

LEAGUE OF CALIFORNIA CITIES - CITY ATTORNEYS' SPRING CONFERENCE

Short-Term Rental Regulatory Issues



Agenda

- **Introduction to Airbnb**
- **Benefits of Home Sharing**
 1. **Hosts**
 2. **Guests**
 3. **Cities**
- **Regulatory Issues**
 1. **Airbnb Policy Goals**
 2. **Short-Term Rental Regulation**
 3. **Occupancy Tax**

A modern kitchen with large windows and people. The scene is overlaid with a semi-transparent red filter. Four people are visible: a man on the left with a backpack, a woman in the center leaning on the counter, another woman to her right, and a man on the far right with a backpack. The kitchen features a long wooden counter, a sink, and a stove. Large windows in the background show greenery outside. The text "Introduction to Airbnb" is centered in white.

Introduction to Airbnb

Airbnb Book unique homes
and experience a city like a
local.

Where Anywhere	When Anytime	Guests 1 guest	Search
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- FOR YOU
- HOMES
- EXPERIENCES
- PLACES

Just booked



\$94 Spend the evening with a French funny comedian
★★★★★ 18 reviews



\$40 Nature connection for inspiration & relaxation
★★★★★ 6 reviews



\$30 Feel-good vibes in intimate setting
★★★★★ 23 reviews



\$149 Learn to surf and eat like a local with Gi
★★★★★ 28 reviews



\$157 Create Your Own Japanese Confections
★★★★★ 3 reviews







SHREK
THE MUSICAL

TNT

THE CROWD
WILD!
JERSEY BOYS
