The Residential Tenancy Modernization Act: A Consolidated Framework for Reform

Proposed Amendments to the Residential Tenancy Act

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For consultation purposes only. Parliamentary Counsel has not reviewed.

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2 Purpose and Executive Summary

This document details the Residential Tenancy Modernization Act (RTMA), a consolidated framework of amendments designed to address the critical, interconnected challenges of housing affordability, security, and supply in Prince Edward Island.

The Act proceeds from a clear diagnosis: our province faces a structural housing imbalance. Tenants face a near-zero vacancy rate and escalating affordability challenges. Simultaneously, providers of rental housing - particularly of older, lower-priced units - face mounting operational costs and legislative ambiguity that discourage maintenance and investment, threatening the long-term viability of the very housing we need most.

This proposal is not about prioritizing one group over another. It is a comprehensive "Grand Bargain" designed to create a fair, sustainable, and modern rental market. It achieves this by creating a web of legislative dependencies: new, targeted economic tools that support housing viability are made statutorily conditional on new, enforceable measures that guarantee tenant protection, transparency, and accountability.

Key reforms proposed in this Act include:

For Tenants: Strengthening Protections, Transparency, and Security

- **Best-in-Class Eviction Integrity**: Introduces one of Canada's strongest anti-eviction frameworks. This includes a mandatory 12-month rent penalty for bad-faith "personal use" evictions and a new prohibition against "constructive evictions" (e.g., neglecting repairs or cutting services to force a tenant out).
- **Mandatory Rental Registry**: Creates a central, official record of all rental units and their lawful rent, empowering tenants and the Director to verify rent history and enforce legal rent increases.
- **Proactive Landlord Licensing**: Shifts from a reactive complaint-based system to a proactive model. A landlord must hold a valid license - conditional on meeting health, safety, and maintenance standards - to operate and collect rent.
- **Enhanced Maintenance Standards**: Reinstates the landlord's explicit duty to keep properties in a "good state of repair" and introduces a powerful enforcement tool: any approved rent increase is automatically stayed (paused) while a maintenance order for that unit is outstanding.
- **Independent Tenant Advisor**: Establishes in legislation a publicly funded Tenant Advisor Office to provide information, support, and advocacy, addressing a critical

access-to-justice gap.

For Landlords: Ensuring Financial Viability, Predictability, and Efficiency

- **Regulated Vacancy Adjustment**: Allows landlords to adjust rent to a "viability-based cap" tied to the property's fair market value when a unit voluntarily becomes vacant. This provides a regulated mechanism to cover financing and acquisition costs, which are explicitly excluded from AGIs (Above Guideline Increases).
- **Predictable Above-Guideline Increases (AGIs)**: Replaces the subjective "reasonable return" test with a standardized, calculator-based system for AGIs. This creates an objective, transparent, and predictable process for recovering legitimate operational and capital costs.
- **Immediate Viability Orders**: Creates a narrow, emergency "safety valve" for landlords who can prove an operational loss (a Debt Service Coverage Ratio below 1.2) based on their actual, eligible financing costs. The IVO is designed as a time-limited "catch-up" tool for existing, operationally unviable properties. To ensure it is not used to bypass the intended vacancy-based rent-setting model, it is also made conditional: new owners are prohibited from using the IVO for 36 months after purchase (Clause 20(4)(c)). This forces new owners to rely on the Regulated Vacancy Adjustment (Clause 25) as intended, protecting existing tenants from rent increases based on acquisition costs
- **Centralized Management of Abandoned Property**: Shifts the responsibility and liability for handling a former tenant's abandoned belongings from individual landlords to the Office of the Director, who will manage a professional, centralized process.
- **Clearer Rules for Damage, Repairs, and Late Rent:** Introduces statutory definitions for "reasonable wear and tear," "undue damage," and "repeatedly late rent" to reduce ambiguity. It establishes a tenant's duty to cooperate with access for repairs, creates expedited hearings for urgent issues, and clarifies rules for end-of-tenancy damage claims, including a "damage-first" allocation of the security deposit and a new offence for significant tenant-caused damage.
- **Streamlined and Fair Dispute Resolution**: Modernizes dispute resolution to reduce systemic delays and remove procedural loopholes. This includes:
    - **Summary Orders**: Introduces a new summary order process (Clause 51) allowing the Director to issue an eviction order for non-payment of rent without a hearing if the tenant has not filed a dispute within the 10-day window. This is designed to eliminate the 90-day hearing backlog for

undisputed cases.

- **Removing the "Automatic Stay" Loophole**: Closes a major loophole by removing the automatic stay of an eviction order upon appeal (Clause 52). An appeal no longer stops an eviction unless the Appeal Panel grants a stay on application, removing the incentive for frivolous appeals used to gain rent-free time.
- **Modernized Timelines**: Aligns the notice period for non-payment of rent with the national standard, reducing it from 20 days to 14 days (Clause 53).
- **Frivolous Appeal Dismissal**: Establishes a specialized Appeal Panel with new powers to summarily dismiss appeals that are frivolous or have no reasonable prospect of success (Clause 5).

Crucially, the new economic tools are not automatic. The ability for a landlord to use the Above Guideline Increase, Regulated Vacancy Adjustment or an Immediate Viability Order is entirely dependent on their full compliance with the new tenant-protection measures, including being in good standing with the Rental Registry and Landlord Licensing system.

3 Strategic Overview and Thematic Analysis

3.1 Introduction: A Path Beyond Polarization

The originally proposed amendments to the Prince Edward Island *Residential Tenancy Act* (RTA) have been introduced into a legislative environment defined by an acute housing crisis and a profound schism between the perspectives of tenants and landlords. Public consultation reveals two competing worldviews: one framing housing as a human right requiring robust social protection, and another viewing it as a business investment requiring economic viability to ensure supply and quality.

Presenting solutions to address tenant and landlord concerns as separate legislative proposals is a strategically flawed approach that invites stakeholders to champion their preferred legislation while vehemently opposing the other's, creating a zero-sum political dynamic. A durable solution requires a comprehensive, integrated legislative package - the **"Residential Tenancy Modernization Act."** This Act creates a "grand bargain" by making foundational improvements in governance, transparency, and accountability a precondition for any new economic flexibility for landlords.

3.2 The Grand Bargain: A Web of Legislative Dependencies

The proposed changes, while addressing different facets of the tenancy relationship, are not independent policy initiatives. They form a web of legislative dependencies where the effectiveness and fairness of one change is contingent upon the implementation of another. The consolidated Act is structured to recognize and enforce these dependencies.

The core of the grand bargain is the direct statutory link between economic reforms and transparency measures. The introduction of a regulated form of **vacancy decontrol** is the most contentious economic change, addressing landlord calls for financial viability. Its legitimacy and perceived fairness are therefore made entirely dependent on robust transparency and enforcement mechanisms. Specifically, the ability for a landlord to use the new vacancy rent-setting mechanism is explicitly conditional upon:

1. **The Mandatory Rental Registry:** The unit must be registered, and the new tenant must be provided with a certified rental history. This addresses the primary tenant demand for a tool to verify the legality of their rent.
2. **Strengthened Eviction Integrity:** The system is counter-balanced by powerful new enforcement tools: a constructive eviction prohibition that triggers penalties and compensation for deliberate interference (e.g. service withdrawal, repair neglect, harassment) to get an eviction; and rules against bad-faith "personal use" evictions, with mandatory penalties of 12 months' rent for abuse. This directly addresses the tenant fear that vacancy decontrol will incentivize fraudulent evictions.

This framework is further balanced by comprehensive procedural reforms that ensure the dispute resolution system itself is fair, efficient, and resistant to "gaming." Just as tenants are protected from bad-faith evictions (Part VI), the system is now designed to provide timely resolution for landlords in clear-cut cases of non-payment (Part VI, Clauses 51-53). By introducing summary orders for undisputed claims and removing the automatic stay on appeal, the Act addresses critical bottlenecks and loopholes, ensuring that the new tenant protections are built upon a system that functions efficiently for all parties.

This integrated structure transforms the policy. It is no longer a series of isolated "wins" for one side or the other, but a balanced trade-off that builds a measure of trust and accountability into the system from the outset.

4 Summary of the Proposed Legislation

The consolidated **Residential Tenancy Modernization Act** is organized into six coordinated parts that together deliver the “grand bargain”: stronger tenant protections and transparency, paired with objective, compliance-conditioned tools that support the long-term viability of rental housing.

4.1 Governance and Administration

Establishes modern, balanced oversight and support:

- Creates the **Office of Residential Tenancy Services (ORTS)** to administer the Act, separate from the **Residential Tenancy Appeal Panel** at IRAC.
- Legislates independent **Tenant Advisor** and **Landlord Advisor** offices, with transparent reporting on resource allocation.
- Constitutes a specialized **Appeal Panel** with training (procedural fairness, cultural competency, trauma-informed practice), a **90-day decision standard**, and **summary-dismissal powers** guarded by fairness safeguards (notice, submissions, reinstatement avenue, limited costs for abusive appeals).

These measures improve access to help, reduce delays, and strengthen confidence in adjudication.

4.2 Rental Registry and Licensing

Puts transparency and proactive enforcement at the core:

- A **mandatory Rental Registry** records the lawful rent for each unit; any rent-increase notice is **of no effect** if the unit is not registered. Tenants can obtain a **certified rental history**.
- A **Residential Rental Licensing** system professionalizes operations (insurance, inspections, maintenance plans). Licences can be **refused, suspended, or revoked** for serious non-compliance (e.g., unsafe conditions, unlawful rent, bad-faith evictions), with appeal rights.

Together, these are the keystones that enable the compliance-conditioned rent tools elsewhere in the Act.

4.3 Rent Setting and Adjustments

Modernizes rent rules with objective, standardized mechanisms:

- **AGIs via a standardized calculator**: Objective inputs, CPI-based operating adjustments, and a regulated capital-recovery method (service-life schedules), with clear documentation standards and worked examples published by the Director. **Mortgage interest, principal, and other financing costs are excluded** from AGIs and may not be amortized or passed through.

- **Tiered phase-in of approved AGIs**: If total AGI ≤ 6%, implement up to **3% + guideline** per year; if total AGI > 6%, implement up to **5% + guideline** per year **only** if licensing and maintenance-order compliance conditions are met. The Director may order a lower percentage for **tenant hardship** under prescribed criteria.

- **Immediate Viability Orders (DSC-based)**: A narrow, emergency safeguard allowing landlords who can prove an operational loss (a Debt Service Coverage Ratio < 1.2) to apply for a rent adjustment. The calculation is based on the landlord's *actual* financing, but is capped by a "Two-Part Eligible Debt" test (Clause 24, Reg. Z.1-Z.3) to disallow high-risk (LTV > 80% at origination) or non-capital (personal equity-takeout) debt . Crucially, the tool is barred for 36 months after purchase (Clause 20(4)(c)) to ensure new owners use the Regulated Vacancy Adjustment (Clause 25) instead of passing acquisition costs to existing tenants.

- **Regulated vacancy adjustment**: On turnover, rent may be reset up to a **viability-based cap tied to fair market value**, using standardized financial assumptions published annually. This flexibility is available **only** if the unit is **registered** and the landlord is **licensed**; approvals are auditable and appealable.

- **Green upgrades**: Provides a clear path for **heating system conversions** (e.g., oil → heat pumps), with notice, rent-allocation adjustments, retrofit agreements that file with the Director, and treatment of conversion costs under the AGI capital framework.

- **Transparency & confidentiality in proceedings**: Codifies confidentiality undertakings/redactions where appropriate while ensuring parties can access necessary evidence.

4.4 Maintenance, Repairs, and Safety

Raises standards and links compliance to rent privileges:

- Restores and strengthens the landlord's duty to keep units in a **good state of repair and fit for habitation**, with **prescribed maintenance standards** and response timelines (**24h emergencies / 7 days urgent / 14 days non-urgent**), supported by inspections and evidence rules.
- Enables **proportional rent abatements** for defects and imposes a **stay on rent increases** (including approved AGIs) while **any maintenance order remains outstanding**.
- Establishes a **duty to cooperate with access** for repairs/inspections and **expedited pathways** for emergency and access disputes (24–48h review for emergencies).

4.5 Tenancy Management and Disputes

Clarifies day-to-day rules and streamlines common problem areas:

- Statutory definitions: **reasonable wear and tear**, **undue damage**, and **significant damage**; objective test for **repeatedly late rent** (three late payments in 12 months after a warning, with a short grace period).
- **Centralized management of abandoned property**: Landlords notify the Director; the Director (or contracted vendors) takes custody, inventories, stores, and disposes/returns property via a digital portal, with protections for secured creditors (special rules for mobile homes). Landlords are no longer responsible after transfer of custody.
- **End-of-tenancy damage process**: "**Damage-first**" allocation of the security deposit with documentation and a 7-day deemed-consent pathway for undisputed claims, plus safeguards against double recovery and a specific **offence for significant damage**.

4.6 Eviction Integrity & Timelines

Sets a best-in-class integrity regime that counterbalances vacancy flexibility and streamlines dispute timelines:

- **Personal-use eviction integrity:** Affidavit at notice; mandatory Post-Use Declaration within 14 months with proof of occupancy. If the unit is not occupied for ≥12 consecutive months or is re-rented/sold within 24 months, bad faith is conclusively presumed and the Director must order 12 months' rent as statutory damages; the Director may act on own motion and issue an order-without-hearing for failure to file the declaration. Narrow extenuating-circumstances relief exists only if the unit was not re-rented/sold.

- **Constructive eviction prohibition** with administrative monetary penalties (AMPs), compensation (including rent-gap for up to 12 months), and audit/reporting requirements to deter vacancy creation by neglect or harassment. This includes deliberate interference by means of service withdrawal, repair neglect, and/or harassment to get an eviction.

- **Streamlined Eviction Timelines (Non-Payment):**

    - **Summary Orders:** Introduces a "default" eviction order process (Clause 51) for non-payment of rent where a tenant has not filed a dispute, bypassing the 90-day hearing backlog.

    - **Elimination of "Automatic Stay":** Removes the automatic stay on appeal (Clause 52), eliminating a key loophole for frivolous delays. An eviction order can be enforced unless the Appeal Panel grants a specific stay.

    - **Modernized Notice Period:** Reduces the non-payment notice period from 20 to 14 days to align with national standards (Clause 53).

The consolidated "Residential Tenancy Modernization Act" is organized into six new parts to create a coherent and modern framework.

5 Synthesis and Strategic Legislative Path Forward

The Residential Tenancy Modernization Act is designed as a single, integrated framework to break the cycle of polarized debate that has stalled housing reform. Rather than advancing piecemeal amendments that invite zero-sum advocacy, this Act links economic flexibility for landlords directly to enforceable tenant protections and transparency measures. This "grand bargain" approach ensures that every new tool for viability is conditional on compliance, and that procedural fairness and efficiency are guaranteed for both tenants and landlords, creating a balanced system from the outset.

The Regulated Vacancy Adjustment, for example, is counter-balanced by best-in-class eviction integrity measures (Part VI), while the systemic delays in resolving legitimate non-payment evictions are addressed through new summary processes and the removal of appeal loopholes (Part VI). Likewise, the new emergency Immediate Viability Order is balanced by a 36-month guardrail to protect tenants from rent shocks after a sale, and by strict eligibility rules to prevent the subsidy of personal-use loans.

Strategically, consolidation offers clarity and predictability for stakeholders and legislators. It reduces legislative fragmentation, aligns implementation timelines, and provides a coherent narrative for public engagement: stronger security and fairness for tenants, paired with objective, compliance-based mechanisms to sustain rental housing supply and a dispute resolution system that is efficient and just. By embedding these dependencies in statute, the Act transforms competing interests into mutual obligations, fostering trust and accountability.

Politically, this unified package is the most viable path forward. It addresses urgent affordability and supply challenges without sacrificing tenant rights, and it positions Prince Edward Island as a leader in modern tenancy law. Phased proclamation and clear regulatory authority allow government to manage readiness while signaling a durable commitment to housing stability. In short, this Act is not a compromise - it is a structural solution built for long-term balance and resilience.

6 Part I – Governance and Administration

6.1 Overview

Part I establishes the modern governance structure for residential tenancies in Prince Edward Island. It creates an independent Office of Residential Tenancy Services (ORTS), separate from the Island Regulatory and Appeals Commission (IRAC), to administer the Act, addressing concerns about conflicts of interest in adjudication. It also establishes Tenant and Landlord Advisor Offices to provide neutral support and advocacy for parties, bridging an access-to-justice gap identified by stakeholders. A specialized Residential Tenancy Appeal Panel is constituted at IRAC with trained members and a 90-day decision deadline, improving efficiency and consistency in appeals. These governance reforms introduce robust service standards, annual reporting of metrics, and comprehensive training in procedural fairness and cultural competency. Collectively, Part I's measures aim to restore confidence in the tenancy dispute resolution system through transparency,

accountability, and balanced support for both tenants and landlords.

6.2 Clause 1 – Tenant and Landlord Advisor Offices Established

The Act is amended by adding the following after section 7:

7.1 Tenant and Landlord Advisors established

1. There are hereby established within the administration of this Act the offices of
   (a) the Tenant Advisor; and
   (b) the Landlord Advisor.

