

# Report to Council



**Date:** November 3, 2025  
**To:** Council  
**From:** City Manager  
**Subject:** Update on Short Term Rental Accommodation Program  
**Department:** Development Planning

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## **Recommendation:**

THAT Council receives, for information, the Report from the Development Planning Department dated November 3, 2025, related to the Short Term Rental Accommodation Program and the provincial principal residence exemption process;

AND THAT Council directs Staff to report back to Council with a strategy that aligns with *Option 2*, as outlined in the report from the Development Planning Department dated November 3, 2025.

## **Purpose:**

To receive an overview of the eligibility requirements, application process, and timing for provincial principal use short term rental exemptions and review available options.

## **Council Priority Alignment:**

Affordable Housing  
Economic Development

## **Background:**

In January 2024, following 20 years of chronically low vacancy rates, the City of Kelowna effectively removed short term rentals (STRs) from the City of Kelowna Zoning Bylaw in response to the housing crisis. Existing business licences for secondary use STRs were permitted to continue operating (approximately 500 licences). In January of 2025, staff recommended Council support the introduction of secondary suites and secondary use STRs, provided the operator was a principal resident. This was intended to align Kelowna's regulations with the provincial regulations, reduce confusion in the region, and allow a moderate increase in STRs. The vacancy rate had also climbed to a 20 year high of 3.8% at the end of 2024, up from 1.2% in 2023. The provincial alignment was adopted in April 2025. By May 1st, 2025, all STR hosts in BC had to register their listing with the province or face a penalty.

The policy and regulatory changes over the past two years have yielded positive and negative results. Rental rates and housing prices have continued to reduce, and the rental vacancy rate has been trending upward. It is currently estimated at over 5% in October 2025 and expected to increase to 6% based on instream rental units. Since the implementation of housing target orders (5-year targets reported annually) by the Province in 2024, the City of Kelowna has exceeded housing targets in the first-year reporting cycle by delivering 3467 net new units. The city has also received feedback from the real estate and development community regarding negative impacts to the condo-presale market and consequently, the construction of new housing units. There have also been claims from the local business community that Kelowna's STR regulations resulted in a decline in tourism and business in 2024.

#### *Provincial Exemption*

Currently, the City of Kelowna falls under the provincial regulations for principal resident requirements. Local governments can opt out of this provision through a request to the Minister of Housing and Municipal Affairs if the community has achieved a rental vacancy rate of 3% or more for two consecutive years. The City requires CMHC vacancy rate data to apply, which is traditionally released between October and February each year. At the time of writing this report, the City has not received the 2025 vacancy rate. A resolution must then be submitted to the province by March 31<sup>st</sup> of each year, and if approved, it should take effect on November 1<sup>st</sup> of the same year.

Summary Table:

<b>Action</b>	<b>Date</b>
Council Resolution – Short Term Rental Accommodations Act: Opt Out Request	Must be received by BC Government prior to March 31
Short Term Rental Accommodation Act – Opt Out Request Effective Date	November 1
Annual Re-approval for Opt-out?	Once a municipality has opted out of the Short-Term Rental Accommodation Act this decision runs indefinitely regardless of the vacancy rate.

#### **Discussion:**

The following outlines three options for Council consideration, with commentary on the pros and cons of each option. Options 2 and 3 require approval by the BC Government.

#### ***Option 1: Retain current principal resident requirement and do not pursue an exemption.***

This option continues the current approach, where all short-term rental operators are required to register listings with the province and prove principal residence. The current regulations have been implemented and managed by the City since January 2025. The principal resident requirement has impacted several developments that were intended as resort-style accommodation, as well as instream projects. This has limited the number of listings and variety of accommodation available in Kelowna.

#### ***Option 2: Partial/Limited exemption established through zoning to limit principal use short term rentals.***

With this approach, a new Short Term Rental subzone could be established in the Zoning Bylaw. This zoning could be used limit the scale and impacts of an exemption request. Staff reviewed properties that were recognized as permitted short term rental as a principal use prior to the implementation of provincial regulations in January 2024. This included approved, pending and historic licenses. From this data, the following strategy was developed:

1. *The property does not have a rental subzone designation.* This is to ensure the protection of rental housing. Rental tenants may be able to register their home for secondary use short term rental accommodation but must be the principal resident.
2. *Signed Strata Consent form for STR subzone with simple majority.* Some strata developments do not allow STRs or may limit the number of operators. This regulation will require strata councils to be wholly responsible for the management of any nuisance issues that may arise. The City will still enforce bylaws and business licensing.
3. *A minimum of 70 units.* This captures most developments constructed prior to 2024 that previously operated as STRs and offer resort-type amenities. The location of the reviewed projects are also in areas that had infrequent bylaw complaints.
4. *Development Permit Application was instream prior to January 22, 2024.* This regulation is intended to capture development projects that were instream and intended for STRs prior to January 2024.

This option of regulating STRs with a subzone allows for the housing gains made to continue while also supporting tourism.

***Option 3: Complete Exemption.***

A complete exemption allowing principal-use short-term rentals in any property zoned for residential land use. Staff note there is a strong likelihood that this increases housing speculation, housing prices, and would serve to drive the rental vacancy rate down much more quickly than the other options.

**Conclusion:**

The City of Kelowna has made great strides in advancing the Council priority of Affordable Housing and responding to Provincially mandated housing targets. The original restriction on short-term rental accommodation was in an effort to advance this priority as well as align with provincially mandated regulations on short-term rental accommodations. With the anticipation of a consecutive vacancy rate above 3% in 2026 and positive progress on housing targets, staff are proposing amendments to the short term rental regulations in alignment with *Option 2: Partial exemption established through zoning to limit principal use short term rentals.* Should Council support this approach, staff will bring back a report containing more detail related to the necessary bylaw changes and the formal resolution to forward to the BC Government.

**Internal Circulation:**

Building and Business Services Business Licensing  
Housing Policy and Programs

***Consultation and Engagement:***

Ongoing consultation has occurred with Tourism Kelowna, Chamber of Commerce, Downtown Kelowna Association, Urban Development Institute, and initial discussions with impacted property owners and strata councils.

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cc:

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