BEST MUSICAL
2006 TONY AWARD WINNER

HAI R
MUSICAL REVIVAL
TONY AWARD

ROCK
OF
AGES
A NEW MUSICAL

THE BOOK OF
MORMON
DIRECTED BY BARTLETT SHER
LINCOLN CENTER THEATRE
TAKE THE SUBWAY

We're chang
the mornig

WICKED
MAYBELINE

WICKED
Dorothy Dierdorff

Tonight belongs to...
PHANTOM
MAJESTIC THEATRE

TEXT "ROCKFAN" to 43588
ROCK OF AGES

GUEST SUITES

STORY

DOUBLETREE GUEST SUITES

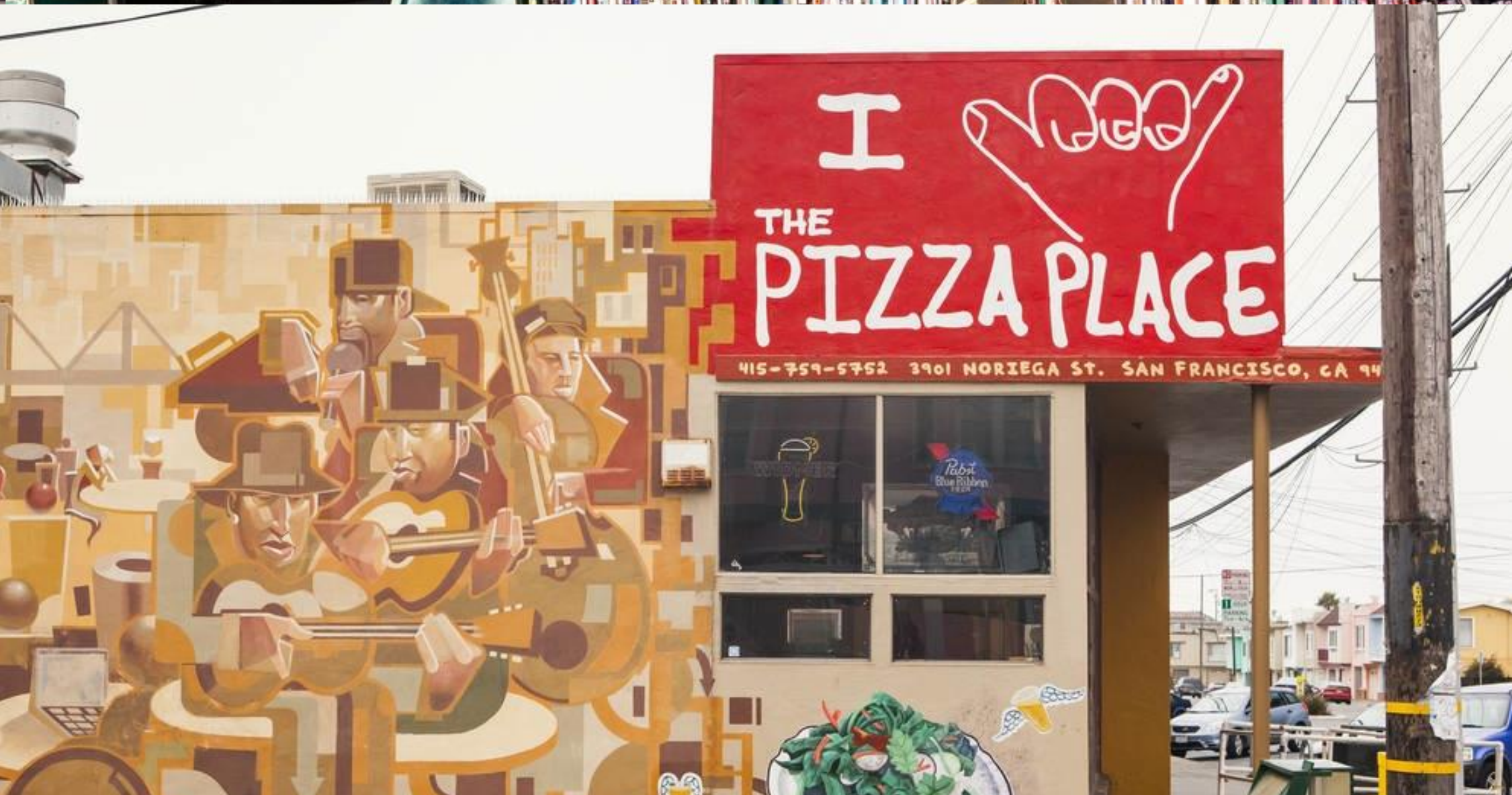
sbarro sbarro sbarro





SAN FRANCISCO



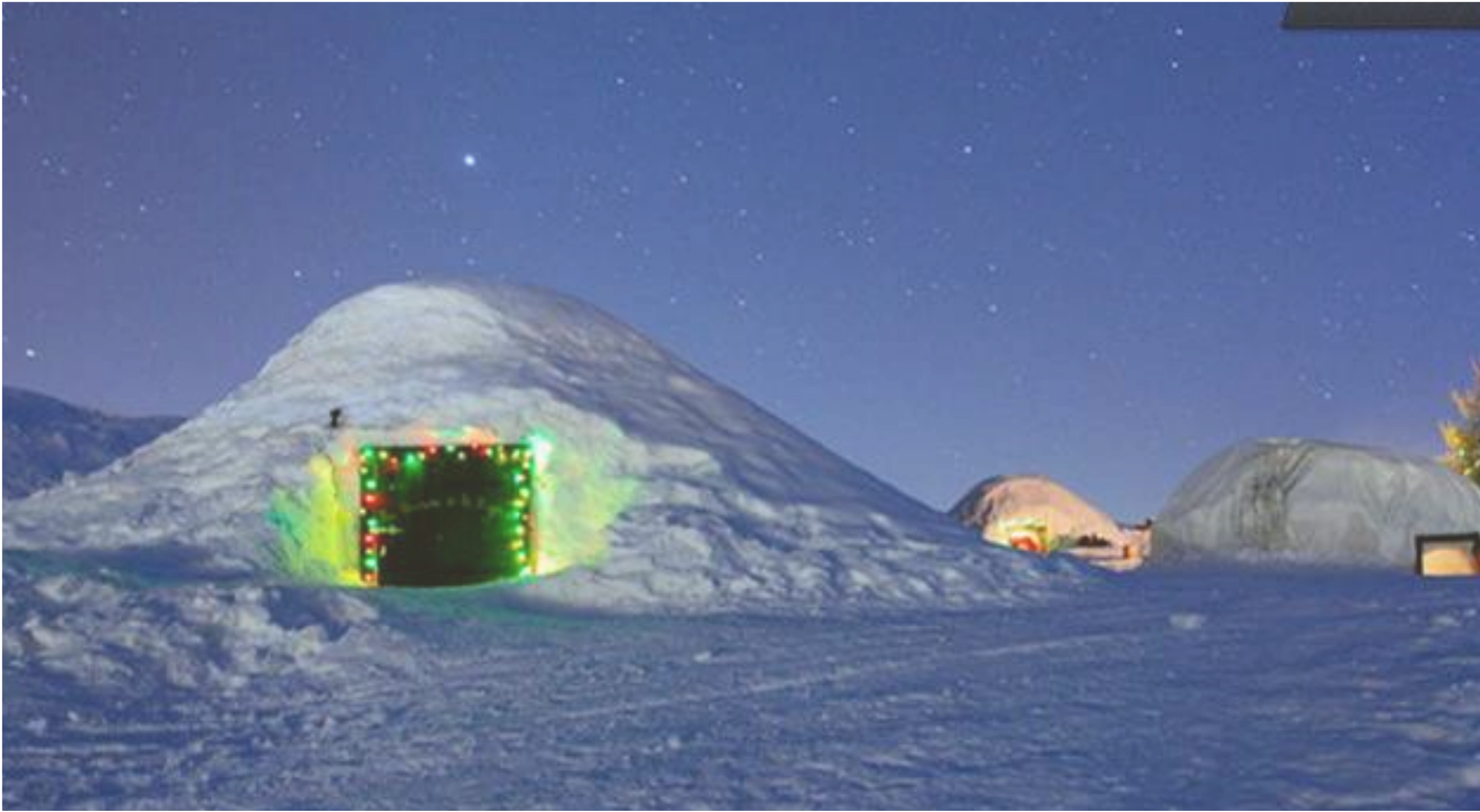




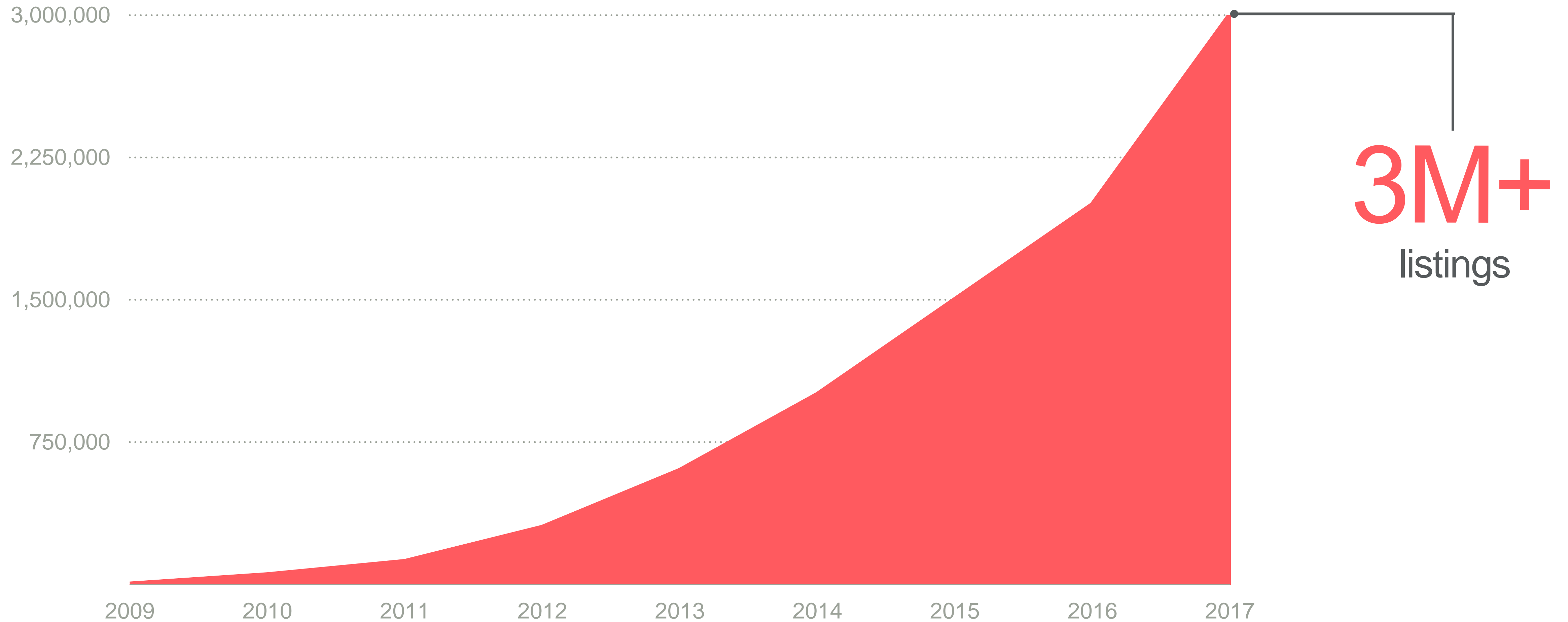
How Home Sharing Works







Cumulative Total Listings on Airbnb



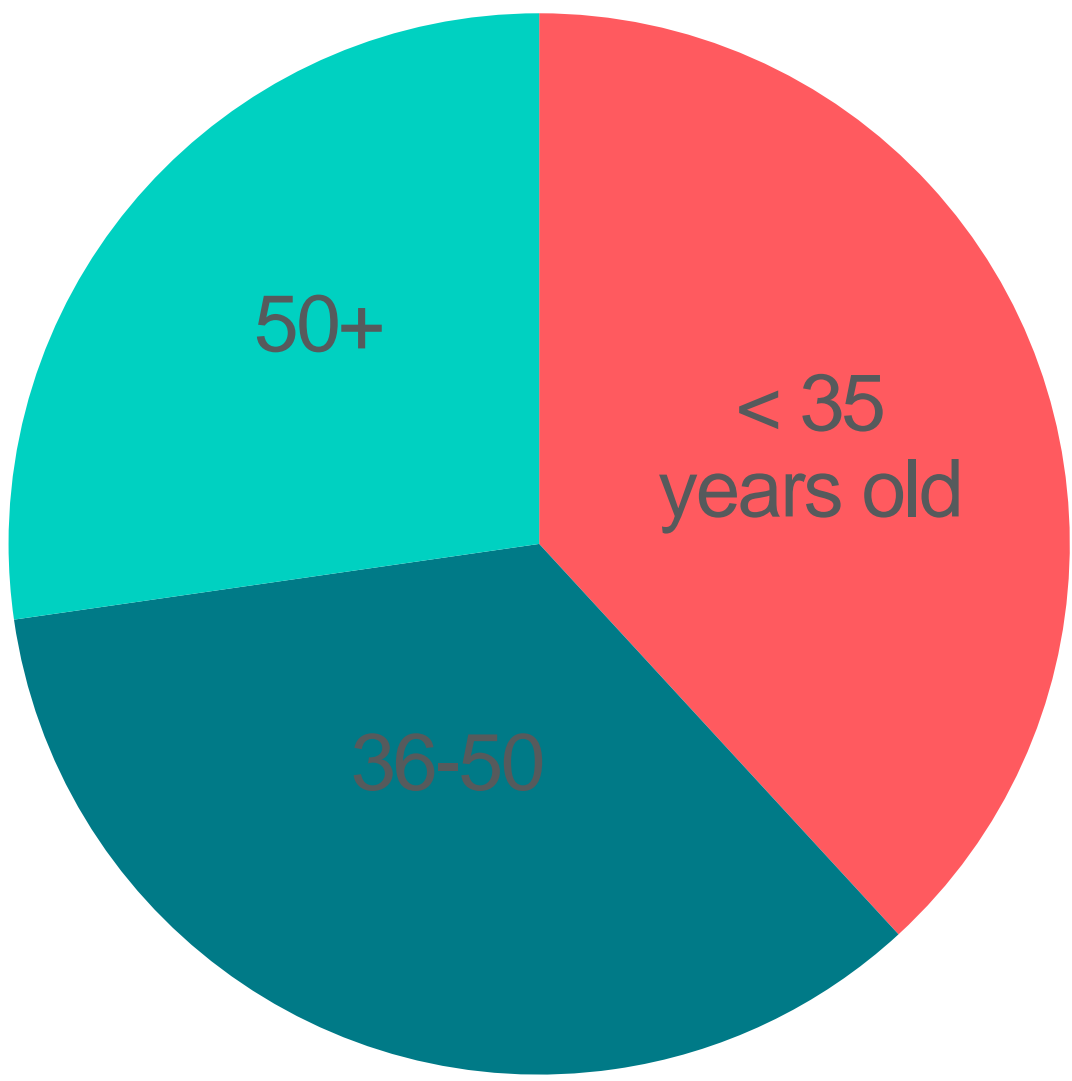
Airbnb Hosts Represent a Broad, Global Demographic