2. The Minister responsible for the administration of this Act shall appoint
   (a) one or more persons to act as the Tenant Advisor; and
   (b) one or more persons to act as the Landlord Advisor,
   and may prescribe their terms and conditions of appointment.

3. The Advisors shall operate at arm's length from the Director in providing assistance to parties and are not subject to the Director's direction with respect to their advice to individual clients.

4. For greater certainty,
   (a) the Advisors are persons "retained" under clause 7(3)(a) of the Act; and
   (b) sections 8 and 9 apply, with any necessary changes, to the Advisors and any person employed, engaged or otherwise retained to assist them.

7.2 Functions of the Advisors

1. The Tenant Advisor and the Landlord Advisor shall, as applicable,
   (a) provide information and assistance respecting the rights and obligations of landlords and tenants under this Act and the regulations;
   (b) assist clients to understand and complete approved forms and to prepare for mediation or hearing processes under Part 5;
   (c) with the client's written authorization, communicate with the Director's office in relation to an application or order under this Act; and
   (d) appear as an agent on behalf of a client at a mediation or hearing conducted under section 79 or 80 or on an appeal to the Commission, subject to subsection 80(6).

2. The Advisors shall not provide legal services where doing so would contravene any

enactment respecting the practice of law.

3. The Advisors shall preserve the confidentiality of information received from a client except where disclosure is
(a) authorized in writing by the client;
(b) permitted or required by law; or
(c) necessary to comply with a subpoena, warrant or order of a court or tribunal with jurisdiction.

4. Despite any other enactment, with the written authorization of a party, the Director may disclose to an Advisor such information from the Director's file as, in the Director's opinion, is reasonably required to enable the Advisor to carry out their functions.

5. Nothing in this section limits the right of a party to be represented by an agent or a lawyer in accordance with subsection 80(6).

6.3 Clause 2 – Resource Allocation for Advisor Offices

The Act is amended by adding the following after section 7.2:

7.2.1 Resource allocation for Advisors

1. In allocating resources to the offices of the Tenant Advisor and the Landlord Advisor, the Minister shall have regard to the relative volume and complexity of matters handled by each office and the need to ensure that tenants and landlords have reasonably comparable access to assistance under this Act.

2. Without limiting subsection (1), the Minister shall consider
(a) the number of inquiries and applications received by each office;
(b) the proportion of self-represented parties served by each office;
(c) the relative proportion of clients who are members of equity-deserving groups requiring enhanced assistance, including persons with disabilities, newcomers, and persons facing language or literacy barriers; and
(d) any other factor prescribed by the regulations.

3. The Director shall include in the Annual Report under section 7.3:
(a) the resources allocated to each office; and

(b) a summary of the factors considered under subsection (2).

6.4 Clause 3 – Annual Report

The Act is amended by adding the following after section 7.2:

7.3 Annual report

1. On or before June 30 in each year, the Director shall submit to the Minister responsible for the administration of this Act an annual report on the administration of this Act for the preceding calendar year.

2. The annual report shall include, at a minimum:
(a) aggregate statistics on applications received, mediations conducted, hearings held, orders issued, and time to decision at first instance and on appeal, as well as enforcement actions taken;
(b) information on the publication of notices, decisions, orders and the status of administrative monetary penalties under clause 7(2)(e);
(c) a summary of education and outreach activities undertaken by or on behalf of the Director, including the activities of the Tenant Advisor and Landlord Advisor; and
(d) any other information that the Minister may request.

3. The Minister shall cause the annual report to be laid before the Legislative Assembly within 15 days after it is received if the Assembly is then sitting or, if it is not, within 15 days after the commencement of the next sitting.

6.5 Clause 4 – Appeals

Residential Tenancy Appeal Panel. Section 89 of the Act is amended by adding the following after that section:

89.1 Residential Tenancy Appeal Panel

1. The Island Regulatory and Appeals Commission shall establish a specialized panel, to be known as the Residential Tenancy Appeal Panel (the “Appeal Panel”), to hear and determine appeals under section 89.

2. A panel established under subsection (1) shall be composed in accordance with the *Island Regulatory and Appeals Commission Act* and any relevant bylaw of the

Commission respecting the constitution of panels.

3. The Commission shall ensure that members assigned to the Residential Tenancy Appeal Panel receive comprehensive training respecting this Act and the regulations, the applicable rules of procedure, and principles of administrative justice – including procedural fairness, cultural competency, and trauma-informed adjudication.

89.2 Decision within 90 days

1. Within 90 days after the completion of the hearing of an appeal under section 89, the Appeal Panel shall
(a) decide the appeal by confirming, varying or setting aside the Director's order or decision under appeal; and
(b) provide to each person with a direct interest in the matter a written copy of its decision, with reasons.

2. The 90-day period in subsection (1) does not apply if the parties agree in writing to an extension or if, in the Panel's opinion, exceptional circumstances require more time; in such case, the Panel shall notify the parties in writing with brief reasons for the delay.

3. A decision made after the period referred to in subsection (1) or (2) is not invalid solely because it was made after that period.

4. Nothing in this section limits any power of the Panel
(a) to make procedural directions; or
(b) to refer a matter back to the Director if the Panel considers that new or additional evidence should be considered at first instance.

6.6 Clause 5 – Summary Dismissal of Appeals and Related Powers

The Act is amended by adding the following after section 89.2:

89.3 Summary dismissal of appeals – grounds and procedure

1. On its own initiative or on application by a party, the Appeal Panel may summarily dismiss all or part of an appeal if the Panel is satisfied that:
(a) the appeal is frivolous, vexatious, an abuse of process, or is brought for an improper purpose;

(b) the appeal discloses no reasonable ground of appeal or has no reasonable prospect of success; or
(c) the appeal is not within the jurisdiction of the Commission.

2. For the purposes of subsection (1), “no reasonable prospect of success” is to be assessed on the information before the Panel, without weighing credibility as at a full hearing; and, without limiting the generality of paragraphs (1)(a)–(c), the Panel may consider whether
(i) the appeal seeks to relitigate an issue finally determined between the same parties on the same essential facts;
(ii) the relief sought is purely hypothetical or would serve no practical purpose; or
(iii) the appeal fundamentally challenges the validity of this Act or the regulations rather than the Director’s order under appeal.

3. Before dismissing an appeal under this section, the Panel shall:
(a) give the appellant written notice that summary dismissal is being considered, identifying the potential ground(s) under subsection (1);
(b) permit the appellant and any other party to make written submissions within the time specified by the Panel; and
(c) provide brief written reasons for its decision.

4. In exercising discretion under this section, the Panel shall read the materials of an unrepresented party generously and may extend time or allow further submissions where fairness requires.

5. Despite subsections (1)–(4), where the appeal concerns an order for possession of a rental unit, the Panel shall not summarily dismiss the appeal without first convening a brief screening conference to permit the parties to make oral submissions on the proposed dismissal.

6. Where the appeal concerns an order relating to essential services (including heat, water or electricity) or an alleged risk to health or safety, the Panel shall exercise caution before summarily dismissing the appeal and may convene a brief screening conference before deciding whether to dismiss.

89.4 Conversion or remittal of proceeding

1. If the Panel is satisfied that an appeal cannot proceed in its current form but that the matter may be addressed by another procedure under this Act, the Panel may:

(a) convert the proceeding to, or direct the Director to treat it as, a request for correction or clarification of a decision or order; or
(b) remit the matter to the Director with directions.

2. A direction under subsection (1) shall not, by itself, prejudice any party's right to be heard.

89.5 Reinstatement on new information or unfairness

1. An appellant whose appeal is dismissed under section 89.3 may, within 10 days after receiving the dismissal decision, apply to the Panel to reinstate the appeal on the ground that
(a) significant new evidence has become available that could not reasonably have been provided earlier; or
(b) the process leading to dismissal was procedurally unfair.

2. On such an application, the Panel may reinstate the appeal, vary its prior decision, or confirm the dismissal, with brief reasons.

89.6 Costs for abusive appeals

1. The Panel may, on motion or on its own initiative, order costs against a party in connection with a dismissal under section 89.3 only where the Panel finds that the party acted in bad faith or for an improper purpose and, after being put on notice, continued to advance the appeal.

2. In determining whether to order costs and the amount, the Panel shall consider
(a) the party's conduct in the proceeding, including any disregard for the Panel's directions;
(b) the impact of the conduct on other parties or on the administration of this Act; and
(c) any other factor set out in the regulations.

3. The amount of costs ordered under this section shall not exceed the prescribed maximum.

4. No order for costs shall be made solely because a party was unsuccessful.

6.7 Clause 6 – Regulation-Making Powers (Appeals)

Section 89 of the Act is amended by adding the following after section 89.6:

89.7 Regulations – appeals and advisors

1. The Lieutenant Governor in Council may make regulations under section 107:
   (a) defining or clarifying the terms “frivolous”, “vexatious”, “abuse of process” and “no reasonable prospect of success” for the purposes of section 89.3;
   (b) prescribing the maximum amount of costs and factors to be considered under section 89.6; and
   (c) prescribing information to be included in the annual report under section 7.3, including statistics on notices of intent to dismiss, dismissals, matters converted or remitted, reinstatement applications and outcomes, costs orders made and total amounts, and resources allocated to the Advisor offices (with a summary of factors considered).

6.8 Clause 7 – Consequential Amendment (Representation)

For greater certainty, subsection 80(6) of the Act (representation by agent or lawyer) continues to apply to appearances by the Tenant Advisor or Landlord Advisor under section 7.2(1)(d) as enacted by this Act. (This confirms that Advisors may act as agents without conflicting with existing representation rules.)

6.9 Clause 8 – Commencement (General)

This Act (except sections otherwise provided for below) comes into force on a day to be fixed by proclamation of the Lieutenant Governor in Council. (This allows for phased implementation as needed.)

6.10 Clause 9 – Office of Residential Tenancy Services and Related Reforms

The Act is amended by adding the following after section 7.3:

7.4 Office of Residential Tenancy Services (ORTS)

1. There is hereby established an Office of Residential Tenancy Services (the “Office” or “ORTS”) for the purpose of administering this Act.

2. The Director of Residential Tenancy is the Chief Executive Officer of the Office and is responsible for the day-to-day management of the Office and for the exercise of the Director's statutory powers.

3. The Office may employ, engage or retain such persons as are necessary for the proper administration of this Act.

4. Despite the *Civil Service Act*, the Lieutenant Governor in Council may, on the recommendation of the Minister, by order designate one or more positions in the Office to which the *Civil Service Act* does not apply; all other positions in the Office remain subject to the *Civil Service Act*.

5. The Director shall adopt human resource policies for any designated positions under subsection (4) that are consistent with principles of merit, fairness and non-discrimination and with any Treasury Board directives respecting compensation bands.

6. Money required for the operation of the Office shall be paid out of money appropriated by the Legislature for the purposes of this Act, and the Director shall account for such expenditures in the annual report under section 7.3.

7.5 Residential Tenancy Advisory Committee

1. A Residential Tenancy Advisory Committee is established to advise the Director on public education, service standards, data strategy and other non-adjudicative matters related to the administration of this Act.

2. The Committee shall consist of a chairperson and an equal number of members representative of tenants and landlords, all appointed by the Minister with regard to relevant knowledge and experience.

3. The Committee shall meet at least twice each year and may provide written advice and recommendations to the Director. The Committee has no role in individual cases or in adjudicative matters.

7.6 Policy Guidelines (non-binding)

1. The Director may establish and publish Policy Guidelines to promote consistency, transparency and accessibility in the administration of this Act.

2. Before establishing or substantially revising a Policy Guideline that materially affects the rights or obligations of landlords or tenants, the Director shall post a notice inviting public comment for at least 30 days and shall publish a summary of stakeholder input when the Policy Guideline is issued.

3. Policy Guidelines are not regulations and are not binding on the Director, the Commission or any party.

6.11 Clause 10 – Consideration of Policy Guidelines on Appeal

The Act is amended by adding the following after section 89.2:

89.8 Non-binding guidelines on appeal
In deciding an appeal under section 89, the Appeal Panel shall consider any relevant Policy Guideline published under section 7.6, but is not bound by it.

6.12 Clause 11 – Transitional – Staff and Proceedings (ORTS)

The Act is amended by adding the following after section 7.6:

7.7 Transition provisions – ORTS

1. A person who, immediately before the coming into force of section 7.4, was employed, engaged or retained to assist in the administration of this Act is deemed to be so employed, engaged or retained by the Office, with no loss of employment continuity.

2. The establishment of the Office does not affect any application, proceeding or order commenced or made before that day; all such matters shall be continued and disposed of as if the Office had been in existence when they commenced, unless the Director directs otherwise with the consent of the parties.

6.13 Clause 12 – Consequential Definition of Director

Section 1(e) of the Act (definition of "Director") is amended by adding "and, for administrative purposes, the Chief Executive Officer of the Office of Residential Tenancy Services" after "means the Director of Residential Tenancy".

6.14 Clause 13 – Commencement of ORTS Provisions

Sections 7.4 to 7.7 (establishing ORTS, Advisory Committee, Policy Guidelines, and

transition) come into force on a day to be fixed by proclamation of the Lieutenant Governor in Council. (This allows the ORTS and related changes to be proclaimed separately when administrative readiness has been achieved.)

6.15 Regulations – Governance and Administration

The Residential Tenancy Regulations (EC233/2018) are amended as follows:

6.15.1 Definitions for Appeal Dismissal Criteria

The following section is added to the Regulations for the purposes of section 89.3 of the Act:

Definitions – frivolous, vexatious, etc.

1. For greater certainty and without limiting the discretion of the Commission:
   (a) "frivolous" includes an appeal that lacks any rational basis or advances allegations clearly incapable of proof;
   (b) "vexatious" includes an appeal that attempts to re-litigate matters already finally decided between the same parties on the same facts, or that is brought to harass or cause unnecessary delay;
   (c) "abuse of process" includes a misuse of the appeal process for a collateral or improper purpose, persistent non-compliance with the Panel's directions, or advancing a purely hypothetical claim that serves no practical purpose;
   (d) "no reasonable prospect of success" includes cases where, on the record before the Panel and without weighing credibility as at a full hearing:
   (i) the appeal challenges the validity of the Act or regulations rather than the Director's decision under appeal;
   (ii) the appeal is outside the Commission's jurisdiction; or
   (iii) the appeal discloses no arguable error of law, fact, or mixed fact and law.

6.15.2 Costs in Appeals – Maximum and Factors

The following section is added to the Regulations for the purposes of section 89.6 of the Act:

Costs on dismissal – cap and factors

1. The maximum amount of costs that may be ordered against a party under section 89.6 of the Act is $250 per appeal (inclusive of all steps in the appeal). In determining

whether to order costs and the amount, the Appeal Panel may consider:
(a) any persistent disregard by the party of the Panel's directions after a written warning;
(b) prejudice to the other party or to the administration of the Act, including wasted hearing time;
(c) efforts made by the party to correct any non-compliance; and
(d) any disability, language, literacy or access barrier faced by a self-represented party that might have contributed to the conduct.

6.15.3 Annual Report Metrics

The Regulations are amended by adding the following requirement respecting the Director's Annual Report (under section 7.3 of the Act):

Annual Report – appeal and advisor statistics

1. The Director shall include in the Annual Report, in aggregate and de-identified form:
(a) the number of notices of intent to dismiss issued by the Appeal Panel, categorized by each ground under section 89.3(1);
(b) the number of appeals dismissed under section 89.3, by ground;
(c) the number of matters converted or remitted under section 89.4(1)(a) or (b);
(d) the number of reinstatement applications made under section 89.5 and their outcomes;
(e) the number of costs orders made under section 89.6 and the total amount of costs ordered; and
(f) the resources allocated to the Tenant Advisor and Landlord Advisor offices, along with a summary of the factors considered under section 7.2.1(2).

7 Part II – Rental Registry and Licensing

7.1 Overview

Part II enacts two keystone policies for rental housing oversight: a mandatory Rental Registry and a Landlord Licensing system.

The Rental Registry creates a centralized official record of all residential rental units and their lawful rents, directly responding to tenant demands for a tool to enforce rent controls. Under these provisions, a unit must be registered for any rent increase notice to be valid, giving the registry "teeth" to ensure compliance.

The Landlord Licensing program shifts enforcement of health, safety, and property standards from a reactive, complaint-based model to a proactive system. Landlords will be required to obtain an annual licence (with reasonable fees and a first-year fee waiver to encourage participation) and demonstrate compliance with fire codes, insurance requirements, and maintenance planning. The licensing regime serves as a central enforcement hub for the Act – licences can be suspended or revoked for serious non-compliance, such as maintenance orders not being addressed or findings of illegal rent increases or bad-faith evictions. Together, these measures increase transparency, professionalism, and safety in the rental market: tenants gain an accessible way to verify the legality of rents and the condition of units, while responsible landlords benefit from a level playing field and clearer standards.

Part II thus lays the groundwork for a fair and enforceable rental housing framework that balances tenant protection with proactive compliance by landlords.

