



## INFORMATION ONLY COUNCIL REPORT

To: Mayor and Council

Date: June 10, 2025

From: Ron Bowles, Chief Administrative Officer

File No: P 23-06

Subject: **Review of Potential Expansion of the Short-Term Rental Program to the RC3 Zone**

Report Prepared by: Natalie Gerritsen, Senior Planner

Report Reviewed by: Brent Magnan, General Manager of Community Development

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### RECOMMENDATION:

**THAT** Council receive the report titled "Review of Potential Expansion of the Short-Term Rental Program to the RC3 Zone" from the Senior Planner, dated June 10, 2025, for information.

### STRATEGIC AREA(S) OF FOCUS

**Pursue Economic Growth and Prosperity** – We will work with stakeholders throughout the region to advocate for and support efforts aimed at helping West Kelowna businesses prosper. With a focus on the future, we will advance opportunities to expand our economy, increase employment, and develop the community in ways that contribute towards prosperity for all.

**Foster Safety and Well-Being** – We will pursue through direct action, advocacy, and collaboration with local and regional service providers, investments in community health, needs-based housing, emergency preparedness, policing, and other services that foster safety and well-being in West Kelowna.

### BACKGROUND

In 2024, the City amended its bylaws regulating Short-Term Rentals (STR) following a two-year review of its STR program and consideration of the new provincial STR regulations under Bill 35.

It is recognized that there are several households that utilize short-term rental income to assist with mortgage affordability, especially given recent increases in cost of living and current market conditions. STRs are currently permitted across several zones within

West Kelowna. Recent requests have been made to expand the STR program to include the RC3 Zone, where current regulations do not permit the operation of STRs. A comprehensive review is needed to better understand community-wide and neighbourhood impacts that may result from the expansion of the City's STR Program.

At Council's direction, staff initiated the review of the scope required for potential expansion of the STR Program to the RC3 Zone, retaining the services of Urban Systems to complete the detailed analysis and to provide recommended actions for Council's consideration.

## **DISCUSSION**

The Memorandum by Urban Systems investigates the anticipated impacts of expanding zoning permissions for STRs into the RC3 Zone on rental housing supply and land use functionality (Attachment 1). The analysis includes an evaluation of the following: existing housing policy, the impacts on housing availability and existing rental stock, the practical impacts of operating STRs in the RC3 Zone considering the zone's reduced lot size and frontage requirements, as well as any impacts related to the recent reduction in parking requirements as part of the Small Scale Multiple Unit Housing (SSMUH) regulations.

There are 216 existing licensed STRs operating in the City, which is approximately 2.4% of lots where STRs are permitted (9,150 lots). There are currently 1,063 existing RC3 zoned lots in the City that could potentially accommodate a STR, with the majority located in the Shannon Lake neighbourhood. The analysis finds that an expansion to the RC3 zone is not expected to result in a significant increase in the number of STRs, provided the City continues to maintain a principal residency requirement associated with operation of an STR. Based on current licensing trends, this expansion could result in an approximately 13% increase in annual licenses, or roughly 30 new STR units across the City.

Urban Systems analyzed potential issues that may emerge such as impacts on the long-term rental stock and parking. Given the scale of the expected uptake, it is not anticipated that there would be a significant reduction in the City's long-term rental housing. An expansion to the RC3 Zone is also not expected to result in widespread issues related to parking, however, some RC3 lots may present challenges due to smaller lot size. There are several recommended actions outlined in the Memorandum to help mitigate future potential parking concerns.

Following the findings of the review, Urban Systems provides a summary of recommended actions for Council's consideration should Council direct staff to proceed with work to introduce bylaw amendments to include STRs as a permitted use in the RC3 Zone.

Recommended actions include:

## Engagement

**Action #1:** Conduct public engagement across the community in advance of bylaw introduction. Incorporate a targeted survey of RC3 property owners throughout the City to understand potential interest in the operation of short-term rentals.

## Parking and Landscaping

**Action #2:** Ensure that the Zoning Bylaw maximum driveway width of 6.5 metres is enforced to maintain onstreet parking availability and pleasant streetscape aesthetics a where on-site parking requirements are expected to increase.

**Action #3:** Consider amending Traffic Bylaw No. 0092, 2009, to decrease the distance between a parked car and the edge of a driveway from 3.0 metres to 1.0 metres to increase the potential on-street parking capacity.

**Action #4:** Investigate the inclusion of landscaping standards in the RC3 Zone. This policy would help avoid the conversion of front yards into extensive parking areas and impermeable surfaces, along with the negative impacts on streetscape and neighbourhood aesthetics.

**Action #5:** Review current parking policies for short-term rentals and for secondary suites (whether operated as a short-term rental or not) with the objective of minimizing the impact of parking on neighbourhood aesthetics and on-street parking availability.

**Action #6:** Review the maximum number of allowable bedrooms (currently 4) for a short-term rental located within the principal dwelling unit to three, if located within the RC3 Zone, to reduce parking demand associated with larger short-term rental units (this would be consistent with City of Kelowna).

**Action #7:** Consider education and awareness campaigns surrounding public use of on-street parking in anticipation of the future need to consider new parking demand management in more dense residential neighbourhoods.

## Incentives and Monitoring

**Action #8:** Explore and consider incentives for the construction of secondary suites, such as reduced permit fees and reduction of parking requirements to balance creation of new suites with expansion of short-term rentals. The impact of short-term rentals on rental housing stock is minimized as more rental housing stock is constructed.

**Action #9:** Monitor the creation of new purpose-built rental units and ensure that the proportion of new rental housing stock continues to increase. If the number of new short-term rental licenses is increasing and the absolute number or proportion of rental housing stock is not increasing, this may indicate that short-term rentals are taking away needed rental housing.

**Action #10:** Continue to collect and monitor data made available by Harmari on the vacancy rate of licensed short-term rentals. Liaise with commercial accommodation providers to understand market equilibrium on short-term rentals as a means to inform

balancing this land use with long-term rentals.

## FINANCIAL IMPLICATIONS

Financial implications will be further explored based on Council's direction as it relates to the recommended actions. Additional costs will be incurred to support consulting work in moving forward with any amendments.

## NEXT STEPS/OPTIONS

Should Council wish to proceed with any of the recommended actions in the Memorandum, staff resources will be required, with additional assistance from consultants to implement the recommended supporting actions. It is noted that the recommended actions may be considered in part and at a later date, subsequent to the implementation of the Bylaw amendments. Council's options include:

### Option 1:

Proceed with Bylaw amendments to include STRs as a permitted use in the RC3 Zone. Should potential challenges with implementation arise, make policy adjustments as needed.

### Option 2:

Proceed with Urban System's recommendations including consultation and additional analysis, and return to Council with Recommendations to consider proceeding with Bylaw amendments.

### Option 3:

Not proceed with Bylaw amendments, or consultation and additional analysis at this time.

## COUNCIL REPORT / RESOLUTION HISTORY

Date	Report Topic / Resolution	Resolution No.
March 26, 2024	<b>THAT</b> Council direct staff to develop a report outlining the scope required for implementation of RC3 to the Short Term Rental policy	C108/24
May 28, 2024	<b>THAT</b> staff prioritize all legislative changes, the Rental Protection Policy, Transit Planning, Addressing Bylaw and the RC3 Short Term Rental review, before all other remaining projects that are not currently underway.	C170/24

PowerPoint: Yes ☒ No ☐

Attachments:

Attachment 1 – Urban Systems Memorandum