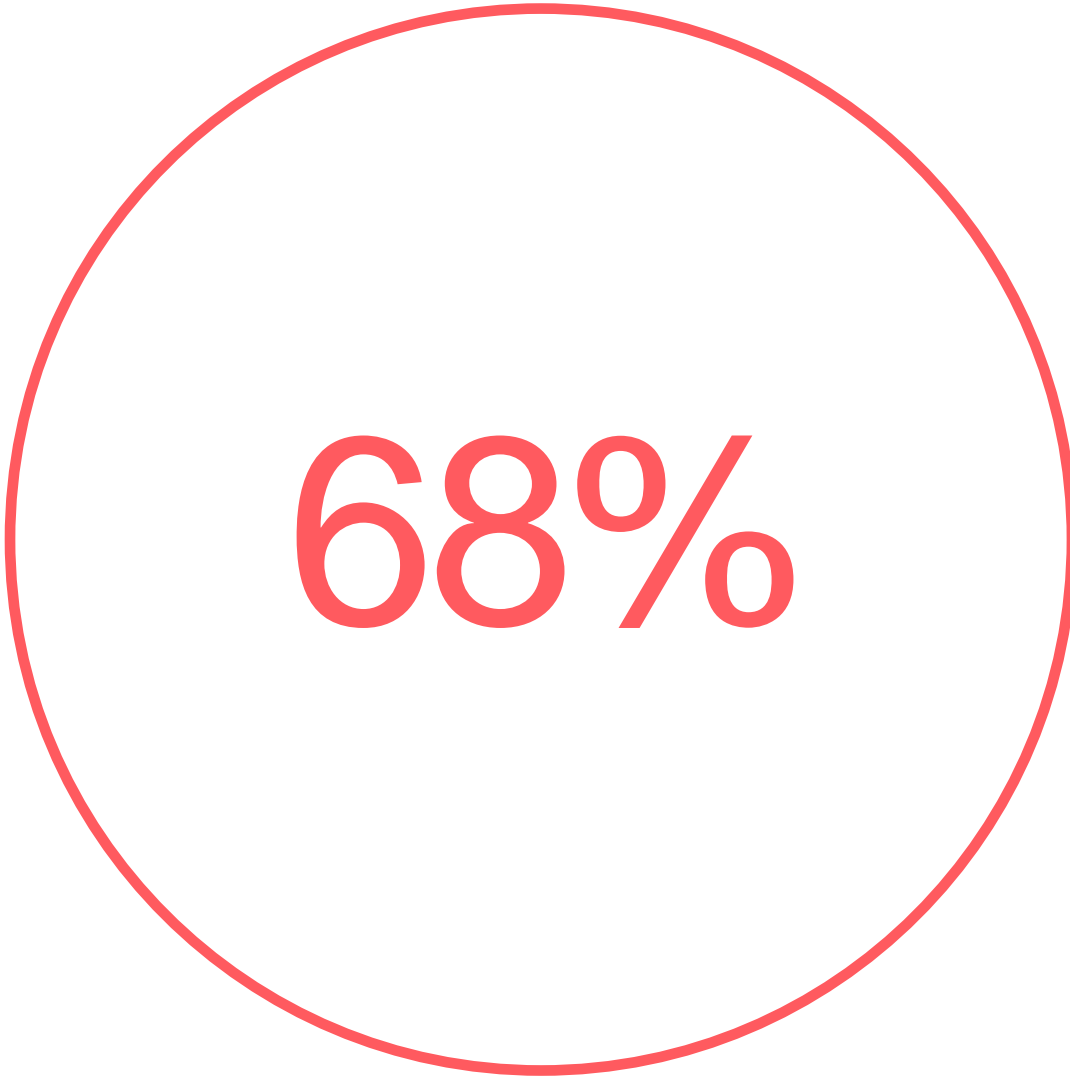
GLOBAL REACH



SHARE THEIR PRIMARY
HOME IN KEY MARKETS



ALL AGES

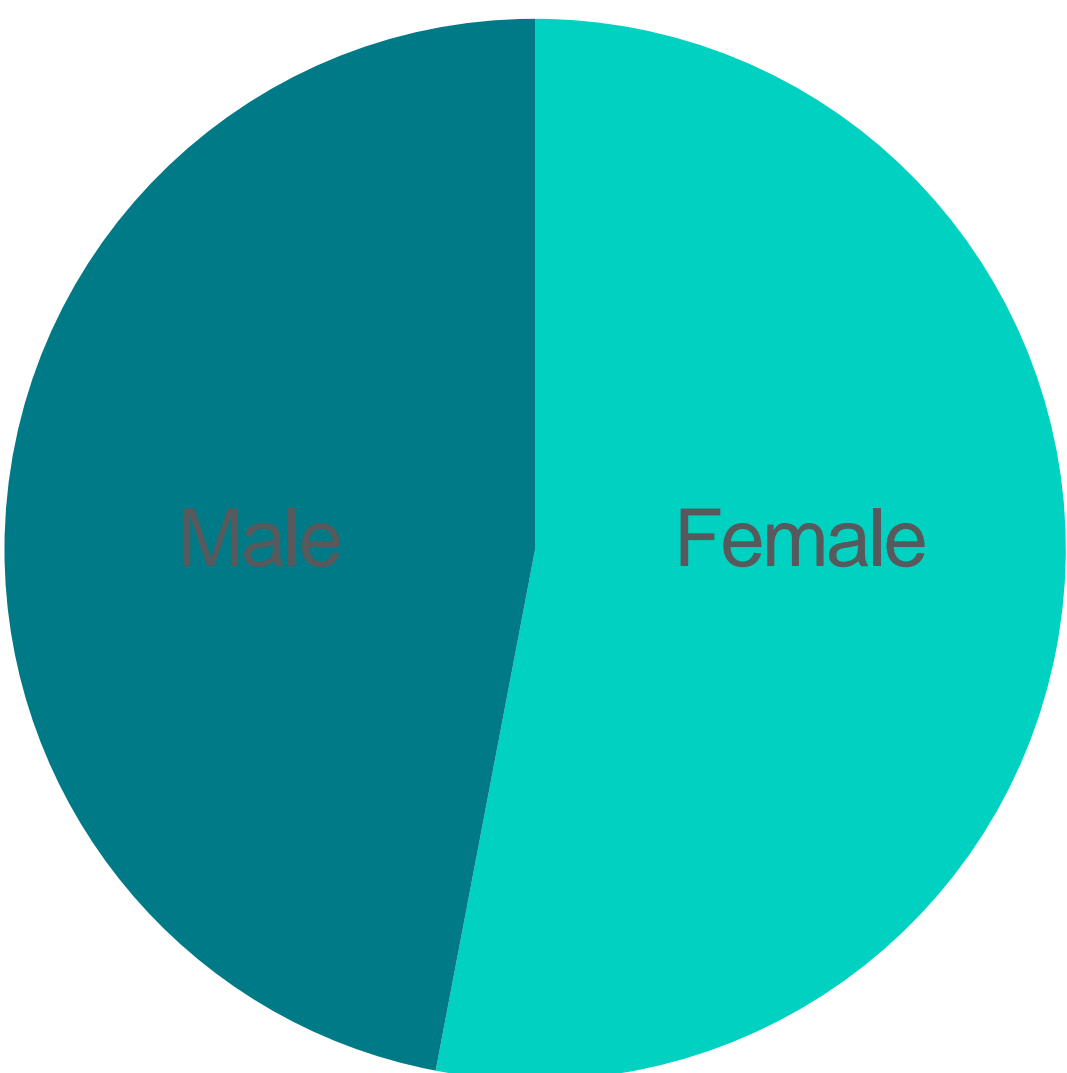


HAVE A COLLEGE
DEGREE

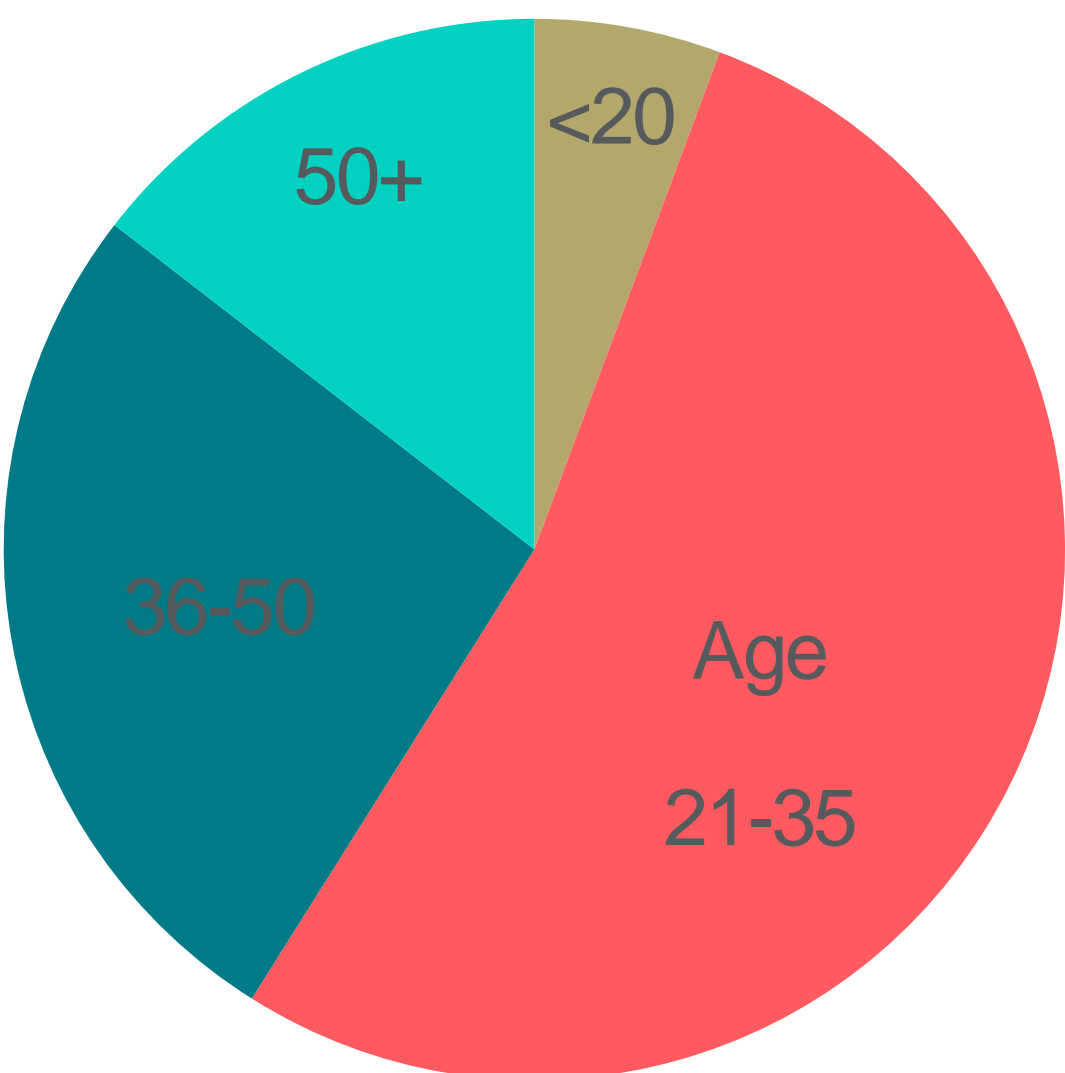
Airbnb Guests are Diverse and Global



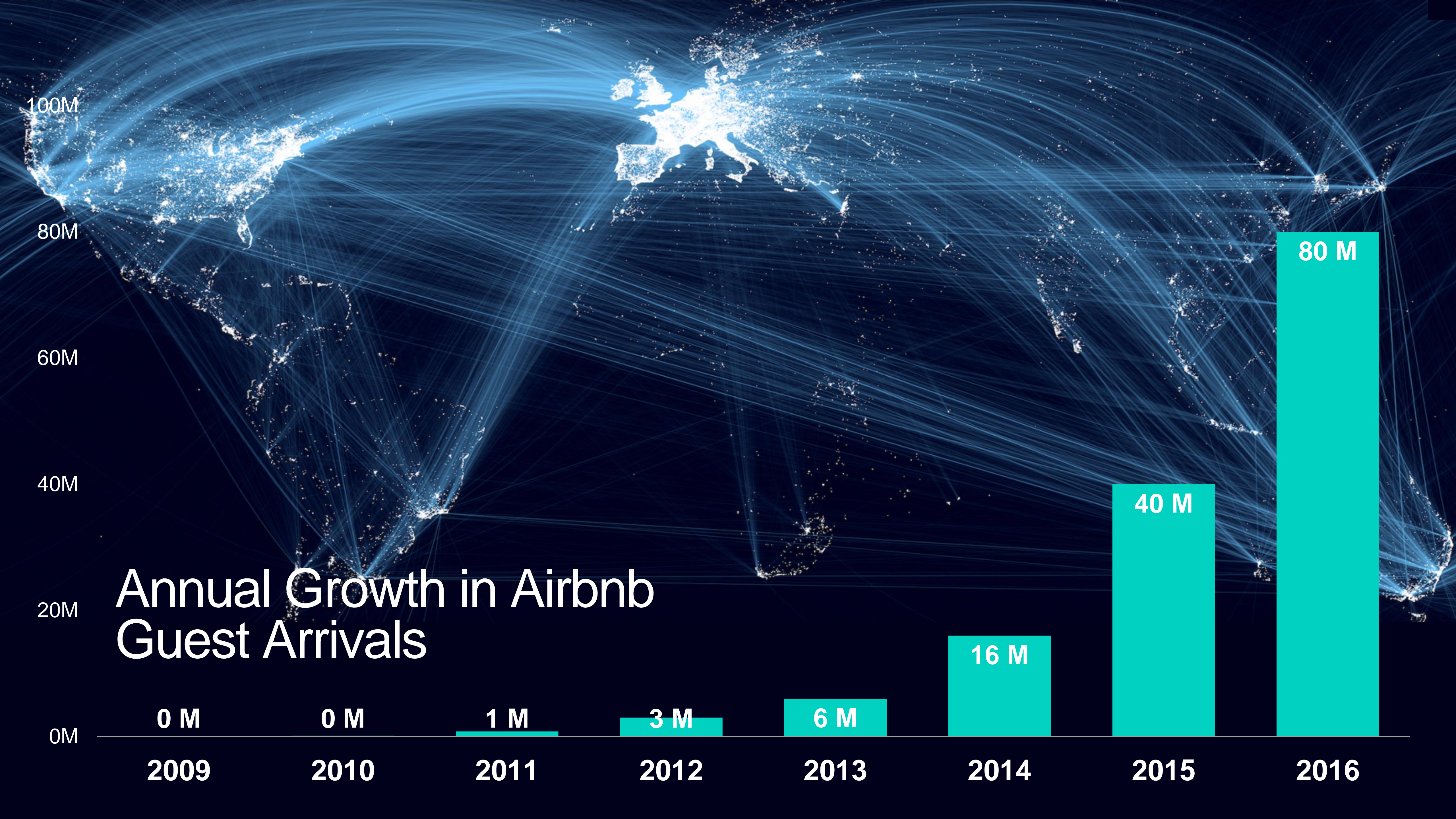
LARGE USER BASE



DEMOGRAPHIC DIVERSITY



GLOBAL





150+ million guest arrivals

65,000+ cities

191 countries

A woman is lying in a red and black striped hammock, smiling. A young child in a red polka-dot swimsuit is standing next to her, touching her face. In the background, a man and a woman are standing near a bench in a garden. The scene is set in a lush, green garden with a large tree on the left and a stone wall on the right. The entire image has a warm, orange-red tint.

Benefits of Home-Sharing