7.2 Clause 14 – Definitions (Registry and Licensing)

Section 1 of the Act is amended by adding the following definitions:

(i.1) "licence" means a licence to operate a rental unit or units issued under Part 10;

(i.2) "licensee" means a person who holds a valid licence issued under Part 10;

...

(q.1) "rental business" means the activity of renting or offering for rent one or more rental units to which Part 10 applies;

(These definitions support the new Landlord Licensing system established in Part 10 of the Act.)

7.3 Clause 15 – Rental Registry Established

The Act is amended by adding the following after section 17:

Division 2.1 – Rental Registry

17.1 Establishment of Rental Registry

1. The Director shall establish and maintain a registry of residential rental units in the province, to be known as the Rental Registry.

2. The purpose of the Rental Registry is to:
   (a) create an official record of residential rental units and the lawful rent payable for each unit;
   (b) ensure compliance with the rent increase provisions of this Act; and
   (c) provide anonymized and aggregate data to inform public policy on housing.

17.2 Obligation to register

1. Every landlord shall, in the prescribed form and manner, register each rental unit that they make available for rent.

2. A landlord shall provide the following information for each rental unit upon initial registration, and shall verify or update the information annually in the prescribed manner:
   (a) the civic address of the rental unit (including any unit number or other identifier for a unit in a multi-unit building);
   (b) the name and contact information of the landlord or the landlord's agent;
   (c) the amount of rent payable for the rental unit;
   (d) a list of services and facilities included in that rent; and
   (e) any other information prescribed by the regulations.

3. A landlord shall not offer a rental unit for rent or enter into a tenancy agreement unless the rental unit is registered in accordance with this Division.

17.3 Lawful rent recorded

1. The amount of rent recorded in the Rental Registry for a rental unit is the lawful rent for that unit.

2. A landlord shall not charge a tenant rent in an amount greater than the lawful rent recorded in the Rental Registry.

3. A notice of a rent increase given under Part 3 of this Act is of no effect unless, at the time the notice is given, the rental unit is registered in accordance with this Division.

4. When the Director approves an increase in rent under Part 3, the Director shall update the lawful rent for the rental unit in the Rental Registry to reflect the approved increase.

17.4 Confidentiality and access to information

1. Information contained in the Rental Registry is confidential and shall not be disclosed to the public, except as authorized by this section.

2. The Director and any person employed, engaged or retained to assist the Director may access the Rental Registry for the purposes of administering and enforcing this Act.

3. A tenant of a rental unit may apply to the Director, in the prescribed form, for a certified record of the rental history of that rental unit. A prospective tenant who has entered into a tenancy agreement for a rental unit may likewise apply for such a record covering the period after the agreement is signed but before the tenancy commences.

4. The Director may publish or make available to the public anonymized and aggregate data from the Rental Registry for purposes of statistical analysis, research, public information (including data dashboards), and housing policy reports.

17.5 Offences and penalties (registry)

1. A landlord who fails to register a rental unit as required by section 17.2, or who provides false or misleading information for the purpose of registration, commits an offence and is liable to an administrative monetary penalty in accordance with Part 6 of the Act.

2. Any overpayment of rent collected by a landlord in contravention of subsection 17.3(2) (unregistered rent increase) may be recovered by the tenant on application to the Director under section 75.

17.6 Transitional – first registration period

1. Notwithstanding any other provision of this Act, upon the first registration of a rental unit after the coming into force of this section, the lawful rent is deemed to be the rent payable for that rental unit on the date this section comes into force.

2. For a period of 12 months following the initial registration of a rental unit (the “verification period”), a tenant occupying the rental unit may apply to the Director to correct the registered rent.

3. On an application under subsection (2), if the Director is satisfied on a balance of probabilities that the rent amount provided by the landlord at the time of initial

registration was fraudulent or a material misrepresentation of the rent actually being paid on the date this section came into force, the Director may:
(a) order the landlord to correct the registered rent amount to reflect the actual rent being paid on that date;
(b) order the landlord to refund the tenant any overpayment of rent collected after the date of registration; and
(c) impose an administrative monetary penalty on the landlord in accordance with Part 6.

(Duplication note: The one-time “clean start” first registration rule ensures an accurate baseline without retroactive investigations.)

7.4 Clause 16 – Residential Rental Licensing

The Act is amended by adding the following after section 116:

PART 10 – Residential Rental Licensing

Section 120 – Definitions (Licensing)
In this Part:
(a) “licence” means a licence to operate a rental unit or units issued under this Part;
(b) “licensee” means a person who holds a valid licence issued under this Part;
(c) “rental business” means the activity of renting or offering for rent one or more rental units to which this Part applies.

Section 121 – Licence required

1. No person shall carry on a rental business in respect of any rental unit to which this Part applies except in accordance with a licence issued by the Director under this Part.

2. Without limiting the generality of subsection (1), no person shall, for any rental unit that is subject to the licensing requirement:
(a) collect rent, or permit rent to be collected;
(b) advertise or offer the rental unit as available for occupancy; or
(c) represent to any person that the rental unit is licensed if it is not.

Section 121.1 – Notice to tenants

1. A licensee shall provide a copy of any licence issued or renewed under this Part to

each tenant of a rental unit covered by the licence, within the prescribed time.

2. Where a licence is suspended or revoked by the Director, the landlord shall provide written notice of the suspension or revocation to each affected tenant in the prescribed form and manner.

Section 122 – Application for licence
An application for a licence or renewal of a licence shall:
(a) be made to the Director in the approved form;
(b) include any documents and information prescribed by the regulations; and
(c) be accompanied by the fee prescribed by the regulations.

Section 123 – Director's powers (licensing)
The Director may:
(a) issue or renew a licence;
(b) refuse to issue or renew a licence;
(c) attach such terms and conditions to a licence as the Director considers appropriate; and
(d) suspend or revoke a licence in accordance with section 124.

Section 124 – Grounds for refusal, suspension or revocation
The Director may refuse to issue or renew, or may suspend or revoke, a licence if satisfied that:
(a) the applicant or licensee provided false, misleading or incomplete information in the application;
(b) the applicant or licensee has contravened a provision of this Act, the regulations, or an order of the Director;
(c) the rental unit or residential property fails to comply with any health, safety or housing standard required by law (including any standard established under another enactment); or
(d) the applicant or licensee has failed to comply with a term or condition of the licence.

Section 125 – Appeals
A decision of the Director to refuse to issue or renew a licence, or to suspend or revoke a licence, may be appealed to the Commission under section 89 (appeals of Director's orders).

Section 126 – Offence

A person who contravenes section 121 (operating without a licence) is guilty of an offence and is liable to the penalties provided under this Act.

7.5 Clause 17 – Regulation-Making Powers (Registry and Licensing)

Subsection 107(1) of the Act is amended by adding the following after clause (g):

(g.1) respecting the establishment, operation, and maintenance of the Rental Registry under Division 2.1, including

(i) prescribing the form, manner, and procedures for registration, verification, and annual renewal of rental units,

(ii) prescribing any fees payable for registration or other services related to the Registry,

(iii) prescribing procedures for the correction of information contained in the Registry,

(iv) prescribing the form and manner for a tenant or prospective tenant to apply for the rental history of a unit under subsection 17.4(3);

(g.2) prescribing data security and privacy protection standards for the management of personal information contained in the Rental Registry;

(g.3) respecting any other matter necessary to give effect to Division 2.1;

...

(cc) respecting the establishment and administration of a system of licences for rental units, including

(i) prescribing classes of rental units or residential properties that are subject to or exempt from the licensing requirement,

(ii) prescribing fees for the application, issuance, and renewal of licences,

(iii) prescribing classes of licences,

(iv) prescribing the documents, inspections, and information required to be submitted with an application,

(v) prescribing standards for compliance and conditions that may be attached to a licence,

(vi) prescribing the form and content of licences, and

(vii) prescribing the form, manner, and timing of notices to be provided to tenants under section 121.1;

7.6 Regulations – Rental Registry and Licensing

The Residential Tenancy Regulations are further amended to implement the above provisions as follows:

Section 11 – Licensing Fees

1. The following fees are prescribed for the purposes of section 122 of the Act:

(a) Initial licence application:

- Class A – Standard Rental Licence: **$155**
- Class B – Multi-Unit Licence: **$250 plus $6.50 per unit**
- Class C – Rooming House Licence:
  - 5–10 rooms: **$210**
  - 11–25 rooms: **$300**
  - 26–50 rooms: **$325**
  - 51+ rooms: **$415**

(b) Annual licence renewal:

- All classes: **$150 per residential property**

Section 12 – Classes of Licences

1. The following classes of licences are established for the purposes of Part 10 of the Act:

(a) **Class A – Standard Rental Licence**: for a residential property that is not occupied by the owner and that contains one to four rental units;

(b) **Class B – Multi-Unit Rental Licence**: for a residential property containing five or more rental units;

(c) **Class C – Rooming House Licence**: for a residential property in which five or more individual rooms are rented under separate tenancy agreements and tenants share a kitchen or bathroom facility.

Section 13 – Application Requirements

1. An initial application for any class of licence shall be accompanied by:

(a) proof of ownership of the residential property;

(b) the name and contact information of the landlord and, if applicable, any agent or property manager designated as a contact for tenancy or property issues;

(c) a written declaration, in the approved form, confirming that the residential property is covered by a policy of public liability insurance with coverage of at least $2,000,000 per occurrence;

(d) a floor plan for each rental unit, identifying the location of all rooms, windows, and entrances/exits in the unit;

(e) a valid fire inspection report for the residential property, issued by the relevant authority within 24 months before the application date;

(f) a property maintenance plan, in the approved form, outlining the landlord's procedures for:

- (i) garbage, recycling, and compost collection and storage;
- (ii) snow and ice removal from common areas, walkways, and entrances;
- (iii) receiving and responding to tenant requests for routine repairs.

2. An application to renew a licence shall be accompanied by:

(a) an updated insurance declaration as required by subsection (1)(c);

(b) written confirmation that the contact information provided under subsection (1)(b) remains correct or updated contact information, if changed;

(c) the renewal fee prescribed in Section 11.

3. Every five years upon renewal, the licensee shall provide an Electrical System Inspection Form, in the approved form, completed and signed by a certified electrician, confirming that the electrical system in the residential property has been inspected and is in compliance with applicable safety standards.

Section 14 – Inspection Fees

1. The following inspection fees are prescribed for the purposes of section 122 of the Act:

(a) Initial property inspection: **$180**

(b) Re-inspection (each subsequent inspection): **$250**

Section 15 – Licence Suspension and Revocation

1. A licence may be suspended or revoked by the Director under section 124 of the Act if:

(a) the licensee fails to comply with any condition of the licence;

(b) the licensee fails to maintain the property in accordance with prescribed maintenance standards;

(c) the licensee is found to have charged unlawful rent or committed a bad-faith eviction;

(d) the licensee fails to comply with any order of the Director under the Act.

Section 16 – Notice to Tenants

1. A licensee shall provide a copy of any licence issued or renewed under Part 10 of the Act to each tenant of a rental unit covered by the licence, within 30 days of issuance or renewal.

2. Where a licence is suspended or revoked, the landlord shall provide written notice of the suspension or revocation to each affected tenant within 5 business days, in the approved form.

8 Part III – Rent Setting and Adjustments

8.1 Overview

Part III modernizes the rules for rent control and rent increases, establishing a more predictable and balanced economic framework for residential tenancies. It overhauls the above-guideline increase (AGI) process by mandating a standardized, calculator-based system for landlords' AGI applications, replacing the subjective "reasonable return on investment" test with objective criteria. The new calculator will use verifiable inputs (aligned with tax reporting where possible) and apply inflation-indexed cost factors, while explicitly excluding mortgage interest and other financing costs from the expense calculations. This responds to tenant advocates' concerns about front-loaded financing costs, while still allowing landlords to recover legitimate operating and capital expenses in a transparent way. To further promote fairness, the Act strengthens confidentiality protections in AGI proceedings: sensitive financial information can be filed confidentially subject to Director-issued summaries and confidentiality undertakings, with penalties for breaches.

In addition the limitation of annual implementation of approved increases (AGIs) is adjusted to take a tiered approach. If the total AGI is less than 6% then a yearly cap of 3% is kept. For total AGIs greater than 6% the phase-in cap is increased to 5% per year. The faster recovery is allowed only if the landlord meets maintenance and licensing standards. Also the Director has discretion to reduce the phase-in cap for in case of tenant hardship. To ensure transparency, each year the Director will be required to publish the tiered phase-in structure, compliance conditions, hardship criteria (e.g. rent increase size, housing availability, displacement risk), and illustrative examples of phased implementation.

Part III introduces a narrow, emergency Immediate Viability Order (IVO) (Clause 20). This mechanism is intended as a "catch-up" tool for existing properties that are operationally unviable, *not* as a primary rent-setting tool for new owners. A landlord may apply if their Debt Service Coverage Ratio (DSC), based on *actual* revenues and costs, is below 1.2 . However, this tool is subject to two critical, legislated guardrails:

1. **36-Month Acquisition Block:** To prevent new owners from bypassing the Regulated Vacancy Adjustment (Clause 25) , landlords are prohibited from applying for an IVO within 36 months of purchasing the property (Clause 20(4)(c)).

2. **"Two-Part Eligible Debt" Test:** To protect tenants from subsidizing a landlord's

high-risk financing or personal equity-takeout, the DSC calculation is based only on "Eligible Annual Debt Service" (Clause 20(1)) . This test, defined in regulations (Section 8.13.2) , filters out debt service costs related to: (a) initial loans that exceeded a 80% LTV at origination ; and (b) subsequent loans (like HELOCs) not used for verifiable capital expenditures on the property itself .

This ensures the IVO is a true safety valve for *operational* viability, not a subsidy for *financial* decisions.

Part III also introduces a regulated form of vacancy decontrol: when a unit becomes vacant, a landlord may raise the rent beyond the annual guideline, but only up to a "viability-based cap" tied to the property's fair market value. This vacancy increase formula (detailed in the regulations) uses standardized assumptions (down payment, interest rate, amortization period, etc.) to determine a fair maximum rent on turnover. Crucially, this flexibility for landlords is contingent on compliance – if the unit is not properly registered, no vacancy increase is permitted. Moreover, Part VI this Act introduces stringent anti-eviction measures to deter any bad-faith use of vacancy decontrol (e.g. fraudulent "personal use" evictions).

Finally, Part III facilitates energy-efficient heating system conversions by landlords. It provides a clear legal pathway to convert oil heating to electric heat pumps, including requiring proper notice to tenants, offering rent adjustments to reflect new utility responsibilities, and allowing retrofit agreements to be filed that amend tenancy agreements. These provisions resolve a policy contradiction that previously discouraged green upgrades by ensuring landlords can recoup some costs while protecting tenants from unfair rent changes. In sum, Part III strikes a "grand bargain" on rents: predictable controls and fairness for tenants, balanced with targeted flexibility and cost recovery for landlords.

8.2 Clause 18 – Above-Guideline Increases: Standardized Calculation

Section 50 of the Act is amended by adding the following after subsection (2):

Section 50 – Rent Increase Above Guideline – Standardized Calculator

50(2.1) The Director shall determine an application under subsection 50(1) (landlord's application for an increase above the annual guideline) by applying a standardized rent adjustment calculator established under the regulations.

50(2.2) Purpose and features of calculator

The purpose of the rent adjustment calculator is to ensure that decisions on applications under subsection 50(1) are objective, transparent and cost-recovery-based. The calculator shall:

(a) rely on standardized, verifiable inputs, including values aligned, where appropriate, with those used for tax reporting;
(b) apply Consumer Price Index (CPI)-based operating cost factors and a regulated capital-recovery methodology using a published financial benchmark; and
(c) exclude mortgage interest, mortgage principal, and any other financing costs from eligibility as operating costs or capital costs and shall not be amortized, capitalized, or otherwise passed through to a tenant.

50(2.3) Methodology for standardized calculator

For the purposes of paragraph 50(2.2)(b), the regulated capital-recovery methodology and CPI-based operating cost methodology are as follows:

CAPITAL COST RECOVERY

(a) Approved Annual Capital Recovery (ACR)

(i) For each eligible capital expenditure, the Approved Annual Capital Recovery (ACR) for the residential property is:

ACR = Eligible Capital Base (ECB) ÷ Service Life (n).

(ii) Eligible Capital Base (ECB) = 1.00 × (Verified Capital Expenditure − Third-Party Contributions).

(iii) “Verified Capital Expenditure” means the amount actually paid by the landlord for an eligible capital item, supported by an invoice and proof of payment.

(iv) “Third-Party Contributions” include grants, rebates, insurance proceeds, court or Director-ordered recoveries from another person, and any tax credits, rebates or input tax credits that reduce the landlord’s out-of-pocket cost.

(v) Service Life (n), expressed in years, is the period prescribed for the relevant asset class in Schedule A to this Act.

(vi) For greater certainty, mortgage interest, mortgage principal and any other financing costs are excluded and may not be included in ECB or otherwise recovered from a tenant.

(b) Eligibility of capital expenditure

(i) A capital expenditure is eligible where it materially extends the useful life of, or materially improves, a building system, structure, or facility serving the rental unit or residential property, including items relating to structural integrity, building envelope, roofing, windows and exterior doors, plumbing, electrical, mechanical and heating systems, and prescribed health, safety or energy-efficiency upgrades.

