the property.
- Lead to awkward or confrontational interactions.
- Reduce the perceived value or appeal of the unit.

At the same time, tenants have a right to quiet enjoyment and privacy, which must be respected.

6.6.3 SOLUTION

Establish a fair and balanced framework that enables landlords to effectively market rental units for sale, minimizes disruption to tenants, and provides clear rules and protections for both parties. The Director should publish a standard notice form and guidance for landlords and tenants. Outreach to landlords, tenants, and real estate professionals will be essential. The Director should be empowered to issue orders and penalties for non-compliance.

6.6.4 PROPOSED CHANGES

6.6.4.1 Landlord's Right to Enter Rental Unit - Add a new subsection (i) under Section 23

(i) Where a landlord provides written notice under clause (c) for the purpose of showing the rental unit to a prospective purchaser, the tenant shall vacate the rental unit for a period not exceeding three hours, provided that:

(i) The notice is given at least 48 hours in advance;

(ii) The showing occurs between the hours of 9:00 a.m. and 8:30 p.m.;

(iii) The tenant is not required to vacate the unit for more than three hours per day.

6.6.4.2 Tenant Objection and Exemptions – Add New Section 23.1

(1) A tenant may apply to the Director for an exemption from the requirement to vacate under Section 23(i) on the grounds of:

(a) Disability or medical condition;

(b) Caregiving responsibilities;

(c) Other exceptional circumstances.

(2) The Director may issue an order exempting the tenant from the requirement or modifying the terms of the landlord's access.

6.6.4.3 Add new subsections under 107(1) – Regulation-Making Authority

(nn) prescribing the amount or form of compensation payable to tenants under Section 23(i);

(oo) establishing procedures for tenant applications under Section 23.1;

(pp) defining exceptional circumstances for exemption.

6.7 Allocation of Damage Deposits

6.7.1 BACKGROUND

Section 40(1)(b) allows landlords to apply to the Director to claim against the deposit. Section 85(1)(j)(ii) allows offsetting unpaid rent against deposits. Section 28(4) requires tenants to repair undue damage, but enforcement depends on Director's discretion.

6.7.2 ISSUE

Landlords expect the damage deposit to cover property damage, but the Director sometimes applies it to unpaid rent. No clear prioritization or protection for landlords who

have proven damages when rent is also unpaid. In some cases, landlords feel they provided sufficient evidence of damages, but it was not considered. Lack of a mandatory damage assessment process before applying deposits to rent. Landlords must apply to the Director to retain deposits, even when damages are evident. No streamlined or automatic mechanism for applying deposits to damages when supported by inspection reports.

6.7.3 SOLUTION

Prioritize damage claims over rent when allocating damage deposits. Require a mandatory damage assessment before allocating the deposit. In the case of verified damages, the landlord retains the deposit for cost of repairs without further application. Clear appeal rights ruling on damage deposits. Add an additional penalty for tenants who cause undue damage and fail to pay rent.

Also, outside of legislation, improve the process to: require IRAC to publish plain-language guides on how deposits are allocated and how landlords can protect their rights; and, create a secure portal for landlords to submit inspection reports, photos, and affidavits; and, before deposit allocation, offer a fast-track mediation process to resolve disputes over damages vs. rent.

6.7.4 PROPOSED CHANGES

6.7.4.1 Prioritization of Damage Claims Over Rent in Deposit Allocation

Amend section 40 to add subsection (1.1):

40(1.1) Where a landlord submits evidence of undue damage to the rental unit in accordance with subsection 28(4), the Director shall allocate the security deposit first to the cost of repairs. Any remaining balance may then be applied to unpaid rent.

6.7.4.2 Mandatory Damage Assessment Before Deposit Allocation

Amend section 38 to add subsection (7):

38(7) Where a landlord seeks to retain a security deposit for the purpose of covering damages, the Director shall require a condition inspection report and supporting documentation prior to authorizing any offset against unpaid rent.

6.7.4.3 Automatic Deposit Retention for Verified Damages

Amend section 40 to add clause 40(3.1):

40(3.1) Where the landlord has completed a condition inspection report pursuant to Section 38, and the tenant has either signed the report or failed to dispute its contents within the prescribed time, the landlord may retain the security deposit for the cost of repairs without further application to the Director.