Hundreds of thousands of hosts worldwide have welcomed travelers into their homes. Hosting helps them make ends meet.

52%

are low to moderate income

53%

say that hosting helped them stay in their homes

81%

of hosts share the home in which they live

48%

of host income is used to pay for regular household expenses like rent and groceries



Annual Nights Hosted for a Typical Listing

71

Los Angeles

46

San Diego

52

San Francisco

Annual Earnings for a Typical Host

\$7,200

Los Angeles

\$7,000

San Diego

\$8,400

San Francisco

All data above is drawn from Airbnb proprietary bookings data.

To date, **tens of millions of travelers** have chosen Airbnb to experience cities not as tourists, but as locals.

79%

of travelers want to explore a specific neighborhood

91%

of travelers want to "live like a local"

74%

of Airbnb properties are outside the main hotel districts

Airbnb travelers **stay longer and spend more** in diverse neighborhoods throughout the city.

Airbnb guests stay

2.1x

longer than typical visitors

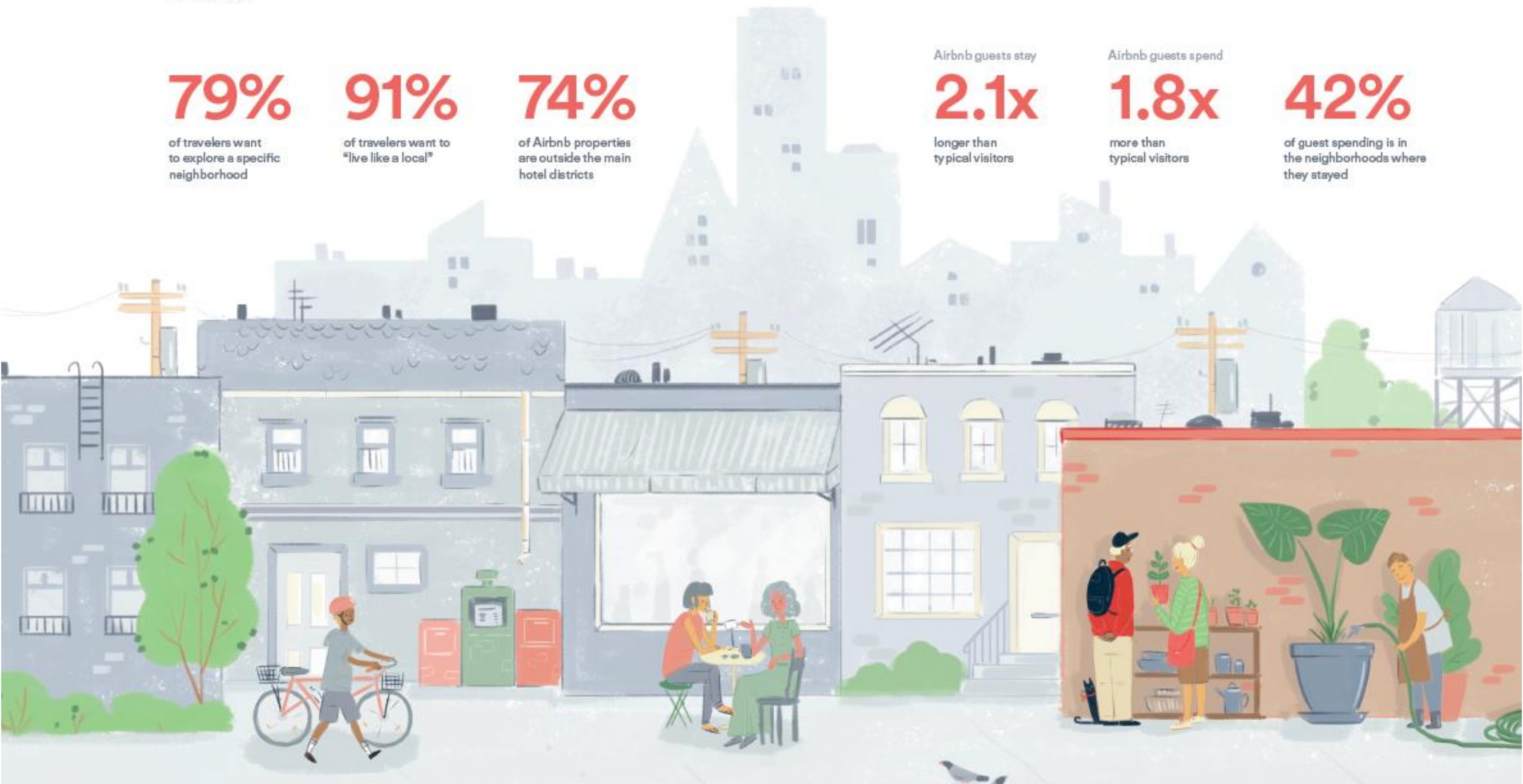
Airbnb guests spend

1.8x

more than typical visitors

42%

of guest spending is in the neighborhoods where they stayed



Economic Impact in the Bay Area

- **Airbnb Guests are responsible for \$338 in local economic activity:** in 2015, guests spent \$338 million of which \$105 million was for lodging with Airbnb hosts and the remaining \$233 million was for all other expenditures.
- **Most Guests contribute to the local economy outside hotel districts:** nearly 75% of Airbnb Listings are located outside of traditional hotel districts.
- **Airbnb guests have spent \$4.5 billion in the past year on restaurants and dining out:** in San Francisco, local businesses saw \$107 million from Airbnb guests.

