Could You Bnb My Neighbor?

A Planner's Take On The Sharing Economy

Introduction

Since I live in New Orleans, I live near a bar. People are always walking by my house to this bar, so perhaps one day I start offering beer to passersby from my porch. Maybe I sell a beer or two — I could always use the money — and people here have always sold drinks as a hustle during Mardi Gras, so what is the difference?

Perhaps eventually I sell beer all the time and people start coming to my house instead of the bar and maybe I pick up a sponsorship and a little press. Soon, people are coming from miles around to my house, spending money at shops in my neighborhood; everything's great. If I were then to go my local alcohol board, or my zoning board, or my neighborhood association, and argue that since my house-bar is so popular, the rules need to be rewritten to accommodate me — well, I would be run out of town on a rail.

Yet in some ways, this is the path taken in regulating another controversial industry: short-term rentals. Backed by billions of investment dollars and an aggressive strategy of "disruption" that favors expansion above cooperation, companies like Airbnb, VRBO, and others have generated as much controversy as they have profits, stubbornly resisting cities' attempts to rein the industry in.

Of course, what these platforms offer is nothing new; home owners have taken in lodgers since the first settlement of cities. But with such a huge scope — over 34,000 cities on Airbnb alone — how do we balance the potential benefits of these businesses with their real impacts on our communities?

Opposing Narratives

Because the debate over short-term rentals intersects with so many issues — the role of government, what constitutes a business, the rights of neighbors, and on and on — attempts at regulation can generate impassioned responses from hosts and residents alike. These narratives can be difficult for planners to reconcile.

In the view of short-term renters, hosting has been a great boon for individuals to make a little extra money, for neighborhoods to see tourist dollars, and for cities to promote tourism. The kindly old woman with a bedroom to let to excited millennials: This is the narrative that Airbnb and others focus on when expanding and promoting their services.

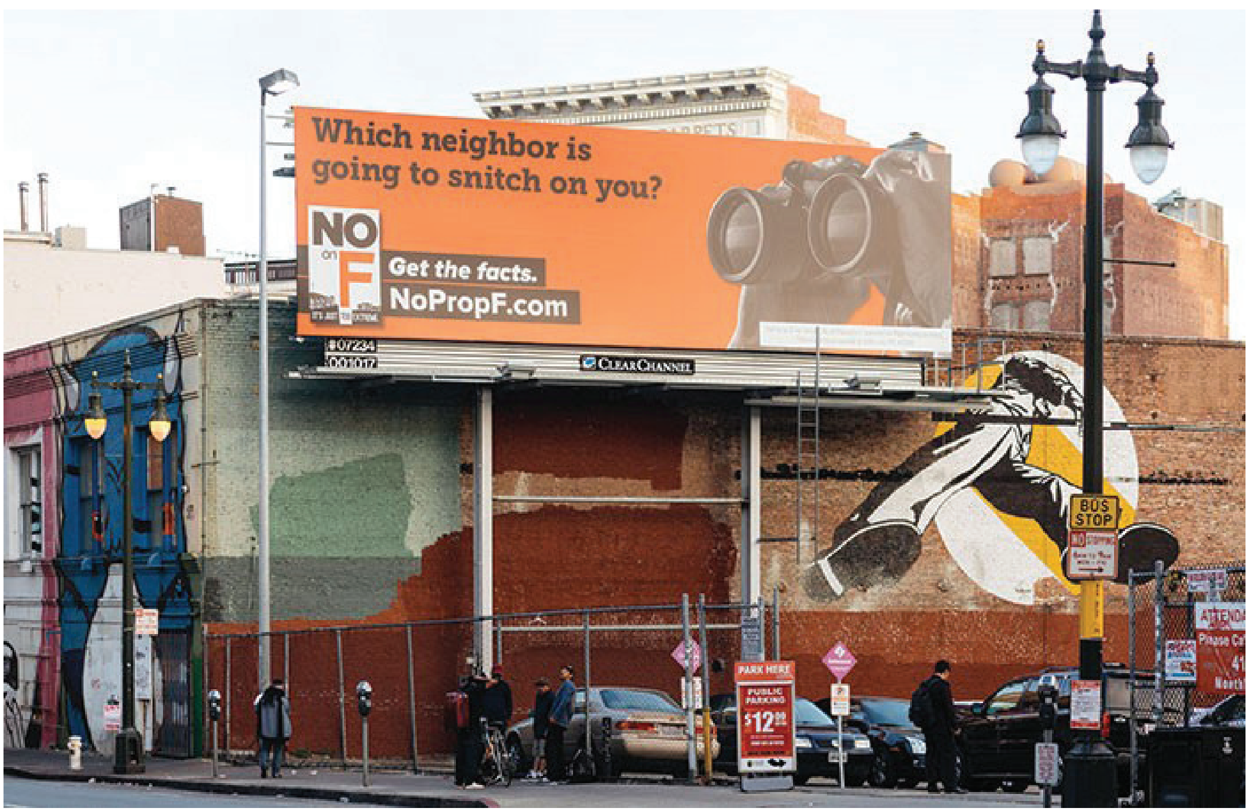
Regarding a San Francisco ballot measure, an Airbnb spokesperson was quoted in the Wall Street Journal as saying, "This initiative, at the end of the day, is an attack on the middle class of San Francisco, who share their homes to help make ends meet. Home-sharing in this city is a lifeline for thousands."