6.7.4.4 Penalties for Tenants Who Cause Undue Damage and Fail to Pay Rent

Amend section 93 to add subsection (1.1):

93(1.1) A tenant who causes undue damage to a rental unit and fails to pay rent may be subject to an administrative monetary penalty not exceeding $5,000, as determined by the Director.

6.8 Managing Tenant's Personal Belongings

6.8.1 BACKGROUND

The current Residential Tenancy Act places responsibility on landlords to manage personal property left behind by tenants after vacating or abandoning a rental unit. This includes removal, storage, inventory, notification, and disposal. Landlords have expressed concern that these obligations are complex, costly, and burdensome. The proposed policy seeks to preserve tenant rights while shifting operational responsibilities to the Director of Residential Tenancy.

6.8.2 ISSUES

- Landlords face logistical and financial burdens in managing abandoned property, including storage and disposal costs.

- Inconsistent handling of property across cases leads to disputes and liability concerns.

- The current process requires landlords to apply for disposal authority and manage communications with tenants.

- Mobile homes left behind pose additional challenges due to size, value, and legal complexity.

6.8.3 SOLUTION

Transfer responsibility for managing abandoned tenant property to the Director of Residential Tenancy. This includes removal, storage, inventory, notification, disposal, and handling of proceeds. The Director would operate a publicly funded program and digital claims portal, ensuring consistent and fair treatment while relieving landlords of direct responsibility.

6.8.4 PROPOSED CHANGES

6.8.4.1 Abandoned Personal Property - Repeal and replace Section 43

Section 43 – Abandoned Personal Property
(1) A tenant is not entitled to leave personal property in a rental unit or on residential

property after the termination or abandonment of a tenancy.
(2) Where a tenant vacates or abandons a rental unit and leaves personal property behind, the landlord shall notify the Director in the prescribed form and manner.
(3) This section does not apply where a landlord and a tenant have made an agreement in writing with respect to the storage of the tenant's personal property.
(4) Upon receiving notice under subsection (2), the Director shall assume custody and control of the personal property and shall arrange for its removal, inventory, storage, and disposal in accordance with this Act and the regulations.
(5) The Director may authorize the disposal of personal property prior to the expiry of the prescribed storage period where the Director is satisfied that:
(a) the property has no monetary value;
(b) the cost of storage or sale would exceed the likely proceeds; or
(c) the property is unsanitary or unsafe to store.
(6) The Director may establish and operate a digital claims portal to facilitate tenant access to information about stored property and to enable claims, payments, and scheduling of retrieval or delivery.
(7) A tenant or other person claiming ownership of the personal property may reclaim it within the prescribed period by providing satisfactory proof of ownership and paying any applicable costs as prescribed.
(8) Where personal property is sold, the Director shall hold the proceeds in trust for the owner in an interest-bearing account for a period of one year.
(9) If the proceeds are not claimed within one year, the Director shall remit the proceeds, together with interest earned, to the Operating Fund.
(10) A person who claims ownership of the property after the proceeds have been remitted may apply to the Minister of Finance for payment of the proceeds within seven years of the date of remittance.
(11) Subject to the rights of a secured party under the Personal Property Security Act, a landlord who has complied with subsection (2) shall not be liable for any loss, damage, or claim arising from the handling or disposition of the personal property.

6.8.4.2 Abandoned Mobile Home - Repeal and replace Section 44

Section 44 – Abandoned Mobile Home
(1) This section applies where
(a) a tenant vacated a mobile home in accordance with
(i) a notice of termination given by the landlord or the tenant,
(ii) an agreement between the landlord and tenant to end the tenancy,
(iii) an order of the Director terminating the tenancy or evicting the tenant; or
(b) a landlord has applied for an order under clause 85(1)(o) and the Director has made

an order terminating the tenancy.

(2) Where a tenant vacates a mobile home or mobile home site and leaves the mobile home on the residential property, the landlord shall notify the Director in the prescribed form and manner.

(3) Upon receiving notice under subsection (2), the Director shall assume custody and control of the mobile home and shall arrange for notice to the tenant, storage, and disposal in accordance with this Act and the regulations.

(4) The Director may authorize the sale, retention, or disposal of the mobile home after the prescribed notice period, provided that:

(a) the tenant has not made a claim;

(b) the mobile home is unsafe, unsanitary, or valueless; or

(c) the cost of storage or sale exceeds the likely proceeds.