**SAN FRANCISCO
BUSINESS TIMES**

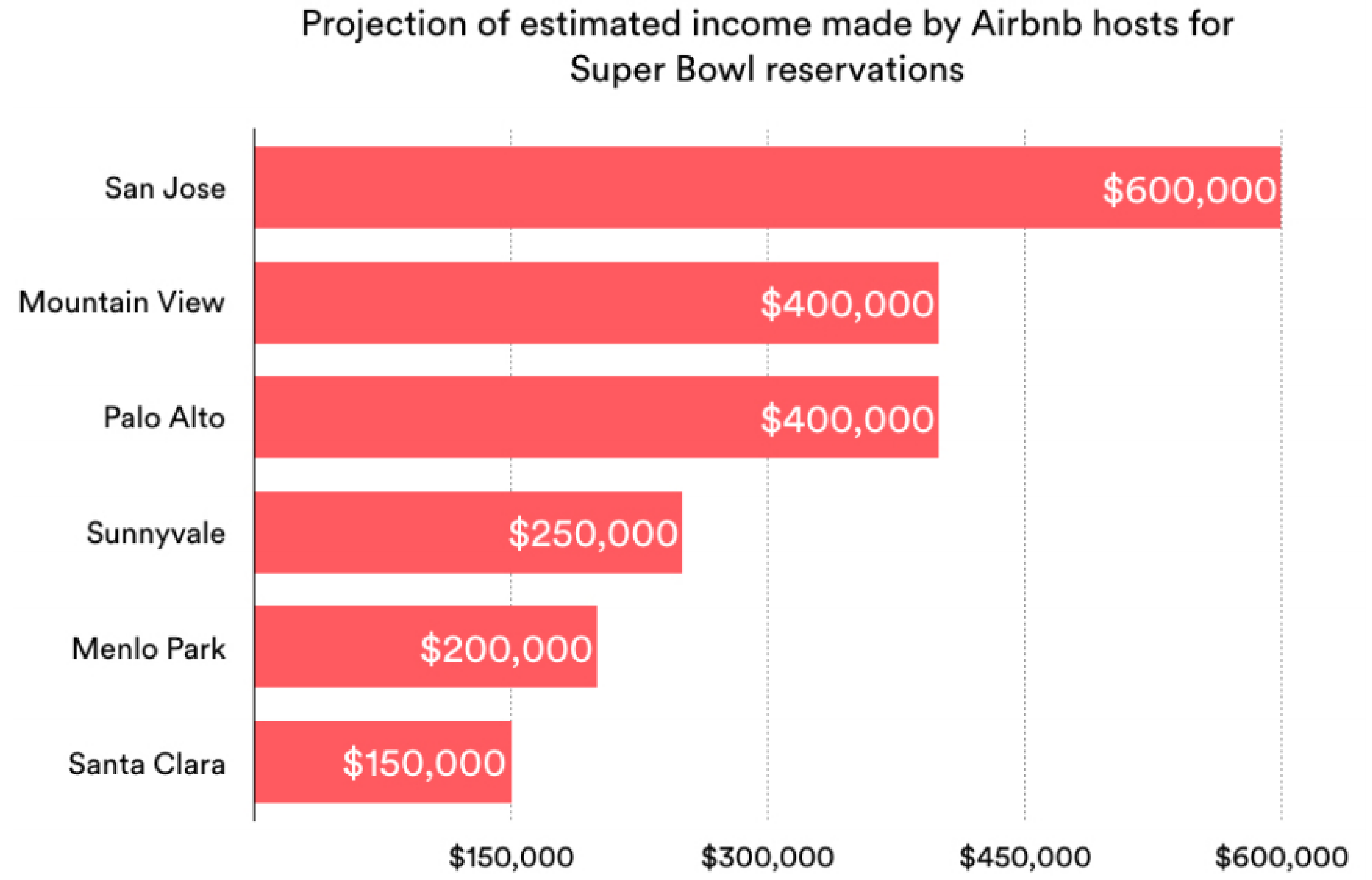
“Hotels, Airbnb brace for lodging crunch as Dreamforce and other October events come to town”
September 27, 2016

Our typical busy period coupled with these major events, it's tough on the hotels [...] We're doing everything we can right now, but it'll never be enough.

Joe D'Alessandro, CEO of SF Travel

Working Together

It is estimated that Super Bowl 50 generated more than \$21 million in economic activity in San Francisco, Silicon Valley and the South Bay during the Super Bowl festivities.



A photograph of three people walking through a sunlit wooden hallway with a glass roof, overlaid with a red tint and the text "Regulatory Issues". The scene is captured from a high angle, looking down the length of the hallway. The ceiling is made of exposed wooden beams and large glass panels that let in bright sunlight, creating strong shadows on the wooden floor. Three people are walking away from the camera towards a bright opening at the end of the hallway. The person on the left is wearing a dark blue t-shirt and light-colored shorts, carrying a black bag. The person in the middle is wearing a red and black jacket and dark shorts, carrying a blue bag. The person on the right is wearing a yellow t-shirt and dark shorts, carrying a soccer ball. The hallway is cluttered with various items, including shoes, bags, and a small table on the left. The overall atmosphere is bright and airy, despite the red overlay.