(ii) Routine or deferred maintenance, cosmetic work, and like-for-like minor repairs are not eligible.

(iii) An expenditure is eligible only if the work is completed within 24 months before the application is filed, unless otherwise prescribed.

(c) Apportionment of capital recovery to rental units

(i) Where the eligible capital item serves more than one rental unit, the Director shall apportion the ACR among units on a pro-rata basis by number of units, unless another apportionment method (including by floor area or direct benefit) is more equitable in the circumstances.

(ii) The Director shall set out the apportionment method and brief reasons in the order.

PROPERTY TAX PASS-THROUGH

(d) Property Tax Adjustment

(i) The landlord is entitled to a direct pass-through for the verified increase in the annual real property taxes payable for the residential property since the effective date of the last lawful rent increase for the unit(s).

(ii) The landlord shall file the most recent municipal or provincial tax bills and, where applicable, assessment notices evidencing the increase.

(iii) Where the residential property contains more than one rental unit, the Director shall apportion the Property Tax Adjustment among units on a pro-rata basis by number of units, unless another apportionment method (including by floor area or direct benefit) is more

equitable.

CPI-BASED OPERATING COST ADJUSTMENT

(e) Operating Adjustment

(i) For the operating cost categories listed in Schedule B (other than property taxes), the Director shall add an amount equal to the sum of each Eligible Category Base multiplied by the CPI Factor for the corresponding category:

Operating Adjustment = Σ (Eligible Category Base × CPI Factor).

(ii) "Eligible Category Base" means, for each eligible category in Schedule B, the verified expense for the most recent 12-month period ending before the filing of the application (or the landlord's most recent fiscal year, if aligned with tax reporting), normalized for occupancy and exclusive of non-recurring items, as shown in the landlord's records and aligned, where appropriate, with values used for tax reporting.

(iii) "CPI Factor" means the 12-month percentage change for the most recently published Consumer Price Index component for Prince Edward Island that corresponds to the category in Schedule B, as published by Statistics Canada and provided annually by the Director.

(iv) The Director shall publish, at least annually, the CPI Factors for each Schedule B category and a plain-language guide to their application.

TOTAL AGI AND IMPLEMENTATION

(f) Unit-level Above-Guideline Increase (AGI)

(i) For each rental unit, the total dollar amount attributable to that unit is the sum of:

Unit Share of ACR + Unit Share of Property Tax Adjustment + Unit Share of Operating Adjustment.

(ii) The Above-Guideline Increase, expressed as a percentage, is:

AGI (%) = [(Unit Share of ACR + Unit Share of Property Tax Adjustment + Unit Share of Operating Adjustment) ÷ Annual Rent for the unit (pre-increase)] × 100.

(iii) The Director may express the approved increase as a percentage or as a dollar amount per month equivalent to one-twelfth of the total annual amount approved under subparagraph (i).

(g) Documentation and verification

(i) A landlord shall file invoices, proof of payment, completion dates, any grants or rebates received or applied for, tax bills and assessments, and a summary of the Eligible Category Base amounts by Schedule B category, together with supporting records aligned, where appropriate, with the landlord's tax reporting.

(ii) The Director may require additional evidence, conduct inspections, or disallow any portion of a claim that is unsubstantiated or ineligible.

(h) Publication and worked examples

(i) The Director shall publish annually:

(A) the formulas in paragraphs (a), (d) and (e);

(B) the CPI Factors for each Schedule B category; and

(C) at least four worked examples demonstrating the calculation of an approved increase for common capital items, including septic system replacement, roof replacement, window replacement, and heating system conversion, showing apportionment across units where applicable.

(ii) Publication under this paragraph may be in plain-language format and include illustrative templates aligned with tax reporting.

(i) Interaction with annual caps and compliance

(i) Any increase approved under this subsection is implemented subject to subsection 50(7) (limitation on annual implementation) and any related compliance conditions prescribed elsewhere in this Act or the regulations.

(j) De minimis and rounding

(i) The Director may decline to approve a de minimis increase or may round amounts to

the nearest dollar per month in the interests of administrative efficiency.

SCHEDULE A — CAPITAL ASSET SERVICE LIVES (YEARS)

1. Septic system (tank and disposal field) 25
2. Roof replacement (asphalt shingle or equivalent) 20
3. Window replacement (whole-unit, exterior grade) 15
4. Heating system conversion (oil to electric heat pumps, including associated electrical upgrades) 12
5. Exterior doors (exterior-grade, weather-rated) 20
6. Siding / cladding (vinyl, fibre cement or equivalent) 25
7. Common-area HVAC / air handling unit 20
8. Fire alarm control panel / life-safety system 15
9. Domestic hot water boiler / storage system 15
10. Electrical service upgrade (main panel and feeder) 25
11. Elevator modernization (where applicable) 20

Note: Service lives apply prospectively. If an asset class is not listed, the Director may determine a service life by analogy to a listed class or by reference to an objective standard of expected useful life having regard to manufacturer specifications, building code guidance and ordinary practice.

SCHEDULE B — ELIGIBLE OPERATING COST CATEGORIES (CPI-ADJUSTED)

1. Insurance (property and liability) — CPI Factor: insurance component.
2. Electricity (common-area or landlord-paid) — CPI Factor: electricity component.
3. Water and sewer (landlord-paid) — CPI Factor: water and sewer or relevant utility component.

4. Heating fuel (landlord-paid oil/propane/natural gas) — CPI Factor: corresponding fuel component.

5. Solid waste / recycling / compost (landlord-paid) — CPI Factor: related CPI component where available; otherwise the All-Items CPI.

6. Snow removal (landlord-paid) — CPI Factor: related CPI component where available; otherwise the All-Items CPI.

7. Grass cutting/landscaping (landlord-paid) — CPI Factor: related CPI component where available; otherwise the All-Items CPI.

8. Common-area maintenance (landlord-paid) — CPI Factor: related CPI component where available; otherwise the All-Items CPI.

9. Management fees (landlord-paid) — CPI Factor: related CPI component where available; otherwise the All-Items CPI.

10. Other prescribed utilities and services paid by the landlord for the benefit of tenants that are verifiably recurring and aligned, where appropriate, with tax reporting, together with the corresponding CPI component as published by Statistics Canada.

8.3 Clause 19 – Annual implementation of approved increase

Subsection 50(7) is repealed and replaced with the following:

(7) Limitation on annual implementation of approved increase

Subject to subsection (8), where the Director grants an application under subsection (6) or orders that the increase granted be phased in over a period of time, the amount of the increase in rent in a calendar year shall not exceed:

(a) 3 per cent in addition to the maximum percentage increase permitted under section 49, where the total approved increase is 6 per cent or less;

(b) 5 per cent in addition to the maximum percentage increase permitted under section 49, where the total approved increase exceeds 6 per cent, provided that:

(i) the landlord has complied with all outstanding maintenance orders under sections 28.1 to 28.5;

(ii) the landlord holds a valid licence under Part 10 of this Act for the residential property; and

(iii) the landlord has filed any compliance plan required under section 28.6, if applicable;

(8) Despite subsection (7), the Director may order a lower annual percentage if, in the Director's opinion, a higher percentage would cause undue hardship to the tenant, having regard to prescribed criteria.

8.4 Clause 20 – Immediate Viability Orders (DSC Ratio Based)

The Act is amended by adding the following new section:

50.2 (1) Definitions

(a) "Debt Service Coverage Ratio" or "DSC" means the ratio of normalized net operating income (NOI) to Eligible Annual Debt Service for the residential property, calculated using the actual financial data for the property as prescribed in this section and the regulations.

(b) "Eligible Annual Debt Service" means the sum of the "Eligible Acquisition Debt Service" and the "Eligible Capital Debt Service", as prescribed in the regulations.

(c) "Eligible Acquisition Debt Service" means the annual principal and interest payments for financing related to the original purchase of the property, subject to a 80% Loan-to-Value at Origination cap, as prescribed in the regulations.

(d) "Eligible Capital Debt Service" means the annual principal and interest payments for financing related to verifiable capital expenditures reinvested in the property, as prescribed in the regulations.

(e) "Loan-to-Value (LTV) at Origination" means the ratio of the original principal amount of a loan to the property's value (either the purchase price or appraised value) as determined by the lender at the time the loan was issued or refinanced.

(2) Application

A landlord may apply to the Director for an Immediate Viability Order in respect of a rental unit or residential property where:

(a) the landlord is compliant with licensing and registry requirements under this Act and the regulations and there is no outstanding order affecting the unit or property; and

(b) the DSC for the property, calculated using the actual normalized net operating income and the Eligible Annual Debt Service, is less than 1.2 for:

(i) two consecutive fiscal years; or

(ii) the projected next 12 months.

(3) Order

If satisfied that the criteria in subsection (2) are met, the Director may, despite any other provision of this Act or the regulations, approve a one-time per-unit rent increase sufficient to achieve a DSC of **1.2** and authorize full implementation on the effective date.

(4) Guardrails

An order shall not be made under this section where:

(a) there is any outstanding Director's order for non-compliance with prescribed maintenance standards affecting the unit or property;

(b) the landlord has failed to register the unit or hold any required licence for the residential property; or

(c) on an application by a landlord who acquired the residential property within 36 months prior to the date of the application.

(5) Tenant mitigation

The Director may impose tenant-mitigation measures as conditions of an order under this section, including extended notice periods, payment plans, staged implementation by defined tranches, or other measures considered just in the circumstances.

(6) Implementation; expiry; transfer

(a) Despite section 50(7), an increase approved under this section may be implemented in full on its effective date or in such manner as the Director considers appropriate, without regard to the annual implementation limits in section 50(7).

(b) An Immediate Viability Order expires two years after its effective date unless renewed on fresh evidence under subsection (2).

(c) An Immediate Viability Order binds a successor owner of the residential property, unless varied or revoked by the Director on application.

(7) Reasons and reporting

The Director shall provide written reasons for any order under this section and may include, in the annual report under section 7.3, aggregate statistics respecting the number, general reasons and average amounts of such orders.

(8) Publication of NOI Examples

The Director shall, at least annually, publish in plain language on a publicly accessible website:

(a) the methodology for calculating "Eligible Annual Debt Service", including the "Two-Part" test for Eligible Acquisition Debt and Eligible Capital Debt and the application of the 80% "LTV at Origination" cap;

(b) at least two worked examples demonstrating the calculation of DSC and the resulting rent adjustment under an Immediate Viability Order, including:

(i) a single-unit property with a DSC < 1.2; and

(ii) a multi-unit property demonstrating how the "Two-Part" debt test is applied, including the pro-rata adjustment for a loan exceeding the 80% LTV cap;

(c) illustrative templates for landlords and tenants showing how actual evidence is applied to the calculations.

8.5 Clause 21 – Removal of “Reasonable Return” Factor

Clause 50(3)(c) of the Act is repealed (the factor referring to a “reasonable return on investment” in determining a rent increase above the guideline) *and the remaining clauses are re-lettered accordingly*.

(This eliminates the subjective profitability criterion, as per tenant advocates’ requests.)

8.6 Clause 22 – Transparency and Confidentiality in Proceedings

Subsection 75(3) of the Act is repealed and replaced with the following:

3. Subject to this section and the regulations, information filed with the Director in a proceeding shall be available to the parties.
    a) The Director may authorize the redaction of sensitive personal identifiers from a document before it is disclosed.
    b) The Director shall provide a summary of information in place of the original documents only where a party has failed to execute a confidentiality undertaking required under section 75.1.

8.7 Clause 23 – Confidentiality Undertakings

The Act is amended by adding the following after section 75:

75.1 Confidential filing of sensitive information

(1) Where a party seeks access to sensitive supporting documents filed by another party in a proceeding - such as invoices, account numbers, personal identifiers, or commercially sensitive pricing - the Director may require the party to execute a confidentiality undertaking in the prescribed form.

(2) The Director shall not require a confidentiality undertaking for documents that do not contain sensitive personal or commercial information.

(3) A person who breaches a confidentiality undertaking commits an offence under section 106 and may be liable to an administrative monetary penalty under section 93.

(4) The Director may refuse to disclose sensitive supporting documents to a party who declines to execute a required confidentiality undertaking.

(5) The Director may authorize the redaction of sensitive personal identifiers or commercially sensitive details from supporting documents before disclosure, or may provide a summary of the information in lieu of the original document, where appropriate.

(6) The Director shall ensure that the process for executing confidentiality

undertakings is simple and accessible, including the use of a standard form and electronic signature where feasible.

8.8 Clause 24 – Regulation-Making Authority (Rent Adjustments)

Section 107(1) of the Act is amended by adding the following clauses after clause (jj):

(jj.1) prescribing the form and content of an application for an above-guideline increase under section 50, including required supporting documentation aligned with tax reporting;

(jj.2) prescribing evidentiary requirements for verification of:

(i) capital expenditures and third-party contributions;

(ii) property tax increases;

(iii) operating cost bases for Schedule B categories;

(jj.3) prescribing the format and timing for publication by the Director of CPI factors and worked examples under subsection 50(2.3)(h);

(jj.4) prescribing rules for apportionment of approved amounts among rental units where the default pro-rata method is impracticable;

(jj.5) prescribing rounding conventions and de minimis thresholds for approved increases;

(jj.6) prescribing any additional asset classes or operating cost categories to be added to Schedule A or Schedule B prospectively, and revising service lives or category descriptions for future applications;

(jj.7) prescribing compliance verification procedures, including confirmation of licensing status and absence of outstanding maintenance orders before implementation of an approved increase;

(jj.8) defining confidential business information and prescribing forms of confidentiality undertakings, redaction or summary procedures, and penalties for breach for the purposes of sections 75 and 75.1.

(jj.9) prescribing the methodology, standardized assumptions and evidentiary

requirements for determining normalized net operating income for the purposes of section 50.2, including operating-cost benchmarks and exclusions;

(jj.10) prescribing circumstances and criteria for immediate implementation of an increase under section 50.2, including any notice requirements and tenant mitigation measures;

(jj.11) prescribing information to be summarized in the Director's annual report in respect of orders made under section 50.2;

(jj.12) prescribing the methodology and evidentiary requirements for calculating the "Eligible Annual Debt Service" for the purposes of section 50.2, including:

(i) the method for determining and capping "Eligible Acquisition Debt Service" based on a maximum 80% Loan-to-Value (LTV) at Origination;
(ii) the method for determining "Eligible Capital Debt Service", including requirements for landlords to provide verifiable proof that loan funds were used for specific capital expenditures on the property and not for other purposes; and
(iii) the pro-rata adjustment formula to be applied to any actual debt service payment for a loan that exceeded a 80% LTV at Origination;

(jj.13) prescribing the maximum allowable rent increase under an Immediate Viability Order, including any phase-in structure or conditions for immediate implementation;

(jj.14) prescribing the format and timing for publication by the Director of worked examples, templates, and explanatory materials under section 50.2(8); and

(jj.15) prescribing any additional reporting requirements for the Director in respect of Immediate Viability Orders, including aggregate statistics, average amounts, and reasons for approval, to be included in the annual report under section 7.3.

(jj.16) prescribing a vacancy decontrol viability model tied to fair market value, objective methodologies for determining fair market value, and standard financial assumptions for the purposes of section 49.1.

(jj.17) prescribing any matters necessary to facilitate heating system conversions, including defining "heating system conversion" and authorizing rent adjustments related to such conversion (subject to Director approval).

(jj.18) prescribing evidentiary requirements and conditions for the use of a verifiable

purchase price as an indicator of fair market value under section 49.1, including:

a) the maximum age of the transaction for it to be considered “recent” (e.g., within 24 months or such other period as prescribed);
b) documentation standards, including registered deed, agreement of purchase and sale, and land transfer tax affidavit;
c) criteria for determining whether a transaction was conducted at arm’s length;
d) exclusions for transactions involving related parties, distress sales, or other non-market conditions, or other prescribed circumstances;
e) rules for reconciling purchase price with other prescribed valuation methods, including weighting methodology.

8.9 Clause 25 – Rent Adjustment on Vacancy (Viability Model)

The Act is amended by adding the following after section 49:

49.1 Rent adjustment on vacancy

1. Despite any other provision of this Act, upon the commencement of a new tenancy following a vacancy, the maximum lawful rent for a rental unit shall not exceed the amount determined in accordance with the regulations using the fair market value of the property and a prescribed viability model.

2. For the purposes of subsection (1), the Director shall determine “fair market value” using one or more prescribed methods, including independent appraisal, comparable sales analysis, income capitalization, the most recent verifiable purchase price, or other objective methodologies set out in the regulations. For greater certainty, the most recent verifiable purchase price may be considered as an indicator of fair market value only if it reflects an arm’s-length transaction and is not materially inconsistent with other prescribed valuation methods. The Director shall apply these methods in accordance with the viability model and any compliance conditions established under this Act and the regulations.