However, to opponents, Airbnb's hoodie-and-flip-flops vibe obscures a $25 billion behemoth whose business model has depended on ignoring local regulations in the name of growth and profit. Abetted by these platforms, hosts flout safety, housing, and zoning codes, turn quiet homes into frat parties, drive up rent by displacing residents, outcompete bed-and-breakfasts, and fail to pay their share of taxes.

The narrative of opponents focuses on the absentee landlord with a portfolio of crash pads for bachelor parties; they say this is the reality ignored by Airbnb that planners have to clean up. As one exasperated neighbor in Austin told a New York Times reporter, "[Hosts] are leveraging our neighborhood for their profit, telling people to come stay in this beautiful place ... and they are making people miserable."

These competing identities have meant particularly contentious fights over regulation. In San Francisco, a proposed short-term rental ordinance led to 12-hour public meetings, allegations of vote tampering, and a $9 million proposition fight. (Though Airbnb and the other short-term rental companies prevailed in the end, Airbnb's ad campaign for the proposition essentially told San Franciscans where they could stick the tax money the company pays. People were not amused.)

There is no monolithic "short-term host" but a spectrum of users (couch-surfing holdovers, empty nesters, young couples, and, yes, speculators and profiteers) and a spectrum of uses (occasional hosting, seasonal hosting, and, yes, the faux-hotel.) All of them, to some degree or another, have taken advantage of a regulatory Wild West in order to make money without proper oversight and without proper accountability.



An Airbnb-financed group put this billboard up in San Francisco before a ballot initiative in November that would have limited the home-sharing service. After helping defeat Proposition F, Airbnb pledged to cooperate with local governments. Jason Henry/The New York Times.

Getting Past The Noise

In order to regulate an industry effectively, planners need to understand how these platforms are being used and by whom, and what kinds of impacts they have on neighborhoods.

This is somewhat easier said than done; Airbnb and other companies do not freely release data, citing privacy concerns. When they do use data, the companies present a glowing picture of their activity, one that seems irresistible: Airbnb guests stay twice as long and spend twice as much as a typical visitor, with nearly half of all spending occurring in local neighborhoods.

According to the company, more than half of its hosts are "low to moderate income" and say hosting helped them stay in their homes. In New York City, Airbnb claims to have generated $632 million in economic activity in one year alone. Opponents note, however, that the company has no reason to release numbers that paint their activity and their tactics in a negative light.

In order to get a clearer picture of the realities on the ground, researchers have had to rely on other means of gathering information, largely by "scraping" the public listings of these websites. (Airbnb, in turn, claims that this type of data collection is flawed.) Another option is to sue for access to the data, which is what the New York State Attorney General did, discovering that as many as 72 percent of Airbnb reservations violated New York law. Despite an effort to be "open and transparent" with cities, even under subpoena Airbnb only releases anonymized data to city governments — no addresses, no names.

Either by automated tools or through simple spreadsheets, trolling through Airbnb can give planners at least a broad outline of their local market, from average price per night (useful in calculating tax revenue) to the characteristics of the units available, like number of bedrooms, amenities, and safety equipment. Even a general map view can help planners see which neighborhoods are most affected or need greater enforcement.