(5) The Director shall hold any proceeds from the sale in trust for the tenant for a period of one year, after which unclaimed proceeds shall be remitted to the Operating Fund.

(6) A person who claims ownership of the mobile home or proceeds may apply to the Director or the Minister of Finance within the prescribed time period.

(7) Subject to the rights of a secured party under the Personal Property Security Act, a landlord who has complied with subsection (2) shall not be liable for any loss, damage, or claim arising from the handling or disposition of the mobile home.

6.8.4.3 Add new subsections under 107(1) – Regulation-Making Authority

(pp) prescribing procedures for landlords to notify the Director of abandoned personal property;

(qq) authorizing the Director to arrange for the removal, inventory, storage, and disposal of abandoned personal property;

(rr) establishing standards for the safe storage, notice to tenants, and disposal of personal property under the Director's custody;

(ss) providing for the funding of the Director-managed storage program, including the use of proceeds from the sale of unclaimed property;

(tt) enabling the creation and operation of a digital claims portal for tenants to view, claim, and arrange for the return of personal property;

(uu) prescribing the time periods for storage and disposal of personal property and the

conditions under which early disposal may be authorized;
(vv) prescribing any other matter necessary to give effect to the Director's responsibilities under section 43 and section 44.

6.9 Lease Renewal and Modification Rights

6.9.1 BACKGROUND

Section 52(1) – *Deemed Renewal* states that if:

- A fixed-term tenancy ends on a specific date,
- There is **no option to renew**, and
- The landlord has **not terminated** the agreement **in accordance with Division 3 of Part 4**,

Then the tenancy **automatically converts** to a **monthly tenancy** with the same terms, subject to lawful rent increases.

This also assumes that no written agreement to end the tenancy as per section 51(3) "*A landlord and a tenant may make a written agreement, other than a tenancy agreement, to end a tenancy.*"

6.9.2 ISSUE

Questionable value of a fixed-term lease if, after expiry, it automatically converts to a month-to-month tenancy with no ability for the landlord to change terms without tenant consent.

6.9.3 SOLUTION

Allow landlords to propose **reasonable changes to lease terms** upon the expiry of a fixed-term lease, with appropriate notice, provided the changes do not violate statutory protections.

6.9.4 PROPOSED CHANGES

6.9.4.1 Add new subsection to Section 52

(3) Where a fixed-term tenancy is deemed to renew as a monthly tenancy under subsection (1), the landlord may propose amendments to non-statutory terms of the tenancy agreement by providing written notice to the tenant at least 60 days before the end of the fixed term. The tenant may accept the amended terms or terminate the tenancy by providing 30 days' notice before the effective date of the proposed amendments.

6.9.4.2 Amend Section 10 to add new subsection 4.1

4.1. Subsection (4) does not apply to amendments proposed under subsection 52(3).

6.10 Enforcement of Lease Obligations and Payment Orders

6.10.1 BACKGROUND

Landlords have expressed ongoing concerns about the lack of effective enforcement mechanisms when tenants break lease agreements without just cause or fail to comply with payment orders issued by the Director. While the Residential Tenancy Act (RTA) provides for dispute resolution and compensation orders, enforcement often requires landlords to initiate additional legal proceedings, which can be costly and time-consuming. This undermines the credibility of tenancy agreements and the authority of the Residential Tenancy Office.

The current framework does not provide automatic consequences for unjustified lease-breaking or non-payment, nor does it empower the Director to proactively enforce orders through mechanisms such as garnishment or administrative penalties.

6.10.2 ISSUES

- Tenants can break lease agreements without just cause and face minimal consequences.
- Payment orders issued by the Director are not automatically enforceable and often require court filings.
- Landlords bear the burden of initiating enforcement, even when the Director has already ruled in their favour.
- The lack of enforcement tools undermines the integrity of tenancy agreements and the authority of the Residential Tenancy Office.

6.10.3 SOLUTION

Introduce legislative amendments that:

- Define unjustified lease-breaking as a cause for termination and compensation.
- Empower the Director to issue administrative penalties for unjustified lease-breaking and non-payment of orders.
- Enable enforcement of payment orders through garnishment, direct deposit interception, or other mechanisms.