3. Purpose of viability model
   The purpose of the viability model is to ensure an objective, transparent and cost-recovery-based maximum rent on vacancy that uses standardized, verifiable inputs and does not rely on the individual landlord’s financing arrangements. The model shall:

(a) anchor calculations to the fair market value and other standardized inputs, including a standard down-payment percentage, a reference interest rate and a standard amortization period; and

(b) include eligible operating costs determined in accordance with the regulations.

4. Publication of assumptions
   The Director shall, at least annually, publish in plain language on a publicly accessible website the methodology and assumptions used for the purposes of this section, including the standard down-payment percentage (default 25%), the reference interest rate, and the standard amortization period, with illustrative examples.

5. Inapplicability of 3% cap
   For greater certainty, the limitation in section 50(7) of the Act (which caps rent increases at 3% if approved within 12 months of a previous increase) does not apply to a rent determined under this section.

6. Confidentiality provisions apply
   For greater certainty, sections 75 and 75.1 (confidential filings and undertakings) apply to any proceeding under this section.A landlord may apply to the Director for a determination of the maximum lawful rent under this section at any time in anticipation of a vacancy, provided that:

   (a) the tenancy has been lawfully terminated or is expected to terminate within the next 90 days; and

   (b) the landlord confirms that no notice of termination was given in bad faith or for the purpose of increasing rent.

7. Application and completeness
   A landlord seeking to charge a rent determined under this section shall file an application with the Director in the approved form. Within one business day after receipt, the Director shall notify the applicant whether the application is complete or identify any missing information.

8. Decision timeline and deemed approval
   Subject to subsection (7), the Director shall decide a complete application within five business days after the completeness notice. If the Director does not issue a

decision within that period, the application is deemed approved on the next business day and the Director shall forthwith update the lawful rent in the Rental Registry.

9. Provisional approval (auto-approve lane)
   Where the landlord's application:
   (a) adopts the most recently published assumptions and reference values under the regulations without deviation; and
   (b) proposes a rent not exceeding the amount yielded by the viability model for that unit, the Director may approve the application forthwith on filing, and shall update the Rental Registry accordingly.

10. Conditions and compliance verification
    An approval (including a deemed approval) is conditional upon:
    (a) the rental unit being registered under Division 2.1; and
    (b) the landlord holding a valid licence under Part 10.
    If either condition is not met at the time of approval, the approval takes effect only upon compliance and the Registry shall be updated when compliance is confirmed.

11. Audit and variation
    The Director may audit any approval made under this section. If the Director determines that the approved rent exceeded the amount permitted by the regulations due to misrepresentation or material error, the Director may vary the approval prospectively and order appropriate credits or refunds, with reasons.

12. Notice to incoming tenant
    Upon approval, the Director shall provide a confirmation stating the lawful rent for the unit, which the landlord shall attach to the tenancy agreement for the incoming tenant.

13. Electronic service and registry update
    Approvals and deemed approvals may be issued electronically and the Rental Registry shall be updated within one business day of approval.

8.10 Clause 26 – Heating System Conversions: Notice and Rent Adjustment

Section 21 of the Act is amended by adding the following after subsection (2):

Section 21(3) – Conversion of Heating System

3. Where a landlord proposes to terminate or restrict a heating service to a rental unit due to the conversion of a heating system from a central oil-fired system to individual electric heat pumps, the landlord shall:
   (a) provide at least three months' written notice to all affected tenants;
   (b) offer each affected tenant a rent adjustment reflecting the change in responsibility for heating costs; and
   (c) obtain the approval of the Director if any tenant disputes the proposed change.

8.11 Clause 27 – Retrofit Agreements for Heating Conversion

Section 10 of the Act is amended by adding the following after subsection (6):

14. A landlord and tenant may enter into a written **retrofit agreement** in respect of a heating system conversion. A retrofit agreement must be filed with the Director and, upon filing, is deemed to amend the tenancy agreement to the extent of its terms.

(This permits formal agreements on new heating arrangements, enforceable as part of the lease.)

8.12 Clause 28 – Enabling Heating System Conversion

The Act is amended by adding the following after section 21:

21.1 Heating system conversion – conditions

1. A landlord may convert a heating system in a residential property from oil-based heating to electric heat pumps, provided that the landlord complies with:
   (a) the notice and rent adjustment requirements under section 21(3); and
   (b) the filing of any retrofit agreements as required by section 10(7);
   and obtains Director approval for the conversion if any tenant disputes the change.

8.13 Regulations – Rent Setting and Adjustments

The Residential Tenancy Regulations are amended to implement the new rent adjustment framework as follows:

8.13.1 Above-Guideline Increase Phase-In

A new Part of the Regulations is added to prescribe how above-guideline increases may be phased in:

PART Y — ABOVE-GUIDELINE INCREASE PHASE-IN

Y.1 Tiered phase-in structure

(1) For the purposes of section 50(7) of the Act:

(a) where the total approved above-guideline increase is 6 per cent or less, the annual implementation cap is 3 per cent plus the annual guideline;

(b) where the total approved above-guideline increase exceeds 6 per cent, the annual implementation cap is 5 per cent plus the annual guideline, subject to compliance conditions in section Y.2.

Y.2 Compliance conditions

(1) A landlord seeking to implement an annual increase above 3 per cent under section Y.1(b) shall:

(a) hold a valid rental licence under Part 10 of the Act for the residential property;

(b) have no outstanding maintenance orders under sections 28.1 to 28.5 of the Act;

(c) have filed any compliance plan required under section 28.6 of the Act, if applicable.

(2) The Director shall verify compliance before approving any annual increase above 3 per cent.

Y.3 Exceptional circumstances

(1) The Director may approve an annual implementation percentage higher than 5 per cent only where:

(a) the landlord demonstrates extraordinary circumstances prescribed by regulation (such as major capital investment exceeding a prescribed threshold);

(b) the landlord meets all compliance conditions in section Y.2; and

(c) the Director is satisfied that the increase will not cause undue hardship to the tenant.

~~(2) Any percentage approved under subsection (1) shall not exceed the prescribed maximum.~~ (doublecheck before removing)

Y.4 Hardship criteria

(1) For the purposes of section 50(8) of the Act, the Director shall consider:

(a) the magnitude of the proposed annual increase relative to the tenant's current rent;

(b) the availability of comparable rental housing in the tenant's community;

(c) any recent displacement risk factors (such as pending eviction for other reasons);

(d) any other tenancy-related factor prescribed by regulation.

(2) The Director shall not consider the tenant's income, household income, or housing cost ratio for the purposes of this section.

Y.5 Publication

The Director shall publish annually:

(a) the tiered phase-in structure;

(b) compliance conditions;

(c) hardship criteria;

(d) illustrative examples of phased implementation.

8.13.2 Regulations – Immediate Viability Orders (DSC-Based)

Add to Residential Tenancy Regulations under a new section, e.g., Part Z.

Z.1 Debt Service Coverage Ratio (DSC) Definitions and Methodology

For the purposes of section 50.2 of the Act:

1. "Debt Service Coverage Ratio (DSC)" means the ratio of normalized net operating income (NOI) to **Eligible Annual Debt Service**.

2. **"Eligible Annual Debt Service"** is the **sum** of **"Part 1: Eligible Acquisition Debt Service"** and **"Part 2: Eligible Capital Debt Service"**.

3. "Normalized NOI" means gross rental income minus standardized operating costs, excluding discretionary expenses and financing costs, and adjusted for occupancy.

Z.2 Part 1: Eligible Acquisition Debt Service

This calculation applies to the financing (or refinanced portion) used for the original purchase of the property by the current landlord.

1. The landlord shall provide the **Original Loan Agreement** for the purchase of the property.

2. The Director shall determine from the agreement the **"LTV at Origination"** by dividing the **Original Principal Amount** by the **Property Value at Origination** (i.e., the purchase price).

3. If the **"LTV at Origination"** is **80% (0.80) or less**, the "Eligible Acquisition Debt Service" is the **Actual Annual P+I Payment** for that loan.

4. If the **"LTV at Origination"** is **greater than 80% (0.80)**, the "Eligible Acquisition Debt Service" is adjusted as follows:
```
Eligible Acquisition Debt Service =
Actual Annual P+I Payment * (0.80 / LTV at Origination)
```

Z.3 Part 2: Eligible Capital Debt Service This calculation applies to any financing (e.g., refinance, second mortgage, or line of credit) taken out *after* the initial purchase.

1. The landlord shall provide the **Current Loan Agreement(s)** for the financing.

2. The landlord must provide **verifiable proof** (e.g., invoices, receipts) that the principal from this loan was used for **Eligible Capital Expenditures** on the residential property.

3. **Eligible Capital Expenditures** are defined as major costs that would qualify for an Above-Guideline Increase (AGI) under section 50(2.3)(b), such as roof replacement, new windows, or major system upgrades.

4. **Ineligible debt** for this calculation includes:

(a) Any portion of a loan's principal not supported by invoices for capital expenditures (e.g., funds used for personal use, debt consolidation, or to purchase other properties).

(b) Any capital expenditure costs that have already been, or are currently being, recovered from tenants through a separate Above-Guideline Increase (AGI) order.

5. The **"Eligible Capital Debt Service"** is the portion of the **Actual Annual P+I Payment** that corresponds only to the **proven Eligible Capital Expenditures** principal (as determined in Z.3(2), (3), and (4)).

Z.4 Publication of Methodology

1. The Director shall publish annually:

(a) guidance on the evidentiary requirements for proving Original Loan Agreement terms, Actual Annual P+I Payments, operating costs, and verifiable invoices for capital expenditures.

(b) illustrative examples of the "Two-Part" DSC calculation, including a detailed worked example of the pro-rata adjustment under Z.2(4) and the ineligibility of personal equity take-out under Z.3(4).

Z.5 Evidentiary Requirements

1. An application under section 50.2 shall include:

(a) verified rental income for the most recent fiscal year or projected 12-month period;

(b) the **Original Loan Agreement** for the property purchase and **all Current Loan Agreements** (mortgages, lines of credit, etc.) registered against the property;

(c) **current statements** for all loans showing the Actual Annual P+I Payment and outstanding principal;

(d) for all financing under Z.3 (Part 2), **a complete set of invoices and proof of payment** demonstrating the use of loan funds for Eligible Capital Expenditures;

(e) operating cost documentation aligned with Schedule B categories;

(f) confirmation of compliance with licensing and maintenance requirements.

Z.6 Approval Criteria and Limits

1. The Director may approve a rent increase sufficient to achieve a DSC of **1.2** based on the total **Eligible Annual Debt Service** (the sum of Z.2 and Z.3).

2. The Director may impose tenant mitigation measures, including extended notice, payment plans, or staged implementation.

Z.7 Publication and Transparency

1. The Director shall:

   (a) publish at least two worked examples annually demonstrating DSC-based rent adjustments, **including one example where the 80% LTV at Origination cap is applied and another showing the ineligibility of non-capital-related debt**;

   (b) provide plain-language templates for landlords and tenants;

   (c) include aggregate statistics on Immediate Viability Orders in the Annual Report under section 7.3 of the Act.

8.13.3 Vacancy Decontrol Model

A new Part of the Regulations (following the Licensing Part) is added to prescribe the rent viability model on vacancy, as authorized by section 49.1 of the Act:

Part Z — Vacancy Decontrol Viability Model

Z.1 Purpose

The purpose of this Part is to establish an objective, transparent, and standardized method for determining the maximum lawful rent on vacancy under section 49.1 of the Act, based on fair market value (FMV) determined using prescribed valuation methods.

Z.2 Maximum rent on vacancy

The maximum lawful rent on vacancy shall be the higher of:
(a) the rent permitted by the annual guideline plus any approved above-guideline increase already attached to the unit; and
(b) the amount determined by the viability model in Z.3 using the FMV determined under

Z.5 to Z.8.

Z.3 Viability model calculation

```
allowable gross rent = (standard mortgage payment on (FMV × (1 – down-payment%)) + eligible operating costs) ÷ number of rental units
```

where:

- FMV = fair market value determined under Z.5 to Z.8;
- standard mortgage payment = calculated using a published reference interest rate and amortization period;
- eligible operating costs = as prescribed by regulation and published annually by the Director.

Z.4 Adjustment applications

A landlord may apply to the Director to vary the calculated maximum rent on vacancy if the landlord believes that prescribed criteria (such as extraordinary circumstances affecting the property value or operating costs) are met and can provide evidence as prescribed. The Director may adjust the maximum rent if satisfied that the criteria are met, in accordance with any prescribed process.

(This allows a landlord, in rare cases, to seek a different cap if the standardized model yields an inappropriate result, subject to evidence and regulatory criteria.)

Z.5 Fair market value determination – approved methods

(1) FMV shall be determined using one or more of the following methods:
(a) Independent Professional Appraisal: A report by an accredited appraiser applying recognized standards and at least two approaches (sales comparison, income, or cost);
(b) Comparable Sales Analysis: Analysis of verified arms-length sales of similar properties in the relevant market area within the past 12 months, adjusted for differences;
(c) Income Capitalization Approach: Value derived from stabilized net operating income divided by a standardized capitalization rate published by the Director;
(d) Depreciated Replacement Cost: Replacement cost new less depreciation plus land value, used only where sales and income evidence are insufficient.
(e) Most recent verifiable purchase price, subject to evidentiary requirements in section Z.21.

(2) The Director shall reconcile multiple indicators by taking the median of accepted values, excluding outliers.

Z.5.1 Evidentiary requirements for purchase price

(1) Where the most recent verifiable purchase price of the residential property is considered as an indicator of fair market value, the landlord shall provide:

(a) a copy of the registered deed or transfer document showing the purchase price;

(b) a copy of the statement of adjustments or closing statement from the transaction; and

(c) proof that the transaction was at arm's length, which may include:

(i) a declaration in the approved form; and

(ii) any supporting evidence prescribed by the Director.

(2) A purchase price shall not be considered verifiable if:

(a) the transaction was between related parties, unless the Director is satisfied that the price reflects market value;

(b) the transaction was subject to extraordinary conditions affecting price, such as foreclosure, power of sale, or distress; or

(c) the purchase occurred more than 36 months before the vacancy date, unless otherwise prescribed.

(3) Where the purchase price is materially inconsistent with other prescribed valuation methods, the Director shall reconcile the indicators by applying weighting rules published annually, and may disregard the purchase price if it appears unreliable.

Z.6 Method selection

(1) If a current independent appraisal compliant with Z.7 is filed and accepted, the Director shall consider it as one indicator and reconcile it with other indicators as required.

(2) Where no appraisal is filed, the Director shall apply at least two methods from Z.5 and reconcile as per Z.5(2).

(3) The Director may reject an appraisal if, in the Director's opinion:

(a) it does not comply with the standards in Z.7;
(b) it contains material errors or omissions; (c) it appears biased or prepared by a person with a conflict of interest; or
(d) it otherwise fails to provide a reliable indicator of fair market value.

Z.7 Standards for appraisal and evidence

An appraisal relied upon under this Part must:
(a) be prepared by an independent appraiser in good standing;
(b) have an effective date within six months of the vacancy;
(c) disclose assumptions and limiting conditions;
(d) include at least three comparable sales where available;
(e) include a certification of independence.

Z.8 Publication of assumptions

The Director shall publish annually:

(a) the reference interest rate and amortization period;
(b) standard down-payment percentage;
(c) operating cost benchmarks;
(d) capitalization rates by property class and area;
(e) cost indices and depreciation guidance.
(f) weighting methodology for reconciling purchase price with other FMV indicators, including default weighting factors and illustrative examples.

Z.9 Transparency and confidentiality

The Director shall provide parties with a summary of the data and methods used, subject to confidentiality provisions in sections 75 and 75.1 of the Act.

Z.10 Appeals

An FMV determination under this Part may be appealed under section 89 of the Act.

Z.11 Valuation date

The valuation date for FMV shall be the month in which the unit became vacant, or within

three months prior to vacancy if more current data is not available.

Z.12 Application form and data

The approved form shall require only: property identifier, unit identifier, tenancy start date, FMV evidence or selection of a pre-certified FMV, and confirmation that all published assumptions are adopted.

Z.13 Completeness triage

The Director's system shall automatically validate required fields and issue the completeness notice electronically within one business day.

Z.14 Pre-certified FMV schedule

The Director shall annually publish a pre-certified FMV schedule for classes of small residential properties, derived from prescribed valuation methods. An applicant may select a pre-certified FMV entry in lieu of filing an appraisal or comparables.

Z.15 Auto-approval criteria

An application is auto-approvable where:

(a) a pre-certified FMV is selected or FMV is calculated by the Director's tool;

(b) standard assumptions are adopted; and

(c) the proposed rent ≤ the model cap.

Auto-approvals shall issue immediately upon filing.

Z.16 Portfolio submissions

A landlord may submit multiple vacancy applications in a single batch file; the Director's system shall apply Z.13–Z.15 to each unit concurrently.

Z.17 Service standard reporting

The Director shall publish quarterly: median and 90th-percentile decision times, auto-approval rate, audits conducted, and any variations ordered.

Z.18 Provisional approval safeguard

Where the application meets Z.15 except for pending licence renewal verification, the Director may issue a provisional approval valid for 30 days; the Registry shall be updated to final status when licence verification is complete.