Using these approaches, researchers have undercut Airbnb's narrative. The Real Deal, a New York-based real estate journal, found short-term rentals caused residents of some neighborhoods to pay up to an extra $825 a year in rent by removing units from the market. In New Orleans, far from helping a broad group of residents, nearly 50 percent of all bookings came from just six percent of listings, with some hosts making hundreds of thousands of dollars from dozens of properties without paying a cent in occupancy tax, according to one report.

While Airbnb claims that hosts, on average, book only six days a month, that average conceals a huge spectrum from abandoned listings to faux-hotels. Using the number of reviews as a proxy for activity, planners can start to separate the mom-and-pops from the professionals.

More damningly, some reports cut at the heart of Airbnb's supposed benefits: tourism dollars. San Francisco's Office of Economic Analysis, considering the reduction of long-term residents and housing caused by full-time hosting, wrote that for every 1,000 units lost to short-term tourist rentals, the city's economy loses more than $250 million each year, far exceeding the benefit from visitor spending and hotel taxes.

This is not to say short-term rentals are all bad or all good, just that the reality of these marketplaces is complex. Planners have to get into the data, fragmented though it may be, in order to begin to categorize activity for regulation.

How To Regulate?

For planners, the way forward with regulation is a three-part process.

Part 1

Establish a baseline level of safety and accountability. In its Terms of Service, Airbnb is very clear, repeatedly, that the hosts on its platform are 100 percent responsible for following local laws on everything from safety and zoning to taxation and sex offender registries. While any short-term rental should have to conform to local building, occupancy, health, and safety codes, it is up to the local planner to ensure properties are compliant.

The safety of guests, hosts, and neighbors is the highest priority in regulating the short-term rental market. Airbnb and other companies, as part of their response to local pushback about safety, have adopted a policy of assisted self-policing for their hosts by offering free smoke detectors or fill-in-the-blank emergency plans. But a host does not actually need to prove the existence or operation of any safety feature in order to list. When I created a test listing, I was able to simply click "Next."

Similarly, Airbnb has slowly evolved on the issue of insurance, shifting some responsibility away from the hosts. In late 2015, the company augmented a "million dollar host guarantee" to protect against damage caused by its service — which does not cover personal liability, shared or common areas (a big issue for condos) and is specifically described as "not insurance" — to a limited million-dollar policy backed by Lloyd's of London. This system creates a strange network of legal entanglements as Airbnb is both the policyholder and claims administrator for local hosts, who themselves have their own separate insurance. But because many home insurance companies consider short-term renting a commercial use — and thus not covered under the standard policies — hosts may find themselves at the center of a huge and complicated fight that would make a trial lawyer drool; if a guest booked on Airbnb burns down a condo building and a firefighter is injured in the process, how is that legal mess going to sort itself out?

Where Does Airbnb Pay its Share?

Airbnb, as part of a "Community Compact" released in November 2015, promises to now "pay its 'fair share' of hotel and tourist taxes in cities that have them" though the mechanism for doing so, or the way for cities to participate, remains unclear. In most places, the company relies on hosts to pay all taxes, but agreements in a handful of cities and states require the company to collect and remit taxes, chiefly hotel or transient occupancy taxes (as high as 14.5 percent), but also sales and tourism development taxes. The locations are:

- Malibu, California
- Oakland, California
- Palo Alto, California
- San Diego, California
- San Francisco, California
- San Jose, California
- Santa Clara, California
- Santa Monica, California
- Chicago
- Florida
- Multnomah County, Oregon
- Portland, Oregon
- North Carolina
- Philadelphia
- Pheonix
- Rhode Island
- Washington State
- Washington, D.C.

Source: Airbnb.com

dditionally, any damages and liabilities beyond a million dollars — assuming Airbnb even pays out — will fall on the hosts. The easiest solution is to require short-term renters to carry the appropriate insurance, one that specifically covers their activity and their level of risk.

But being a good host also means taking steps to avoid imposing on your neighbors' quality of life. No one wants to deal with loud guests, or litter, or parking issues, whether from a long-term or a short-term tenant.

Beyond strengthening and enforcing existing nuisance laws, some cities such as Portland, Oregon, and Santa Monica, California, have tried to include more direct accountability into their regulations; basic ideas like having hosts give out contact information to neighbors to report bad guests or only allowing owner-occupied rentals. In this scheme, serial offenders could face punishments that disincentivize their behavior, such as the loss of short-term rental or commercial permits, escalating fines, or code enforcement actions.