- Expand the Director's powers under Section 85 to include proactive enforcement tools.
- Amend the regulation-making authority to support these enforcement mechanisms.

These changes will strengthen accountability, reduce the burden on landlords, and improve compliance with tenancy agreements and Director-issued orders.

6.10.4 PROPOSED CHANGES

6.10.4.1 Amend Section 61 – Landlord's Notice for Cause to add:

(n) the tenant has terminated the tenancy agreement without just cause and without complying with statutory notice requirements.

6.10.4.2 Amend Section 85 – Powers of the Director to add:

(s) directing a tenant who has unjustifiably broken a lease to pay compensation for lost rent, advertising, and re-rental costs, unless exceptional circumstances are proven;

(t) directing that payment orders be enforced through wage garnishment, direct deposit interception, or other mechanisms authorized by regulation.

6.10.4.3 Amend Section 93 – Administrative Monetary Penalties to add:

(1.1) A tenant who terminates a lease agreement without just cause may be subject to an administrative monetary penalty not exceeding $2,000.

(1.2) A tenant who fails to comply with a payment order issued under Section 85 may be subject to an additional administrative monetary penalty not exceeding $5,000.

6.10.4.4 Amend Section 99 – Recovery of Administrative Monetary Penalty to add:

(3.1) The Director may authorize enforcement of unpaid orders through garnishment or other collection mechanisms prescribed by regulation.

6.10.4.5 Add new subsections under 107(1) – Regulation-Making Authority

(ww) prescribing procedures and criteria for determining unjustified lease termination and associated penalties;

(xx) prescribing enforcement mechanisms for unpaid orders, including garnishment, lien registration, and coordination with financial institutions;

(yy) establishing criteria for exceptional circumstances that may exempt a tenant from penalties under Section 61(1)(n) or Section 93(1.1).

7 Modernization and Other Key Improvements

7.1 Removing Barriers to Heating Conversion

7.1.1 BACKGROUND

Prince Edward Island (PEI) has committed to reducing greenhouse gas (GHG) emissions, including those from residential heating. Furnace oil remains a common heating source in rental housing, but its high cost and carbon intensity present both economic and environmental challenges. In contrast, heat pumps powered by electricity offer a cleaner and significantly more cost-effective alternative. The long-term savings on energy bills make heat pumps an attractive option for both landlords and tenants. However, existing rental policies may inadvertently discourage their adoption by creating barriers to heating system conversion.

7.1.2 ISSUES

1. Misaligned Incentives: Landlords lack financial motivation to switch to heat pumps when tenants pay for heating.
2. Restrictions on Changing Heating Arrangements: Legal constraints make it difficult to shift heating responsibilities.
3. Unclear Capital Cost Recovery: Rent increase mechanisms for heat pump investments are complex.
4. Multi-Unit Conversion Challenges: Central systems require coordinated retrofits and agreement amendments.

7.1.3 SOLUTION

Targeted amendments to the Residential Tenancy Act (RTA) and Regulations can remove barriers to heating system conversion. These changes should clarify rent increase eligibility, streamline retrofit agreements, and protect tenant rights during transitions.

7.1.4 PROPOSED CHANGES

The following legislative amendments are proposed to address the identified barriers and facilitate heating system modernization in rental housing.

7.1.4.1 Heating System Conversion as Capital Expenditure (RTA Amendment)

1.1 Section 50(3)(b) is amended by adding the following after "capital expenditures":
", including expenditures for the installation of heat pumps as part of a heating system conversion from oil-based heating, "

7.1.4.2 Change in Utility Responsibility Due to Heating System Conversion (RTA Amendment)

1.3 Section 21 is amended by adding the following subsection:

"(3) Where a landlord proposes to terminate or restrict heating services due to conversion from central oil heating to individual heat pumps, the landlord shall:

(a) provide three months' written notice to affected tenants;

(b) offer a rent adjustment reflecting the change in utility responsibility;

(c) obtain Director approval if any tenant disputes the change."

7.1.4.3 Retrofit Agreement for Heating System Conversion (RTA Amendment)

1.4 Section 10 is amended by adding the following subsection:

"(7) A landlord and tenant may enter into a retrofit agreement for heating system conversion, which shall be filed with the Residential Tenancy Office and deemed to amend the tenancy agreement accordingly."