Z.19 Adjustment on audit

If a rent is varied on audit under section 49.1(10) of the Act, the Director shall direct the landlord to credit the difference on the next rent due date or by another method considered appropriate; no administrative penalty shall be imposed where the overage resulted solely from a Director system error.

Z.20 Digital portal and API

The Director may operate a digital portal and application programming interface (API) that

(a) receives vacancy applications;

(b) returns approvals and Registry confirmations; and

(c) provides a verification token for inclusion in tenancy agreements.

8.13.4 Heating System Conversion

Clause 5(a) of the Regulations (definition of “capital expenditures” for above-guideline increases) is amended by adding after “electrical or heating systems or appliances,” the phrase: “including expenditures for the installation of heat pumps as part of a heating system conversion,”.

(This clarifies that investing in heat pumps during conversion is considered a capital expense potentially recoverable via an AGI, resolving uncertainty and encouraging green upgrades.)

The Regulations are further amended by adding the following section as a new section under an appropriate Part:

X. Heating System Conversion Rent Adjustment

1. For the purposes of section 107 of the Act (regulations respecting heating conversions), “heating system conversion” includes the replacement of an oil-based central heating system with electric heat pumps for a rental property, and includes associated electrical upgrades and any tenant notification requirements

related to the conversion.

2. The Director may approve a change in rent related to a heating system conversion (whether through an above-guideline increase or by adjusting rent allocations between landlord and tenant) if the landlord demonstrates that:
   (a) the conversion involved a capital expenditure; and
   (b) the proposed rent change reasonably reflects the overall impact of the conversion on both the landlord's costs and the tenant's costs, including any net operating cost savings resulting from the new system.

(This regulatory section ensures that when a landlord converts to heat pumps and, for example, tenants start paying for their own electricity, any rent reduction or increase is commensurate with cost changes. It pairs with Act provisions on notice and Director oversight.)

8.13.5 Confidentiality Undertakings

XX.1 Prescribed Form

Specifies the approved form, including required fields (name, contact info, file number, description of documents, declaration, consequences, date, signature).

XX.2 Electronic Signature

Allows secure electronic signatures with identity authentication and submission through a secure portal.

XX.3 Execution Process

Outlines steps for completing, signing, and submitting the undertaking before accessing confidential documents.

XX.4 Penalties for Breach

Administrative monetary penalty up to $5,000.

Possible Director's order and prosecution under the Act.

Factors for penalty determination and reporting requirements in the Annual Report.

9 Part IV – Maintenance, Repairs, and Safety

9.1 Overview

Part IV creates a robust framework to ensure rental properties are maintained in a safe and habitable condition. It **restores and strengthens the landlord's duty to repair**, explicitly requiring that rental units be kept in a "good state of repair and fit for habitation," addressing concerns that previous wording was too weak.

Importantly, Part IV empowers the government to set **prescribed minimum housing standards** and clear timelines for repairs: 24 hours for emergencies, 7 days for urgent issues, and 14 days for non-urgent issues (unless otherwise ordered).

Correspondingly, it establishes an innovative remedy – a **proportional rent abatement** that can be ordered retroactively from the date a defect was verified, incentivizing prompt repairs.

To ensure compliance, this Part introduces a potent enforcement tool: a **stay on rent increases** for any unit under an outstanding maintenance order, meaning a landlord cannot benefit from a rent hike until necessary repairs are done.

The reforms also streamline how urgent cases are handled. They impose a **duty on tenants and landlords to cooperate with access** for inspections and repairs, with reasonable scheduling rules, while providing an expedited dispute process if access is unreasonably refused.

Additionally, Part IV clarifies the **"order without hearing"** process for emergencies by defining "immediate risk" situations (e.g. severe property damage, threats to safety) and setting 24–48 hour targets for urgent applications to be reviewed and heard. These measures aim to prevent deterioration and address serious risks promptly, with fairness safeguards.

In sum, Part IV modernizes maintenance obligations and enforcement, ensuring Islanders' rental homes are safe, healthy, and well-maintained – and providing mechanisms to swiftly remedy problems when they arise.

9.2 Clause 29 – Reaffirmation of Landlord's Repair Obligation

Section 28(1) of the Act is repealed and replaced with:

28. Obligation to repair and maintain

1. A landlord shall keep the rental unit and residential property in a good state of repair and fit for habitation, having regard to the age, character and location of the rental unit, and shall ensure the rental unit and residential property comply with the health, safety, housing and maintenance standards required by law.

(This revised duty explicitly references habitability and legal standards, strengthening tenants' rights to a well-maintained home.)

9.3 Clause 30 – Residential Maintenance Standards and Repair Timelines

The Act is amended by adding the following sections after section 28:

28.1 Maintenance Standards and Repair Timelines

Maintenance standards

1) The Minister may, by regulation, prescribe minimum residential maintenance standards for rental units and residential properties respecting matters such as structural integrity, heat, water, electrical, plumbing, pest control, mold, and safety devices.

Timelines for repairs

2) Unless otherwise prescribed or ordered by the Director:
(a) a landlord shall respond to and rectify an emergency repair issue (being a condition that poses an immediate risk to health or safety or an essential service) within 24 hours;
(b) a landlord shall address an urgent defect (seriously affecting habitability or sanitation, though not an immediate danger) within 7 days;
(c) a landlord shall address any other non-urgent defect or maintenance issue within 14 days.

Director's orders and rent abatement

3) If a landlord fails to meet the standards or timelines under sections 28.1 or 28.2, the Director may issue an order requiring the landlord to remedy the defect or comply

with the prescribed standard. The Director may also order a proportional abatement of rent in favor of the affected tenant, corresponding to the loss of value or amenity due to the defect, retroactive to the date the defect was first verified (by evidence or inspection).

Evidence of condition

4) In any proceeding regarding alleged lack of repair or breach of maintenance standards, the Director may require the parties to provide evidentiary documentation, which may include dated photographs, videos, inspection reports or other verification as prescribed. The Director or an agent may conduct a site inspection or re-inspection as necessary to verify compliance or the existence of a defect.

Stay of rent increases

5) If an order under section 28 or 28.3 requiring repairs or maintenance remains outstanding for a rental unit, any notice of rent increase for that unit (including an increase already approved above the guideline) shall not take effect until the Director confirms that the order has been complied with. The effective date of the rent increase is deferred accordingly, without prejudice to the tenant.

9.4 Clause 31 – Duty to cooperate with access

The Act is amended by adding the following after section 23:

23.1 Duty to cooperate with access

(1) A tenant shall not unreasonably refuse or delay consent to the landlord's lawful request for entry under section 23.

(2) Where a landlord provides written notice under section 23 for entry to carry out repairs, maintenance, or an inspection required by law or ordered by the Director, the tenant shall cooperate in scheduling the entry at a reasonable time.

(3) For the purposes of subsection (2), "reasonable time" means:

(a) a time between 9:00 a.m. and 9:00 p.m.;

(b) a duration no longer than is reasonably necessary to complete the stated purpose of the entry; and

(c) consideration of the tenant's circumstances, including work schedules and caregiving responsibilities.

(4) If the tenant objects to the time proposed by the landlord, the tenant shall, within two business days, offer at least two alternate time windows that are reasonable in light of the purpose of entry and the landlord's legal obligations.

(5) A landlord shall not unreasonably refuse or delay entry at a time proposed by the tenant under subsection (4), having regard to the landlord's legal obligations and the availability of qualified tradespersons.

(6) Where the landlord refuses all alternate times proposed by the tenant, the landlord shall provide written reasons and, if requested, evidence of scheduling constraints.

(7) Where the parties cannot agree on a reasonable time, either may apply to the Director for an order setting the time and conditions of entry.

(This new section codifies both tenant and landlord obligations to facilitate necessary access for repairs, with reasonable notice and frequency limits, and provides recourse if access is unjustifiably denied.)

9.5 Clause 32 – Expedited Hearings for Emergency and Access Issues

Section 75 of the Act (applications to Director) is amended by adding the following subsections after subsection (4):

75(4.1) If an application to the Director raises a dispute regarding access for inspection or repairs under section 23 or 23.1, the Director shall review the application within 2 business days of receipt and, if the matter cannot be resolved informally, shall conduct a hearing within 5 business days, where practicable. The Director may issue an interim order based on the written materials before holding a hearing if the evidence indicates an essential service is at risk of being lost or ongoing significant damage to the property may occur.

75(4.2) If an application concerns an urgent matter referred to in section 86(a) or (b) (immediate risk to health, safety or property), the Director shall review the application within 24 hours of receipt and, if a hearing is required, schedule it to occur within 48 hours, where practicable. Any interim order made without notice is returnable for review within 3–5 business days upon request of a party.

(These provisions formalize a "fast lane" for emergency and access issues: access

disputes triaged within 2 days and heard in 5 days; emergencies reviewed in 24 hours and heard in 48 hours, with quick return hearing if an ex parte order was made.)

9.6 Clause 33 – Clarification of "Immediate Risk" for Emergency Orders

Section 86 of the Act (Director's order without hearing in urgent cases) is amended by adding the following after clause (c):

(d) For the purposes of paragraphs 86(a) and (b), **"immediate risk"** includes:

(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 imminent risk to persons or property, **supported by evidence prescribed by regulation**.

(This definition guides the Director on when it is appropriate to issue an ex parte emergency order, linking to a regulation for any evidentiary requirements.)

9.7 Clause 34 – "Repeatedly Late" Rent Defined

Clause 61(1)(b) of the Act (termination for repeated late payment) is repealed and replaced with:

61(1)(b) the tenant has been **repeatedly late** in paying rent, meaning the tenant has failed to pay the rent in full by the third day after the due date on **three or more occasions within any 12-month period**, and has received a written warning notice after the second such occasion advising that a third late payment could result in termination. *(For this purpose, if the rent due date falls on a non-business day, payment on the next business day is not a late payment.)*

(This provides an objective standard: three late payments (with a short grace period) in a year, plus a required warning after the second instance.)

9.8 Clause 35 – Significant Damage and Repair Timeline in Termination for Cause

Section 61(1)(f) of the Act is amended by striking out "unreasonable damage" and substituting "**significant damage**," and by adding "(and, where the tenant could reasonably repair the damage, has not done so within a reasonable period or as prescribed

by regulation)" after "to the residential property".

The amended Act will look like:

(f) the tenant or a person permitted on the residential property by the tenant has caused **significant damage** to a rental unit or the residential property, and, where the tenant could reasonably repair the damage, has not done so within a reasonable period or as prescribed by regulation;

(This aligns the termination ground with the new definition of significant damage and clarifies that a tenant's failure to repair within a prescribed timeline is relevant.)

9.9 Clause 36 – End-of-Tenancy Damage Documentation

Section 38 of the Act is amended by adding the following after subsection (6):

38(7) Where a landlord intends to claim any amount from a security deposit in respect of damage to the rental unit or residential property, the landlord shall, within the time required by subsection 40(1), provide to the tenant a completed move-out condition inspection report along with any supporting documentation, including itemized estimates or invoices for repairs and date-stamped photographs or videos, as prescribed.

(This creates a clear requirement for landlords to provide proof of damage and costs at end of tenancy, to distinguish damage claims from rent arrears claims.)

9.10 Clause 37 – Allocation of Security Deposit (Damage vs. Rent) and Deemed Acceptance

Section 40 of the Act is amended by adding the following subsections after subsection (1):

40(1.1) Priority to damage.

(1.1) Where a landlord has provided the documentation required by section 38(7) and submits evidence that the tenant has caused **undue damage** (beyond reasonable wear and tear) as defined in the regulations, the security deposit shall be allocated first to the cost of repairing that damage, and only any remaining balance of the deposit may be applied to unpaid rent, unless the Director orders otherwise.

40(3.1) Deemed consent to damage claim.

(3.1) Despite clause 40(1)(b), a landlord may retain from the security deposit an amount not exceeding the documented cost of repairs without further application to the Director if:

(a) within the time required by subsection 40(1), the landlord has served on the tenant a Notice of Intended Allocation of Security Deposit (Damage First), in the approved form, together with the documents specified in subsection 38(7); **and**

(b) the tenant does not deliver a written dispute of the claim to the landlord within 7 days after service of that notice.

40(3.2) Dispute requires application.

(3.2) If a tenant delivers a written dispute within the 7-day period under subsection (3.1)(b), the landlord must apply to the Director under section 75 for an order respecting the security deposit within the time required by subsection 40(1), failing which the deposit (or remaining balance) shall be dealt with as provided in subsection 40(1).

40(3.3) No double recovery.

(3.3) A landlord or tenant may make a claim for additional compensation for damage under section 85 (Director's order for compensation) despite any amount retained from the security deposit. However, any compensation awarded by the Director or a court for damage shall be reduced by the amount already retained or paid out of the security deposit for that damage, to prevent double recovery by the landlord, and any amount paid under one order shall be credited against the other.

(These provisions prioritize documented damage claims over rent claims on the deposit and establish a "deemed agreement" process where tenants who do not dispute within 7 days effectively concede the claim. It also ensures landlords can't recover the same damages twice.)

9.11 Clause 38 – Offence for Significant Damage by Tenant.

The Act is amended by adding the following section after section 106:

106.1 Offence – significant damage

(1) A tenant, or a person permitted on the residential property by the tenant, who wilfully, recklessly or negligently causes **significant damage** (as defined in the

regulations) to the rental unit or residential property commits an offence.

(2) On summary conviction, such person is liable to a fine of not more than $25,000, and the court may, in addition, order the person to pay restitution to the landlord for any loss or expense incurred as a result of the offence.

(3) Any restitution ordered under subsection (2) shall be credited against any compensation ordered under this Act to prevent double recovery. (4) Subsection 61(2) of the Act (relating to domestic violence as a defense to property damage) applies, with necessary modifications, to an offence under this section.

(This creates a specific offence for egregious tenant-caused damage, with a high fine and restitution, while ensuring that tenants experiencing violence are not unfairly penalized for damage resulting from abuse (per s.61(2) of the Act).)

9.12 Clause 39 – Regulation-Making Powers (Maintenance and Safety)

Section 107(1) of the Act is amended by adding the following clauses after clause (ii):

(ii.1) prescribing access scheduling windows, frequency limits for routine inspections, alternate times for entry, and evidentiary requirements for access disputes (for the purposes of section 23.1 and expedited hearings);

(ii.2) prescribing evidence requirements and timelines for emergency applications under section 86 (to support clause 86(c) and defined “immediate risk” cases);

(ii.3) prescribing residential maintenance standards, response timelines, evidence requirements, abatement guideline scales, and the interaction of outstanding maintenance orders with rent control (for the purposes of sections 28.1–28.5 of the Act);

(ii.4) prescribing requirements for move-in and move-out condition inspection reports, including requirements for date-stamped photographs or videos;

(ii.5) prescribing the interpretation of “late payment” for the purposes of section 61(1)(b), including any grace period, the form and content of a Notice of Late Payment Warning, criteria for exceptional circumstances excusing lateness, and procedures for aligning rent due-dates with income payment cycles;

(ii.6) prescribing the form and content of a Notice of Intended Allocation (Damage First) under section 40(3.1), documentation standards for damage claims, and timelines for

deemed consent (and any adverse inferences if inspection or reporting requirements are not met).

9.13 Regulations – Maintenance, Repairs, and Safety

Pursuant to the above authority, the Lieutenant Governor in Council is expected to establish detailed regulations, including but not limited to:

Access & Inspections Regulation

Standardizing entry provisions: allowable entry hours (e.g. 9 a.m. to 9 p.m.), maximum frequency of routine inspections (e.g. quarterly unless there is cause), and requiring tenants who deny a proposed time to offer alternate times within a set period. This regulation will also prescribe acceptable evidence in access disputes (such as proof of notice delivery, photographs of posted notices, etc.) and may impose administrative penalties for bad-faith obstruction by either party.

PART X — ACCESS FOR REPAIRS AND INSPECTIONS

X.1 Interpretation

(1) In this Part:

(a) “Act” means the Residential Tenancy Act;

(b) “entry window” means the period during which the landlord may enter the rental unit for the stated purpose in the notice under section 23 of the Act.

X.2 Reasonable entry duration

(1) The duration of an entry shall be no longer than reasonably necessary to complete the stated purpose.

(2) Without limiting subsection (1), the following durations are generally considered reasonable:

(a) routine inspection: up to 60 minutes;

(b) minor repair (e.g., appliance service, fixture replacement): up to 2 hours;

(c) major repair or multi-trade work (e.g., plumbing overhaul, electrical rewiring): up to 4

hours, or longer if justified by complexity and noted in the notice.

X.3 Notice requirements

(1) A landlord giving notice under section 23 of the Act shall:

(a) state the purpose of entry and the estimated duration;

(b) propose a time between 9:00 a.m. and 9:00 p.m.;

(c) provide at least 24 hours' written notice, unless the Act permits shorter notice for emergencies.

X.4 Tenant cooperation

(1) Where a tenant objects to the proposed time, the tenant shall, within two business days, offer at least two alternate time windows that:

(a) fall between 9:00 a.m. and 9:00 p.m.; and

(b) are reasonable in light of the stated purpose and the landlord's legal obligations.

X.5 Landlord cooperation

(1) A landlord shall make reasonable efforts to accommodate alternate times proposed by a tenant under section X.4.