Ultimately, despite all the hype about the so-called "sharing economy," short-term rentals are fundamentally a commercial use, one that cities have regulated successfully in the past as bed-and-breakfasts, inns, motels, hotels, or SROs. In places that have traditional bed-and-breakfasts, innkeepers complain that competing with unregulated Airbnb units harms them doubly — as small-business owners and as residents.

Since the act of hosting is the same regardless of how a unit is booked, then the issues — from safety to zoning to garbage fees to taxes — are as well. Planners should simply hold a short-term rental unit to the same standards as any other similar business.

Part 2

Move past simply yes or no. When pressure to "do something" about short-term rentals comes down from City Hall or up from neighbors, the debate is often framed as a yes or no; "anything goes" or "not in my backyard." The answer will be probably be somewhere in between, and while it can be a laborious process, tailoring regulation to your city's particular situation can pay dividends.

As I learned at last year's APA conference in Seattle, the experience of a few Colorado destinations can serve as examples of adapting regulation to local needs.

Durango, a small city that serves as a regional center for the Four Corners, faced tremendous housing pressures after growing rapidly over the past decade. With vacancy rates dipping below one percent in some neighborhoods, and rents high and incomes flat, groups like college students, retirees, and service industry workers had increasingly limited options within the city.

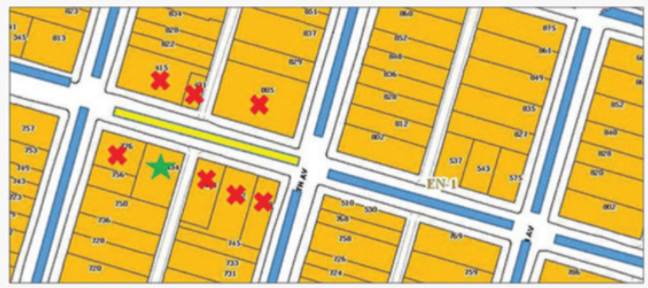
At the same time, Durango welcomes thousands of tourists each year, drawn to the nearby natural beauty, redeveloped downtown, and seasonal festivals.

Durango's Street Segment Cap

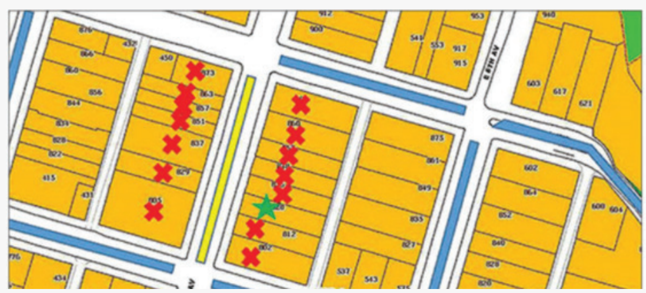
In order to mitigate the effects of short-term rentals and preserve housing availability, Durango's Land Use and Development Code creates density limits for these rentals in residential zones. Only one permit is allowed per street segment. (For corner lots, the permit counts against both adjacent street segments and the intersection.) While there is no citywide cap on permits, there is a maximum number of permits available in residential districts.

- ★ PERMITTED VACATION RENTAL
- ✖ NOT ALLOWED TO HAVE A VACATION RENTAL
- AFFECTED STREET SEGMENT(S)
- OTHER STREET SEGMENTS

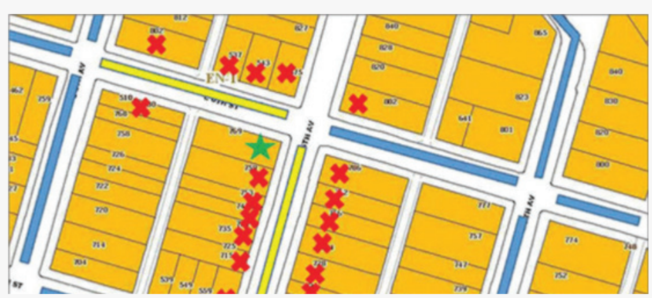
Source: Durango Planning Department



STREET FRONTAGE



AVENUE FRONTAGE



CORNER FRONTAGE

Short-term rentals catered to some visitors, and the popularity (and notoriety) of these units led Durango's city government to develop new regulation. Through research and a series of community meetings, Durango's planners were able to identify three main areas that needed addressing in their city: impacts on tourism, impacts on neighborhoods, and — most important — impacts on housing.