7.1.4.4 Residential Tenancy Regulations – Suggested Amendments

2.1 Section 5(a) is amended by adding the following after "electrical or heating systems or appliances, ":

"including expenditures for the installation of heat pumps as part of a heating system conversion, "

2.2 A new section is added:

"11. Heating System Conversion

(1) For the purposes of section 107 of the Act, 'heating system conversion' includes the replacement of an oil-based heating system with electric heat pumps, and includes associated electrical upgrades and tenant notification requirements."

(2) The Director may approve a rent increase for heating system conversion where the landlord demonstrates capital expenditure and net operating savings, and the heating service remains included in rent."

2.4 Section 6 is amended to add:

"(3) Where a tenant is displaced due to heating system conversion, reasonable moving expenses shall be compensated in accordance with section 70 of the Act."

7.2 Improvements to Increase Pet-Friendly Units

7.2.1 BACKGROUND

Under the **Residential Tenancy Act (RTA)**:

- Security deposits are **capped** at:
    - **One week's rent** for weekly tenancies.
    - **One month's rent** for all other tenancies.
- **No exceptions** are made for pet-related risks.
- Landlords **cannot require additional deposits** for pets or damages beyond the standard cap.
- **Automatic retention** of deposits is prohibited.

7.2.2 ISSUES

Landlords face elevated risks when permitting pets in rental units, including property damage and increased maintenance costs. The current legislation does not allow for additional deposits to mitigate these risks, creating a disincentive for pet-friendly housing. This policy gap contributes to limited availability of rental units for pet owners and may lead to informal or discriminatory practices.

Tenants with pets often struggle to find housing.

Landlords may avoid pet-friendly policies due to financial risk.

- **Higher risk of property damage** (scratches, stains, odors).
- **Increased cleaning and maintenance costs**.
- **Potential liability** for noise or nuisance complaints.

7.2.3 SOLUTION

To address these concerns, it is proposed that the Residential Tenancy Act be amended to allow landlords to collect an additional pet damage deposit, subject to specific conditions and protections for tenants. This deposit would be held in trust, accrue interest, and be returned under the same rules as standard security deposits.

7.2.3.1 Pet Agreement Addendum

Develop a **standardized pet agreement form** approved by the Director, outlining:

- Pet type, breed, and number of pets.
- Tenant responsibilities (cleaning, noise control).
- Grounds for revocation of pet privileges.

7.2.3.2 Incentives for Pet-Friendly Housing

Introduce **voluntary incentives** for landlords:

- **Tax credits** or **property assessment adjustments**.
- **Access to pet damage insurance** or **risk mitigation grants**.

7.2.3.3 Tenant Protections

Ensure tenants are protected from:

- **Unreasonable pet restrictions**.
- **Discrimination** based on pet ownership (especially service animals, which are already protected under Section 16).

7.2.3.4 Legislative Amendment: Pet Damage Deposit

Amend Section 14 of the RTA to allow an **additional pet damage deposit**, separate from the standard security deposit.

Key Features:

- **Maximum amount**: Up to **one half month's rent**.
- **Held in trust**, subject to same interest and return rules.
- **Applicable only** where pets are permitted under the tenancy agreement.

7.2.3.5 Regulatory Amendment: Define Pet Damage Deposit

Amend the **Residential Tenancy Regulations** to:

- Define "pet damage deposit."
- Prescribe **interest rate** and **return conditions**.
- Clarify **inspection procedures** for pet-related damage.

7.2.4 PROPOSED CHANGES

7.2.4.1 Pet Damage Deposit (RTA Amendment)

Insert new section after Section 14:

"Section 14.1 – Pet Damage Deposit
(1) Where a tenancy agreement permits the presence of a pet, the landlord may require a pet damage deposit not exceeding one-half month's rent.
(2) A pet damage deposit shall be held in trust and returned in accordance with the

provisions of Section 40.
(3) The Director may prescribe the form and conditions of pet agreements and inspection procedures related to pet damage."