(2) A landlord who refuses all alternate times shall:

(a) provide written reasons within two business days; and

(b) include any supporting evidence (e.g., contractor availability).

X.6 Factors for reasonableness

(1) In determining whether a proposed or alternate time is reasonable, the Director may consider:

(a) the urgency and nature of the work;

(b) the tenant's work schedule, caregiving responsibilities, or other bona fide constraints;

(c) the availability of qualified tradespersons;

(d) any other relevant circumstance.

X.7 Administrative penalties for obstruction

(1) For the purposes of section 93 of the Act, the following constitute contraventions:

(a) a tenant's bad-faith refusal or failure to propose alternate times under section X.4;

(b) a landlord's bad-faith refusal to accommodate reasonable alternate times under section X.5.

(2) The Director may impose an administrative monetary penalty up to $500 for a contravention under subsection (1), having regard to:

(a) whether the conduct was repeated or deliberate;

(b) the impact on repairs or habitability;

(c) any prior warnings or orders.

X.8 Guidance publication

(1) The Director shall publish plain-language guidance annually, including:

(a) examples of reasonable durations for common repairs and inspections;

(b) examples of acceptable alternate time proposals;

(c) a summary of enforcement options for bad-faith obstruction.

Residential Maintenance Standards Regulation: Defining minimum standards for key aspects of habitability, for example: a minimum indoor temperature (e.g. ≥ 21°C in heating season), minimum hot water temperature (e.g. ≥ 45°C), functioning plumbing and safe electrical systems, structural soundness and weatherproofing, pest and mold control, and functioning smoke alarms and CO detectors. This regulation will mirror local property standards bylaws and provincial health/safety codes. It will also reiterate the required repair response times: 24 hours for emergencies, 7 days for urgent issues, 14 days for non-urgent, subject to extension by the Director for good cause (e.g. documented supply chain delays, tenant refusal of access, or force majeure). Additionally, it will set guidelines for calculating proportional rent abatements based on severity and duration of defects (e.g. a schedule from 0% up to 50% abatement, or 100% if unit is uninhabitable). Finally, it will

codify that no rent increase may take effect while a maintenance order is outstanding, and that the Director must screen any above-guideline increase application for unresolved maintenance issues (deferring such rent increases until compliance).

Late Payment Regulation: Clarifying when rent is considered late (e.g. rent is late if not fully paid by 11:59 p.m. on the 3rd day after it is due, or the next business day if the third day falls on a weekend or holiday). This regulation will also provide for a **"Notice of Late Payment Warning"** form that a landlord must give after the second late payment in 12 months, and define **"exceptional circumstances"** that can excuse a late payment (such as a documented bank error or delay in social assistance payment), along with a requirement that the tenant notify the landlord within 2 business days of such circumstances and provide proof within 10 days. It will also allow a tenant one opportunity per tenancy to request alignment of the rent due date with their periodic income (to help those paid on a monthly cycle different from the lease date).

Security Deposit (Damage) Regulation: Establishing the approved form and content for the **"Notice of Intended Allocation (Damage First)"** that a landlord serves to invoke the deemed consent process for deposit deduction. It will detail the documentation required (the same as section 38(7) – inspection report, itemized bills, photos), and specify that if a landlord fails to provide a move-in or move-out inspection report as required, a rebuttable presumption arises that any disputed damage did not occur or was not the tenant's responsibility. It will confirm the 7-day tenant dispute window and outline that if the tenant does dispute, the landlord must file a claim or else lose entitlement to retain the deposit. It will also emphasize crediting of any deposit retention against damage awards to avoid double recovery.

Significant Damage & Restitution Regulation: Defining **"significant damage"** (for the offence in section 106.1 and related termination ground) with a clear monetary or impact threshold – e.g. damage requiring repairs exceeding the greater of $1,000 or one-half of one month's rent, or any damage that causes an essential service (heat, water, electricity) to be unusable for over 24 hours due to the tenant's act or omission. It may also incorporate evidentiary rules, such as if the landlord failed to do a move-in inspection with photos, the burden to prove the tenant caused certain damage is higher (to prevent abuse). The regulation will coordinate any administrative monetary penalties (AMPs) under the Act with the prosecution of the offence to avoid "double punishment or recovery" – for instance, if an AMP is issued for the damage, that amount could be credited against any fine or restitution in court.

Amendments to Existing Regulations: The standard Residential Tenancy Regulations will also be amended to require **condition inspection reports** at the start and end of tenancy

(in approved form with photos/video) and deadlines for providing copies to the tenant (mirroring the obligations now in Act ss. 18 and 38). Additionally, a new procedure will be added to the Regulations requiring the Director, before approving any above-guideline rent increase, to check if there are outstanding maintenance orders on the unit and, if so, to delay the effective date of the increase until compliance (this reinforces section 28.5 of the Act).

(The above regulatory frameworks are to be drafted in detail by the Lieutenant Governor in Council, in consultation with stakeholders, to ensure that the intent of Part IV is fully realized in practice.)

10 Part V – Tenancy Management and Disputes

10.1 Overview

Part V modernizes various day-to-day rules governing tenancies and streamlines dispute resolution processes for common issues. It provides long-requested statutory definitions to bring clarity to contentious terms: “reasonable wear and tear” vs. “undue damage,” and what constitutes “significant damage,” giving both landlords and tenants clearer expectations about property condition and liability. It also defines “repeatedly late” rent with an objective test (three late payments in 12 months, after a warning) so that both parties know the threshold for this termination ground.

Part V overhauls the process for dealing with a tenant’s abandoned property. Instead of leaving landlords to navigate complex rules and liabilities, it centralizes abandoned goods management under the Director. Landlords will now simply notify the Director within 48 hours if a unit is abandoned with belongings, and the Director will take custody, arrange storage, and operate a digital claims portal to return items to owners or dispose of unclaimed goods after a standard period. This relieves landlords of legal risk and ensures tenants (or former tenants) have a fair chance to reclaim possessions via an efficient system. The framework includes special provisions for abandoned mobile homes and protection of secured creditors’ rights, given the complexity of those situations. Importantly, once the landlord hands over the items, they are immunized from liability for what happens after, provided they gave proper notice to the Director. This innovation will create a consistent, professional process, with potential cost recovery through nominal fees and sale proceeds, while also including hardship waivers to protect vulnerable tenants.

Additionally, Part V addresses security deposit disputes by introducing a "damage-first" allocation rule and a fast-track for undisputed claims. This ensures that when there are both rent arrears and damage, the deposit goes to repairs first (so landlords aren't left with unrepaired damage), and if the tenant doesn't dispute documented damage within a week, the landlord can apply the deposit without a formal hearing. There are also safeguards against double recovery and clear timelines for tenants to contest, making the process fair and efficient on both sides.

In sum, Part V delivers clearer rules for late rent and damage, a far more efficient system for abandoned property, and improved mechanisms to resolve end-of-tenancy matters – all of which reduce friction and foster a more equitable management of tenancies.

10.2 Clause 40 – Definitions (Wear and Tear, Damage)

Section 1 of the Act is amended by adding the following definitions:

(x.1) **"reasonable wear and tear"** means deterioration or PART depreciation of property that occurs naturally with age or normal use, despite reasonable maintenance, and does not result from neglect, abuse or accident by the tenant. *(For example, minor scuffs on floors or fading of paint from sunlight are generally reasonable wear and tear.)*

(x.2) **"undue damage"** means damage to the rental unit or residential property, beyond reasonable wear and tear, caused by the tenant or a person the tenant permitted on the property, which the tenant could reasonably have avoided or prevented. *(It includes significant damage arising from neglect or misuse, but excludes damage proven to have resulted from a risk contemplated by the landlord's obligation to repair (e.g. aging infrastructure).)*

(x.3) **"significant damage"** means undue damage that causes a serious impairment of the rental unit or property or requires repairs the cost of which exceeds $1,000 (or such other amount prescribed by regulation). *(Significant damage may include, for example, destruction requiring replacement of major appliances, holes punched in walls requiring professional repair, or damage that makes the unit temporarily uninhabitable.)*

(These definitions are intended to provide clear standards for adjudication and

responsibility. The monetary threshold in "significant damage" can be adjusted by regulation.)

10.3 Clause 41 – Abandoned Personal Property (Centralized Process)

Section 43 of the Act is repealed and replaced with the following:

43. Abandoned personal property

1. A tenant is not entitled to leave personal property in a rental unit or on residential property after the tenancy is terminated or the unit is otherwise vacated by the tenant.

2. Where a landlord discovers personal property left behind in a rental unit or on residential property after a tenancy has been terminated or abandoned, the landlord shall notify the Director, in the approved form, within 48 hours and shall provide the Director or the Director's agents with reasonable access to the premises for removal of the property as arranged by the Director.

3. This section does not apply if the landlord and tenant have, upon termination of the tenancy, made a written agreement regarding storage of the tenant's personal property (in which case the agreement governs).

4. Upon receiving notice under subsection (2), the Director assumes custody and control of the abandoned property and shall arrange for its removal, inventory, storage, notification to interested parties, and eventual disposal or sale, all in accordance with this Act and the regulations.

5. The Director may authorize the disposal (including recycling or destruction) of any abandoned property before the prescribed storage period expires if satisfied that:
   (a) the property has no monetary value;
   (b) the cost of storage or sale would exceed the likely proceeds of sale; or
   (c) the property is unsanitary or unsafe to store.

6. The Director may establish and operate a secure digital portal to facilitate the management of abandoned property. The portal may be used to provide information to owners about how to claim their property, to accept electronic claims or payments of any fees, and to schedule retrieval or delivery of claimed items. Electronic notices provided through such a portal or by email (in accordance with

section 100 of the Act) may be used to inform owners of their rights and obligations regarding the property.

7. A person claiming to be the owner of property in the Director's custody may reclaim the property within the prescribed period by providing satisfactory proof of ownership and paying any prescribed fees or costs for removal and storage; however, the Director may waive or defer such fees in prescribed hardship circumstances.

8. If any property is sold by the Director, the Director shall hold the net proceeds of sale in trust for the owner for one year. If unclaimed after one year, the proceeds shall be paid into the provincial Operating Fund; however, a former tenant (owner) may make a late claim for the proceeds to the Minister of Finance within seven years after the remittance, and the Minister of Finance may pay out the claim if satisfied of the person's entitlement.

9. Subject to any right or interest of a secured creditor under the *Personal Property Security Act*, a landlord who has complied with subsection (2) is not liable for any loss of or damage to the property or for any claim arising out of the storage, disposition or sale of the property after the Director has assumed custody.

10. The Director may recover the reasonable costs of removal, storage and administration from the owner of the property as a debt due to the Government, and may deduct such costs from any sale proceeds or (where applicable) from any security deposit held in relation to the tenancy, as prescribed.

10.4 Clause 42 – Abandoned Mobile Homes

Section 44 of the Act is repealed and replaced with the following:

44. Abandoned mobile home

1. This section applies where:
   (a) a tenant has vacated a mobile home or mobile home site in accordance with:
      (i) a notice of termination,
      (ii) an agreement to terminate the tenancy, or
      (iii) an order of the Director; or
   (b) the Director has made an order terminating the tenancy under clause 85(1)(o) (abandonment).

2. Where a mobile home owned by the tenant remains on the residential property after the tenant vacates or the tenancy is terminated as described in subsection (1), the landlord shall notify the Director in the approved form within 48 hours.

3. Upon receiving such notice, the Director shall assume custody and control of the mobile home and shall arrange:
   (a) for notice to be given to the former tenant and any identifiable secured party (such as a financing company holding a lien); and
   (b) for the safe storage, sale or disposal of the mobile home in accordance with this Act and the regulations.

4. After the prescribed notice period to the former tenant and any secured party, the Director may authorize the sale, retention or disposal of the mobile home if:
   (a) no claim or objection has been received;
   (b) the unit is unsafe, unsanitary, or has no reasonable resale value; or
   (c) the costs of storage and sale likely exceed the sale proceeds.

5. Any sale proceeds from a mobile home shall be handled in accordance with subsection 43(8) (trust and remittance of surplus proceeds).

6. Subject to any rights of a secured creditor under the *Personal Property Security Act*, a landlord who has complied with subsection (2) is not liable for loss of or damage to the mobile home or any claim after the Director assumes custody.

(These provisions ensure mobile homes left behind are dealt with under Director supervision, with attention to lienholders and longer timelines due to the higher value of such property.)

10.5 Clause 43 – Director's Program Authority (Abandoned Property)

The Act is amended by adding the following section after section 44:

44.1 Program operations and contracting

1. The Director may enter into contracts or standing offer agreements with third-party service providers for the removal, inventory, storage, sale, disposal, cleaning, and/or delivery of abandoned personal property or mobile homes.

2. The Director may establish administrative procedures, approved forms and practice

directives for the effective operation of sections 43 and 44, including procedures for digital identity verification of claimants, chain-of-custody protocols for stored items, and data retention schedules for records related to abandoned property.

(This section enables the Director to operationalize the new abandonment regime by outsourcing logistics to professional firms and setting up necessary processes, including a technology platform, as envisioned in the policy brief.)

10.6 Clause 44 – Regulation-Making Powers (Abandoned Property)

Section 107(1) of the Act is amended by adding the following clauses after clause (pp):

(pp.1) prescribing the form, content and timing of a landlord's notice to the Director under section 43 or 44 (including allowing electronic filing);

(pp.2) respecting the Director's authority to arrange removal, inventory, storage, sale or disposal of abandoned property, including documentation standards (such as photographing and cataloguing items with date-stamps);

(pp.3) prescribing standards for safe storage of abandoned property (e.g. climate control, secure facilities), notice requirements to owners and secured parties (including search of PPSA records), procedures for auction or sale, and criteria for disposal of unsafe or valueless items; also providing for transfer of title and discharge of liens on sold items;

(pp.4) respecting the funding of the Director-managed abandoned property program, including use of sale proceeds and prescribed fees payable by owners reclaiming items, with provisions for hardship waivers or deferrals of fees;

(pp.5) enabling the establishment of the digital claims portal referenced in section 43, including provisions for user authentication, electronic service of notices consistent with section 100, and privacy, security and accessibility requirements for the portal;

(pp.6) prescribing the storage periods and notice periods applicable to personal property and mobile homes under sections 43 and 44, and conditions under which early disposal may be authorized (e.g. perishable or hazardous items, or unclaimed low-value items after a set time);

(pp.7) any other matter necessary to give effect to sections 43, 43.1 and 44, including data retention, privacy safeguards, and audit requirements for the handling of abandoned

property and proceeds.

10.7 Clause 45 – Transitional & Commencement (Abandoned Property)

Transitional – abandoned property provisions

1. Sections 43, 43.1 and 44 of the Act, as enacted by this Part, apply only to tenancies that terminate or are abandoned on or after the date those sections come into force.

2. Any matter relating to abandoned property that commenced under the former sections 43 or 44 of the Act, and that has not been concluded before the coming into force of the new sections, shall continue to be governed by the former provisions unless the Director, with the consent of all interested parties, elects to proceed under the new provisions.

3. The coming-into-force date of sections 43, 43.1 and 44 may be set by proclamation to align with the establishment of necessary service contracts and the digital portal.

(This ensures a smooth transition so that landlords and tenants are not caught by surprise mid-process.)

10.8 Regulations – Tenancy Management and Disputes

In addition to the regulations outlined in Part IV above (which cover some matters in Part V, such as definitions of damage and late payment procedures), the Lieutenant Governor in Council is expected to implement the following via regulation:

Abandoned Property Regulation: Detailing the procedures for handling abandoned personal property. Key elements will include definitions (e.g. what constitutes “abandoned personal property” and an “inventory”), as well as: landlord’s notice obligations (48-hour timeline and an approved online/paper form, with service and proof rules matching those for other notices under the Act); standards for custody transfer (requiring contracted vendors to sign chain-of-custody logs when they remove items); inventory requirements (each item or box of items logged with descriptions, estimated value, photos/videos date-stamped); the storage duration (e.g. 30 days for general goods) and early disposal conditions (criteria under which the Director can authorize disposal of specific items immediately – like perishable food, broken furniture, or obvious trash); notice to owners (requiring the Director to send a notice to the former tenant’s last known address and

email, and to any identifiable email provided, and possibly to post a notice on the portal – with service deemed per section 100 after a certain number of days); how owners can claim items (via the portal or in writing, proving identity and ownership); fees for retrieval or delivery (schedule of fees e.g. $X per day of storage, $Y per item for delivery, capped at a certain amount, and allowing Director to waive for low-income persons); handling of proceeds (net of costs) – trust account details, remittance after 1 year, owner claim up to 7 years); and privacy protections (ensuring any personal information in the portal is secure and only used for returning property, with records of claims kept for a defined retention period then disposed).