A neighborhood encompassing much of the downtown and the local university had an especially tight market, and neighbors expressed concern about "dark blocks," where the spread of short-term rentals on specific streets left few permanent residents.

Durango's solution limits the density of allowed short-term units within groups of blocks, effectively preventing clustering while still accepting the use as permissible. By making a determination that preserving housing availability was the ultimate community goal, one that both transcended and intersected with short-term renting, Durango's planners could fit the discussion over Airbnb units into a larger narrative about the future of their city.

Aspen had a different problem: empty units. A world-famous destination with seasonal ebbs and flows of tourists, the city is burdened by a hodgepodge of residential properties — condos, ski villages, second homes — that sit disused much of the year. By legalizing and standardizing requirements for short-term rentals, Aspen's planners were able to enhance the city's tourist economy while still maintaining control over important issues like permitting, taxation, and safety of individual units.

Both Durango and Aspen found the key to controlling these concerns was treating short-term rentals as small businesses, allowing them to justify the use of their regulatory tools like zoning and licensing in ways that were consistent, understandable, and enforceable.

Part 3

Ensure enforcement on the ground and online. For short-term rentals, as for anything, regulation is only as good as its enforcement. Cities have struggled in this regard, creating huge opportunities for abuse while frustrating city officials and neighbors alike when long-debated ordinances do little to quiet complaints.

Though it is often spoken of as one concept, the short-term rental industry is really made up of two interrelated markets. One is the multitude of local hosts that interact directly with neighbors. They have to navigate (or disregard) local ordinances and are, even as absentee investors, a part of the community.

The other market, the listing companies like Airbnb and VRBO, has been harder to engage in enforcement efforts or tax collection, repeatedly pushing all responsibility to local hosts and governments.

This policy line — that Airbnb, despite any illegal activity on its site, is essentially blameless — results in awkward complications for enforcement. In New Orleans, for example, Airbnb has a special tab on its website giving tips about how hosts can follow city rules: get a permit, pay your taxes, report nuisances, etc. What it leaves out is telling: that renting for less than 30 days is illegal.

Instead of either confirming permit holders or hard-wiring the law into their business — and thus cutting down the amount of activity that violates local rules — Airbnb punts. It makes it so that a host would have to manually set a minimum stay of 30 days on the Airbnb platform to be compliant — no proof of permit needed.

In other major cities, new short-term rental ordinances become undone by flaws in enforcement. In San Francisco, a much-discussed ordinance only led to 282 applications — out of 6,000 listings — in the first three months, with only 27 units delisted for bad behavior — evidence, critics say, that the self-policing and self-reporting model pushed by Airbnb (and the mayor's office) is deeply flawed.

In Austin, after a New York Times expose found some party houses continue to rage on even after racking up 60 code violations, finger-pointing ensued: Airbnb blames the city for allowing serial violators to continue operation, while Austinites wonder why Airbnb keeps letting the houses list.

A simple option, like requiring a listing company to match a permit number to a city database in order to list, would immediately curb many of the worst abuses and reduce the number of listings that need monitoring. Unable to convince Airbnb to collaborate on such a system and frustrated by only one in 10 hosts having permits, Portland, Oregon, threatened fining all the listing companies $500 per violation per day for every listing that was not permitted. (Though the city has yet to fully curb illegal listings on Airbnb, Portland did sue Homeaway for $2.5 million for refusing to pay lodging taxes and ensuring proper permit inspections.) The enforcement officer's message was clear: If a city goes through the hassle of writing a new ordinance, why should anyone without a permit be allowed on these sites?

At the end of the day, the antagonistic system — this sharing economy Wild West in place today — simply does not work for city governments to enforce their laws, does not help legitimate hosts compete with "bad actors," and, ultimately, does not allow Airbnb and other short-term rental companies to live up to their own rhetoric of "belonging everywhere."

Rental units need to be fairly treated as a business, regulations need to be tailored to each city's unique situation, and enforcement needs to hold everyone accountable. Whether in Silicon Valley or Main Street USA, the old adage is still true: Good fences make good neighbors.

Jeffrey Goodman is an urban planner and graphic designer based in New Orleans. His work focuses on the sharing economy, community participation, and data-driven regulation. He has contracted with both the city of New Orleans and Airbnb, and advised researchers on short-term rentals in San Francisco, Portland, New Orleans, and New York. Contact him through JBGoodman.com.

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