7.2.4.2 Add new subsections under 107(1) – Regulation-Making Authority

(h.1) respecting pet damage deposits, including

(i) the circumstances under which a deposit may be required,
(ii) the process for conducting condition inspections related to pets,
(iii) the definition of pet damage,
(iv) the procedures for making a claim against the deposit, and
(v) the process for the return of the deposit;

7.2.4.3 Residential Tenancy Regulations – Suggested Amendments

Amend the regulations to:

- Define **'pet damage deposit'** as a separate deposit, only to be used for damages directly attributable to a pet and exceeding reasonable wear and tear.
- Prescribe the **interest rate and return conditions** consistent with those for security deposits under Section 3 (CPP rate minus 2%).
- Establish **clear inspection and claim procedures** for assessing pet-related damage, which shall include:
    - A requirement to document pet-related conditions on the **move-in and move-out condition inspection reports**.
    - A process for landlords to make a claim, requiring an **itemized list of damages and costs**, consistent with the procedures for security deposits.
    - A rule clarifying that the pet damage deposit is the **primary source for rectifying pet-specific damage**, before any claims for such damage can be made against the general security deposit.

7.2.4.4 Additional Measures

- Develop a standardized pet agreement form approved by the Director.
- Provide guidance to landlords and tenants on pet-related responsibilities.
- Consider incentives such as tax credits or access to pet damage insurance for landlords offering pet-friendly units.

8 APPENDIX A - Rent Increase Scenarios and Calculations

Here are several distinct scenarios illustrating how the proposed amendments to Section 50 of the *Residential Tenancy Act* would function. They cover a range of situations including capital expenditures, extraordinary cost increases, and special circumstances.

8.1 Scenario A: Allowable Capital Expenditure (New Roof)

Situation: A landlord owns a 10-unit apartment building. The roof is failing and needs a complete replacement. The tenants all currently pay $1,200 per month. The annual allowable rent increase (the "Base Amount") for the year is 3%.

- **Cost of Roof Replacement:** $90,000 (This is an "Allowable Capital Expenditure" as it's a major replacement over $5,000).
- **Prescribed Lifespan (from regulations):** 20 years (or 240 months).
- **Number of Units:** 10

Calculation under the Proposed Rules:

1. **Calculate the Monthly Pass-Through Cost:**
    - $90,000 / 240 months = **$375 per month (for the whole building)**
2. **Calculate the Cost Per Unit:**
    - $375 / 10 units = **$37.50 per month, per unit**
3. **Determine the Total Rent Increase:**
    - **Base Amount:** 3% of $1,200 = **$36.00**
    - **Pass-Through Adjustment: $37.50**
    - **Total Increase Per Unit:** $36.00 + $37.50 = **$73.50**

Outcome:

The landlord can apply to increase the rent for each unit by $73.50, bringing the new monthly rent to $1,273.50. Because the capital expenditure portion of the increase ($37.50) is less than 10% of the original rent, it does not need to be phased in under Section 50(7).

8.2 Scenario B: Extraordinary Cost Increase (Property Insurance)

Situation:A landlord's annual property insurance premium for a duplex has unexpectedly increased from $2,000 to $3,500 in one year due to market changes. The tenants in each unit pay $1,500 per month. The Base Amount (annual allowable increase) for the year is 3%.

Calculation under the Proposed Rules:

1. **Calculate the Percentage Increase in Insurance:**
    - ($3,500 - $2,000) / $2,000 * 100 = **75% increase**
2. **Calculate the "Extraordinary Cost Increase":**
    - 75% - 3% = **72%**
3. **Determine the Pass-Through Adjustment:**
    - 72% of $1,500 = **$1,080** (total for the property)
    - **Adjustment Per Unit:** $1,080 / 2 units = $540 per year, or **$45 per month**.
4. **Determine the Total Rent Increase:**
    - **Base Amount:** 3% of $1,500 = **$45.00**
    - **Pass-Through Adjustment: $45.00**
    - **Total Increase Per Unit:** $45.00 + $45.00 = **$90.00**

Outcome:

The landlord can apply to increase the rent for each unit by $90.00, for a new monthly rent of $1,590.00.

8.3 Scenario C: Complex Case (Adapted from Order-LR23-80)

Situation: A landlord owns a duplex where tenants have lived for over 20 years without a rent increase. The landlord needs to finance repairs and the current rent is far below market value.