Abandoned Mobile Home Regulation: Complementing the above but tailored to mobile homes. It will stipulate that for abandoned mobile homes, the landlord's notice triggers a PPSA (Personal Property Security Act) search by the Director to find any registered secured parties (e.g. a bank with a lien). Notices must be sent to those secured parties (and perhaps published publicly) and a longer waiting period (e.g. 90 days) may be required before sale, to give lienholders time to respond. The regulation will allow the Director to arrange towing and storage of the mobile home (with standards for storage site safety) and then auction or sell the unit if unclaimed after due notice. Title transfer provisions will allow the Director to sign over ownership to a buyer free of liens (after notifying any lienholders), and to provide documents for the buyer to register the home (and potentially to arrange discharge of the lien if the sale didn't cover the debt, according to PPSA processes). Proceeds distribution will follow a similar trust-and-remit model, with lienholders paid in priority as per PPSA, and any residue held for the former owner (tenant) for the prescribed period.

(The above regulatory measures will be finalized by the government following consultation, to ensure the new processes are clear, fair, and operationally sound. Bracketed duplications such as dual mentions of Director approval for heating conversions, and overlapping commencement clauses, have been noted for review but do not alter the substantive rights and duties created by this Part.)

11 Part VI –Eviction Integrity & Timelines

11.1 Overview

Part VI fortifies the integrity of eviction processes, with a focus on preventing bad-faith evictions and ensuring security of tenure for tenants.

A constructive eviction prohibition is proposed that is designed to prevent indirect or coercive tactics that force tenants out without formal eviction. Constructive eviction occurs when a landlord deliberately creates or substantially permits conditions that interfere with a tenant's ability to reasonably enjoy their rental unit, with the intent to induce vacancy. Examples include withdrawal or reduction of essential services, such as heat, water, or electricity; persistent failure to perform repairs, especially those affecting habitability; and harassment or intimidation, including verbal abuse, threats, or repeated unwelcome contact.

The proposed constructive eviction legislation empowers the Director of Residential Tenancy Services to impose administrative monetary penalties (AMPs) for violations, with specific amounts set by regulation. Tenants affected by such conduct may be awarded compensation, including moving costs, up to 12 months' rent differential, and statutory damages as defined in the regulations. In addition to these remedies, the Director may order further relief under Section 85 of the Act. Importantly, a finding of constructive eviction does not preclude a separate determination of bad faith eviction under Section 65.1 or other applicable provisions, allowing for multiple avenues of redress when tenant rights are violated. To support enforcement, the Director is mandated to annually audit vacancy-related rent adjustments, cross-reference eviction histories for patterns of constructive eviction, and publicly report contraventions and enforcement actions. Regulations will prescribe the methodology for these audits, including sample sizes and analytical criteria.

It targets the scenario of "personal use" evictions (landlords seeking to occupy the unit or have family occupy) – an area prone to abuse when used as a pretext to raise rent or re-rent to someone else. Under these reforms, a landlord serving a personal-use termination notice must sign an affidavit of good faith at the time of giving notice, aligning with requirements already in place for purchaser's use evictions. Moreover, Part VI introduces a groundbreaking measure: the Post-Use Declaration. After a personal-use eviction, within 14 months the landlord must file a statutory declaration with the Director confirming whether they indeed lived in the unit (or their family did) for at least 12 consecutive months as intended.

A bright-line integrity window of 24 months is established: if the landlord or their family fails to occupy the unit for at least 12 months, and they re-rent or sell the property within 24 months of the tenant leaving, bad faith is conclusively presumed. In such case, the Director is mandated to order the landlord to pay the displaced tenant 12 months' rent in

compensation as statutory damages. This is a substantial, automatically imposed penalty designed to strongly deter fraudulent evictions and to provide a meaningful remedy to the tenant if one occurs. The Director can enforce this on their own motion – meaning even if a tenant doesn't apply, the Director can initiate proceedings if evidence emerges (for instance, through the new declaration or other records). There is a narrow exception for extenuating circumstances (e.g. a genuine change in the landlord's situation like an unexpected job transfer or illness that prevented them from fulfilling the one-year occupancy), but the landlord cannot have re-rented or sold in the interim and must prove those circumstances on a balance of probabilities.

Part VI also makes the enforcement of these rules more proactive: failure to file the Post-Use Declaration itself is made a ground for an order without hearing (like an administrative default) and an offence subject to fines or administrative penalties. The Director is explicitly empowered to initiate an investigation or proceeding without waiting for a tenant's complaint whenever a declaration isn't filed or suggests bad faith. Additionally, the Act already allowed administrative penalties (AMPs) for unlawful evictions; these reforms complement that by adding a criminal offence for knowingly filing a false declaration and by requiring the Director's annual report to track metrics on these issues.

In summary, Part VI creates one of the strongest anti-eviction-fraud regimes in Canada: combining upfront affidavits, mandatory follow-up verification, severe financial penalties (12 months' rent) for violations, and active enforcement by authorities. This provides tenants with confidence that "personal use" evictions will be genuine or very costly for landlords who abuse them, thereby balancing the new vacancy decontrol provisions with "integrity" measures to protect tenants from unfair displacement.

In addition to strengthening integrity, Part VI introduces critical reforms to address systemic inefficiencies and loopholes in the eviction process, ensuring the system is also fair and timely for landlords. This is achieved through three key mechanisms:

- First, it modernizes the notice period for non-payment of rent from 20 days to 14 days (Clause 53), aligning Prince Edward Island with the national standard and reducing initial delays.
- Second, it directly targets the primary 90-day bottleneck for undisputed evictions. The new summary order process (Clause 51) empowers the Director to issue an order of possession *without a hearing* when a landlord has applied for non-payment and the tenant has not filed a dispute within the statutory 10-day window. This "default" path allows simple, undisputed cases to be resolved in days, not months,

freeing up hearing resources for genuine disputes.

- Third, the Act closes a significant loophole that incentivized "gaming" the system. The "automatic stay" on appeal is eliminated (Clause 52). Previously, filing an appeal to the Commission, regardless of its merit, would automatically halt an eviction for 45 days or more. Under the new Act, an eviction order remains in effect and can be enforced even if an appeal is filed. A tenant must now apply to the Appeal Panel and demonstrate merit to be granted a stay, which may be conditional on paying rent into trust.

Together, these procedural reforms complement the new integrity measures, creating a Part VI that is balanced, efficient, and robust against abuse by any party.

11.2 Clause 46 – Affidavit Requirement for Personal-Use Evictions

Section 62 of the Act (landlord's notice to end tenancy for personal use) is amended by adding the following after subsection (3):

62(3.1) When giving a tenant notice of termination under this section, the landlord shall provide to the tenant, in the approved form, a **sworn affidavit** attesting to the landlord's good-faith intention that the rental unit will be occupied for the purposes set out in subsection 62(1) (i.e. as the principal residence of the landlord or their family member) for a period of at least one year.

(This aligns personal-use evictions with purchaser-use evictions, which already require an affidavit.)

11.3 Clause 47 – Filing of Affidavit with Director

Section 62 of the Act is further amended by adding the following after subsection (3.1) (as enacted above), and by renumbering the existing subsection 62(4) as 62(5):

62(4) The Director may require that at the time a notice of termination under this section is served, the landlord file with the Director the affidavit referred to in subsection (3.1), together with any other information prescribed by the regulations.

(This gives the Director oversight at the time of notice – the landlord might have to submit the affidavit to the Director as well, enabling record-keeping and follow-up.)

11.4 Clause 48 – Eviction Integrity Measures

The Act is amended by adding the following after section 65:

65.1 Personal use integrity – mandatory post-eviction review

1. Application – This section applies where a landlord has given a tenant a notice of termination under section 62 (landlord's personal use) or section 63 (purchaser's use).

2. Post-use declaration – Within 14 months after the termination date specified in a notice of termination under section 62 or 63, the landlord shall file with the Director a declaration, in the approved form, confirming whether the rental unit was occupied by the landlord (or, where applicable, the landlord's family member or the purchaser or purchaser's family member under section 63) as a principal residence during the 12-month period following the termination, and including such supporting evidence as may be prescribed.

3. Conclusive presumption of bad faith – It is conclusively presumed that a landlord who gave a notice of termination under section 62 or 63 did so in bad faith if, within 24 months after the former tenant vacated the rental unit:
   (a) neither the landlord, nor the purchaser, nor any family member referred to in section 62(1) occupied the rental unit as a principal residence for at least 12 consecutive months commencing within a reasonable time after the termination; or
   (b) the landlord advertises the rental unit for rent, re-rents the rental unit to someone other than the former tenant, or sells the rental unit or the residential property containing the rental unit (unless paragraph (a) has already been satisfied prior to that action).

4. Mandatory compensation order – Where subsection (3) applies (bad faith presumed), the Director shall order the landlord to pay the former tenant an amount equal to 12 months' rent at the last lawful rent payable for the rental unit. In addition, the Director may make any other order under section 85 (compensation or other remedial orders) and may impose an administrative monetary penalty under section 93, as appropriate.

5. Director's own motion – The Director may make an order under subsection (4) on the Director's own initiative, whether or not an application has been made under

section 75, if the Director becomes aware that subsection (3) applies or that the landlord has failed to comply with subsection (2).

6. Extenuating circumstances – The Director may decline to make an order under subsection (4) (or may order a lesser amount of compensation) if the landlord establishes, on a balance of probabilities, that extenuating circumstances beyond the landlord's control prevented compliance with the requirements of subsection (3)(a) or (b), and that the landlord did not re-rent the unit or sell the property within the 24-month period. The Director shall set out any such circumstances and reasons in the written decision.
(Examples of possible extenuating circumstances could include a sudden change of plans due to health emergency or employment relocation, provided the property was not re-let or sold in the interim.)

7. Offence for false declaration – A person who knowingly files a false declaration under subsection (2) commits an offence under section 106 of the Act.

8. Extended limitation period – Despite subsection 65(2) of the Act (one-year limit for tenant's bad-faith application), an application under section 75 alleging a matter under this section may be made within 30 months after the former tenant vacated the rental unit.

(This extension ensures tenants have time to come forward even after the usual one-year period, given that evidence of misuse might only arise after a year or more.)

65.2 Constructive eviction – prohibition and remedies

(1) A landlord shall not, by act or omission, deliberately create or permit conditions that substantially interfere with a tenant's reasonable enjoyment of the rental unit or residential property for the purpose of inducing the tenant to vacate the unit.

(2) Without limiting subsection (1), conduct that may constitute constructive eviction includes:

(a) withdrawal or significant reduction of essential services without lawful authority;

(b) persistent failure to perform repairs or maintenance required by law or by order of the Director;

(c) harassment, intimidation, or other conduct prescribed by regulation.

(3) A landlord who contravenes subsection (1) commits an offence and is liable to an administrative monetary penalty under section 93 and any other order under section 85, including:

(a) compensation for moving costs and any rent differential for comparable accommodation for up to 12 months; and

(b) statutory damages in an amount prescribed by regulation.

(4) For greater certainty, a finding under this section does not preclude a finding of bad faith under section 65.1 or any other remedy available under this Act.

(5) The Lieutenant Governor in Council may make regulations:

(a) prescribing indicators of constructive eviction for the purposes of subsection (2);

(b) prescribing evidentiary requirements for applications under this section;

(c) prescribing statutory damages amounts for the purposes of subsection (3)(b).

65.3 Vacancy integrity audit

(1) The Director shall, at least annually, conduct an audit of vacancy-related rent adjustments approved under section 49.1 to monitor compliance with this Act and the regulations.

(2) The audit shall include:

(a) a review of a prescribed sample of vacancy rent adjustments to verify compliance with licensing, registry, and fair market value requirements;

(b) cross-checking eviction history for the audited units against notices given under sections 62 and 63 and declarations filed under section 65.1;

(c) identification of any patterns suggesting systemic non-compliance or bad-faith vacancy creation.

(3) The Director shall report the results of the audit in the annual report under section 7.3, including:

(a) the number of files audited;

(b) the number and nature of any contraventions identified; and

(c) any enforcement actions taken.

(4) The Lieutenant Governor in Council may make regulations prescribing:

(a) the minimum sample size and selection criteria for audits;

(b) additional data points to be reviewed during audits;

(c) any other matter necessary to give effect to this section.

11.5 Clause 49 – Director's Enforcement Powers (No Application Required)

Section 75 of the Act (applications to Director) is amended by adding the following after subsection (1):

75(1.1) The Director may initiate a proceeding under this Part, without an application by a landlord or tenant, to determine any matter arising under section 65.1, including whether a landlord has failed to file a declaration required under subsection 65.1(2).

11.6 Clause 50 – Order Without Hearing for Failure to File Declaration

Section 86 of the Act (Director may make order without hearing in certain urgent cases) is amended by adding "or" at the end of clause (b), by replacing the period at the end of clause (c) with "; or", and by adding the following clause:

86(d) the landlord has failed to file a declaration required under subsection 65.1(2) of the Act.

(This empowers the Director to make an immediate order (e.g. an AMP or other enforcement action) if a landlord ignores the obligation to file the post-eviction declaration, treating it akin to an urgent breach.)

11.7 Clause 51 – Order Without Hearing (Non-Payment of Rent)

The Residential Tenancy Act is amended by adding the following after section 86:

86.1 Order without hearing on landlord's application for non-payment

(1) A landlord may apply to the Director for an order under clause 85(1)(f) (order to vacate) where

(a) the landlord has given a tenant a notice of termination under section 60 (non-payment of rent);

(b) the 10-day period for the tenant to dispute the notice under subsection 60(4) has expired; and

(c) the landlord files with the Director an application in the approved form, accompanied by

(i) a copy of the notice of termination given under section 60, and

(ii) a sworn affidavit confirming service of the notice on the tenant and stating that the rent has not been paid and the tenant has not filed an application to dispute the notice.

(2) On an application under subsection (1), the Director shall, without holding a hearing, review the application and affidavit and may

(a) make an order under clause 85(1)(f) directing the tenant to vacate the rental unit; or

(b) if the Director is not satisfied that the landlord has complied with section 60 or this section, or if the application discloses an apparent error or injustice,

(i) dismiss the application, with or without leave to reapply, or

(ii) direct that a hearing be held in accordance with section 80.

11.8 Clause 52 – Stay of Order on Appeal

Subsection 89(6) of the Residential Tenancy Act is repealed and the following substituted:

(6) Service of notice of appeal does not stay order
Service of a notice of appeal under subsection (3) does not operate as a stay of the Director's order, and the order may be enforced as if no appeal had been taken.

(6.1) Application for stay
Notwithstanding subsection (6), a party to the appeal may apply to the Commission for an order staying the Director's order pending the determination of the appeal.

(6.2) Order for stay
The Commission may, on an application under subsection (6.1), grant a stay of the order on such terms and conditions as it considers appropriate, including a condition that the tenant pay any rent in arrears or ongoing rent into a trust account held by the Commission.

11.9 Clause 53 – Notice for Non-Payment of Rent

Subsection 60(1) of the *Residential Tenancy Act* is amended by striking out the words "20 days" and substituting "14 days".

11.10 Regulations –Eviction Integrity & Timelines

The Residential Tenancy Regulations are amended to support the above provisions as follows:

Post-Use Declaration Form and Evidence

A new section (likely section 11 in the Regulations, if not already used, or the next available number) is added:

11. Post-use declaration (personal use evictions)

1. A landlord who has given a notice of termination under section 62 or 63 of the Act shall file a Post-Use Declaration with the Director, in the approved form, within 14 months after the termination date specified in the notice.

2. The landlord shall attach to the declaration at least two of the following evidentiary documents in support of their claimed occupancy (or non-occupancy) of the rental unit during the relevant period:
   (a) copies of utility bills for the rental unit address showing continuous service in the name of the occupying party during the period;
   (b) a municipal or provincial record indicating the property was classed as owner-occupied or as a principal residence for the period;
   (c) government-issued identification (e.g. driver’s license or health card) of the occupying person showing the rental unit address;
   (d) insurance documents indicating homeowner or primary residence coverage

for the unit;

(e) any other document acceptable to the Director as proof of occupancy.

3. For the purposes of section 65.1 of the Act, "principal residence" means the dwelling that is ordinarily occupied by a person as their main home, including any temporary absence for work, education, health treatment or similar reasons.

4. The landlord shall serve a copy of the filed declaration on the former tenant at the last address provided by the tenant (or by an alternative method under section 100 of the Act if the tenant's current address is unknown) at the time the declaration is filed with the Director.

5. Failure by the landlord to file the declaration by the deadline in subsection (1), or failure to provide at least two supporting documents satisfactory to the Director, constitutes a contravention for which the Director may impose an administrative penalty under section 93 of the Act.

6. For the purposes of clause 93(2)(b) of the Act, when determining the amount of an administrative monetary penalty for failing to comply with section 65.1 of the Act or this section, the Director shall have regard to the factors in subsection 93(2) (severity of impact, repeat behaviour, etc.).

(This regulation specifies the form and evidence for the new declaration. It ensures landlords know what proof is expected, and gives a definition of "principal residence" consistent with common understanding.)

Approved Forms

The Regulations are amended to authorize new forms related to these provisions. For example:

Approved forms and guidance – personal use evictions
The Director may approve and publish:
(a) a "Personal Use Eviction Affidavit" form for use under section 62(3.1);
(b) a "Post-Use Declaration" form for use under section 65.1;
(c) guidance on acceptable evidentiary documents under subsection 11(2) of the Regulations (Post-Use Declaration).

(This ensures standardized forms are used, making it easier to administer and comply.)