- **Current Rent:** $650 per month, per unit.
- **Base Amount:** 3% for the upcoming year.
- **Allowable Capital Expenditures:** $30,000 (New Roof and Windows)

Calculation under the Proposed Rules:

1. **Calculate Pass-Through Cost Per Unit:**
    - Roof: $18,000 / 240 months = $75.00
    - Windows: $12,000 / 180 months = $66.67
    - Total: $141.67 / 2 units = **$70.84 per month, per unit**
2. **Determine Total Approvable Increase:**
    - **Base Amount:** 3% of $650 = **$19.50**
    - **Pass-Through Adjustment: $70.84**
    - **Total Approved Increase:** $19.50 + $70.84 = **$90.34**
3. **Apply Phasing-In Rule (10% Cap):**
    - The pass-through of $70.84 exceeds the 10% cap of $65 (10% of $650). The increase must be phased in.

Phasing-In Schedule:

- **Year 1:** Increase of **$84.50** ($19.50 Base + $65.00 Capped Pass-Through). New Rent: **$734.50**.
- **Year 2:** Increase of **$27.88** ($22.04 new Base + $5.84 remaining Pass-Through). New Rent: **$762.38**.

Outcome:

The landlord is approved for a $90.34 increase, phased in over two years.

8.4 Scenario D: Extraordinary Cost Increase (Property Taxes)

Situation: A landlord's property taxes jump from $10,000 to $13,000 (a 30% increase). The Base Amount is 3%.

Calculation under the Proposed Rules:

1. **Calculate "Extraordinary Cost Increase":**
    - 30% - 3% = **27%**
2. **Determine Pass-Through Adjustment:**
    - The landlord can pass through this 27% increase to tenants, distributed proportionally.

Outcome:

The landlord can apply to pass through the 27% tax increase in addition to the 3% Base Amount, subject to the 10% phasing-in cap for individual tenants.

8.5 Scenario E: Mobile Home Park Special Consideration

Situation: A mobile home park owner must upgrade the septic system for $250,000 (25-year lifespan) across 50 lots. Current lot rent is $300. Base Amount is 3%.

Calculation & Application:

1. **Calculate Pass-Through Per Lot:**
    - $250,000 / 300 months / 50 lots = **$16.67 per month, per lot**
2. **Determine Total Increase:**
    - **Base Amount:** 3% of $300 = **$9.00**
    - **Pass-Through: $16.67**
    - **Total:** $25.67

Outcome:

The Director gives special consideration for the essential infrastructure and approves the $25.67 increase. It does not require phasing in as $16.67 is less than the 10% cap ($30).

8.6 Scenario F: Director Discretion to Exceed Phased-In Cap (Occupied Unit)

Situation: Same facts as Order-LR23-80, but with major capital improvements totaling $120,000. Current rent is $650, market rent is $1,100.

- **Total Allowable Capital Expenditure:** $120,000 (20-year lifespan)
- **Calculated Pass-Through:** $250 per month, per unit.

Application & Tier 3 Discretion:

The landlord applies for the full pass-through of the capital expenditure. The Director's analysis follows the tiered regulation:

1. **Tier Identification:** The current rent ($650) is **40.9%** below the established fair market value ($1,100). As this is greater than the 25% threshold, the application qualifies for a **Tier 3** discretionary increase.

2. **Discretionary Decision:** Having qualified for Tier 3, the landlord is eligible for an accelerated phase-in under subsection 50(8) of the Act. The landlord demonstrates that the standard multi-year phase-in would create undue financial hardship and prevent them from securing the necessary financing for the improvements. Satisfied with this evidence, the Director agrees to an accelerated phase-in, setting a cap of **$195 per year** for the pass-through portion of the increase.

New Accelerated Phasing-In Schedule (Occupied Unit):

- **Year 1:** Increase of **$214.50** ($19.50 Base + $195 Capped Pass-Through). **New Rent: $864.50.**
- **Year 2:** Increase of **$80.94** ($25.94 new Base + $55 remaining Pass-Through). **Final Rent: $945.44.**

Outcome and Tenant Support:

The rent reaches $945.44 in two years. The Year 1 increase of 33% triggers Section 72.1, making the tenant eligible for relocation assistance.

8.7 Scenario G: Voluntarily Vacant Unit Increase (Standard)

Situation: From Scenario C, the approved increase was $90.34 but was being phased in. The unit becomes vacant.

Application under Section 50(9):

The landlord can bypass the phasing-in, but is subject to the lower of the full approved increase ($90.34) or the 20% cap ($130).

Outcome:

The landlord can immediately increase the rent by $90.34 to $740.34 for a new tenant.

8.8 Scenario H: Director's Overriding Discretion

Situation: An elderly landlord faces a sudden, massive foundation repair ($40,000) on a unit with a long-term tenant paying very low rent ($500). The calculated pass-through ($133.33/month) far exceeds the 10% cap ($50).

Outcome:

The Director, invoking overriding discretion under Section 50(11), acknowledges the formula creates unjust hardship. The Director could approve a temporary, larger increase or a different implementation schedule to balance the landlord's and tenant's needs.

8.9 Scenario I: Vacant Unit After an Accelerated Increase (Revised Rule)

Situation: We use the same facts as Scenario F, but the unit becomes voluntarily vacant.

- **Previous Lawful Rent:** $650 per month.
- **Director's Prior Ruling:** In Scenario F, the Director authorized an accelerated phase-in under Section 50(8) due to landlord hardship.
- **Full Approved Increase:** The total approved increase from the application was **$269.50** ($250 pass-through + $19.50 base amount).
- **Action:** The unit becomes voluntarily vacant.

Application of the Revised Rules (Section 50(9)):

1. **Clause (a) establishes the default:** A 20% cap ($130) applies, *unless* the conditions in clause (b) are met.
2. **Clause (b) provides the exception:** Since the Director *has* previously authorized an accelerated increase for this unit under subsection (8), the 20% cap in clause (a) **does not apply**.
3. **Result:** The landlord may implement the **full approved increase** immediately.

Calculation of New Rent:

- Previous Rent: $650.00
- Full Approved Increase: + $269.50
- **New Lawful Rent: $919.50**

Outcome (Under the Revised Rule):

The landlord can immediately set the rent for the new tenant at **$919.50**. This allows the landlord to fully realize the financial relief granted by the Director's hardship ruling as soon as the unit turns over. This provides a clear path to recoup approved costs on turnover.

8.10 Scenario J: Fair Market Value - Order LR25-31

Assuming the new tiered regulations are in place and the landlord can prove the fair market value of the unit at 11 Cornwall Road is **$1,400 per month**, the approved rent increase would be an estimated **7.4%**.

This outcome is a direct result of the tiered system, which provides a predictable, formula-based "catch-up" increase that is more substantial than the base formula but more constrained than a fully discretionary decision.

The evaluation follows a clear, multi-step process based on the new regulations.

1. Determine the Market Position

First, we determine where the current rent sits in relation to the proven fair market value to identify the correct tier.

- **Fair Market Value (FMV):** $1,400/month
- **Current Rent:** $1,223/month
- **Dollar Gap:** $1,400 - $1,223 = **$177**
- **Percentage Below Market:** ($177 ÷ $1,400) x 100 = **12.64%**

Since the rent is 12.64% below market, the application falls into **Tier 2** of the new regulation.

2. Apply the Tier 2 Formula

The rule for Tier 2 allows the landlord to take the base formula increase *plus* an additional amount equal to one-third of the dollar gap.

- **Base Formula Increase:** As calculated previously, the base increase from extraordinary costs is **$31.44/month** (which is 2.57% of the current rent).
- **Additional "Catch-up" Amount:** One-third of the dollar gap is $177 ÷ 3 = **$59.00/month**.
- **Total Monthly Increase:** $31.44 (Base) + $59.00 (Catch-up) = **$90.44/month**.

3. Check the Cap and Final Percentage

The Tier 2 regulation includes a cap to prevent excessive rent shock: the total annual increase cannot exceed 10% of the current rent.

- **10% Cap:** 10% of $1,223 is **$122.30/month**.
- **Result:** The calculated total increase of $90.44 is below the $122.30 cap and is therefore allowed in full.

Converting this dollar amount back to a percentage gives the final approved increase:

- **Final Percentage Increase:** ($90.44 ÷ $1,223) x 100 = **7.4%**

This tiered approach successfully resolves the "cliff" problem by providing a significant and meaningful increase (7.4%) that is much higher than the base formula (2.57%) but avoids the wide-open discretion required to reach an even higher amount. It creates a predictable and fair outcome for both the landlord and the tenant.