Regulatory Issues

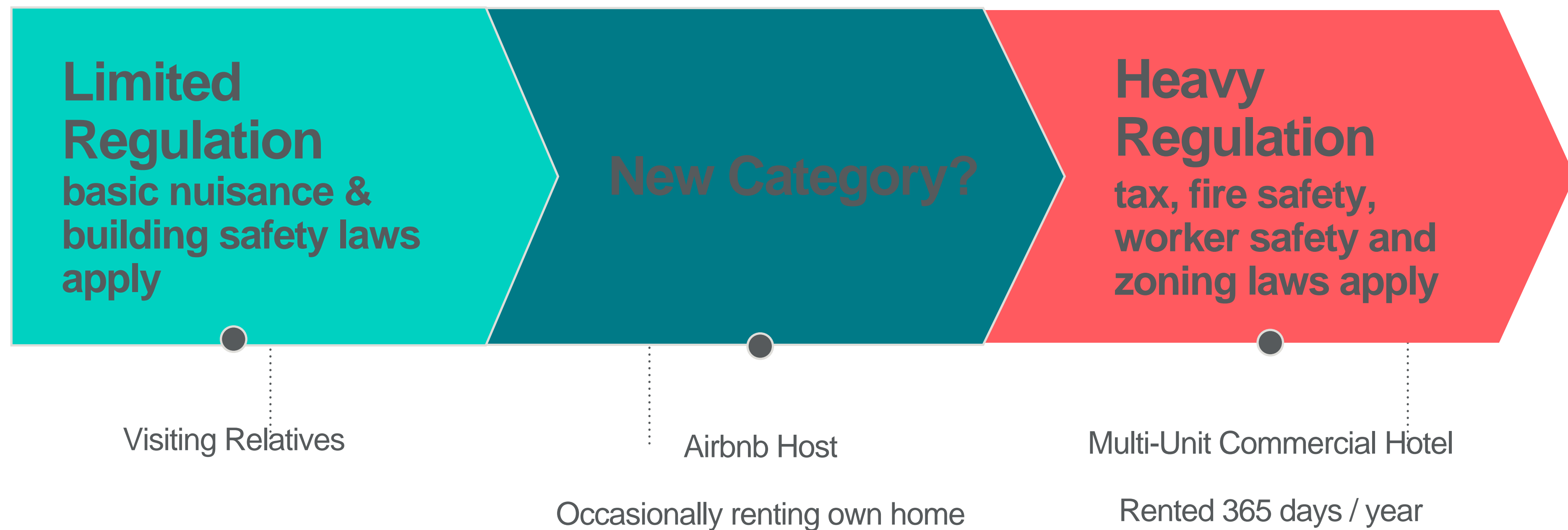
Airbnb's Policy Goals

- Clear, fair rules for home sharing
- Streamlining tax collection
- Understanding local home sharing activity
- Equal access
- Respecting rules of local communities
- Economic development

A photograph of a modern kitchen with large windows and people. The image is overlaid with a semi-transparent red filter. In the center, a woman with curly hair is leaning over a long wooden countertop, looking at something on it. To her left, a man with a backpack is standing and looking towards her. To her right, another woman is standing and looking at the countertop. In the background, a man is sitting on a stool, looking towards the camera. The kitchen has large windows that look out onto a green landscape. There are several pendant lights hanging from the ceiling. The overall atmosphere is bright and modern.

Short-Term Rental Regulation

A new regulatory model for a new category?



Types of Short-Term Rental Regulations

- Registration/Permitting
- Primary v. Secondary Homes
- Night Caps
- Nuisance
- Health/Safety Issues
- Occupancy Limits
- Business Licenses
- Insurance
- Platform Liability
- Data Sharing

Litigation regarding Short-Term Rental Regulations

- **Platform Liability:** an ordinance which attempts to punish Hosting Platforms for failing to verify and screen third-party listings, and for publishing unverified listings will likely conflict with, and be preempted by, the Section 230 of the Communications Decency Act.
 - **Anaheim** - city agreed to not enforce ordinance against hosting platforms
 - **New York** - state and city agreed to not enforce ordinance against hosting platforms
 - **San Francisco** - settlement reached on May 1, 2017; awaiting approval by Board of Supervisors
 - **Santa Monica** - stayed during pendency of San Francisco case
- **Data Sharing:** any ordinance which would purport to require a hosting platform to disclose its customers' names without a subpoena or other legal process could be preempted by the Stored Communications Act.
 - **San Francisco** - removed data sharing requirement in response to lawsuit, but City won case in federal court regarding tax data
 - **Portland, OR** - federal court enjoined data sharing requirements

Examples of Short-Term Rental Regulations

- **Malibu, CA:** Malibu's local law allows owners to rent their homes without limitation for short term rentals. Malibu assesses transient occupancy taxes on homes, condominiums, and other short-term rentals and non-Airbnb-related short-term rental operators must register and collect and remit taxes.
- **San Jose, CA:** In December 2014 adopted new regulations allowing primary residents in all residential and mixed-use zoning districts to host for up to 180 days if they are not physically present during the rental ('unhosted') or without limitation if they share a portion of their residence while they are physically present ('hosted').
- **Sacramento, CA:** Adopted in January 2016, Sacramento allows both unlimited primary resident home sharing and non-primary resident short term rental (second homes, vacation rentals, etc.) in all residential zones if the operator or Host obtains a short term rental permit.
- **Philadelphia, PA:** A June 2015 law allows anyone to rent their home up to 90 days without a permit. Once you hit threshold, primary residents can and must obtain a permit and can STR up to 180 days. STR must remain a residence with guest lodging a secondary use.

A photograph of a family relaxing outdoors. A woman is lying in a red and black striped hammock, holding a young girl in a red polka-dot swimsuit. Another child is standing next to the hammock. In the background, a man and a woman are standing near a bench. The scene is set in a grassy area with trees and a stone wall. The entire image is covered with a semi-transparent red overlay.

Occupancy Taxes

What are Occupancy taxes?

- **Other Names:** transient occupancy tax, lodging tax, room tax, sales tax, tourist tax, or hotel tax.
- **Tax Base:** the tax is calculated as a % of the accommodations price plus any fees for items, like cleanings or extra guests. In some places, occupancy tax is calculate on a per person, per night basis
- **Paid by Guest:** generally paid by the guys, but the obligation to remit the taxes to the government usually falls on the Host.
- **Tax Rate:** averages occupancy tax rate in the US is 12%

In what situations do we collect Occupancy Tax?

Legal Obligation

- Where Airbnb is required by law to collect tax

Examples: Chicago, North Carolina

OR

Formal Agreement with Jurisdiction

- Where Airbnb has a formal voluntary collection agreement, or “VCA”, stating that Airbnb will collect and remit taxes on our Host’s behalf

Examples: Florida, Amsterdam

Why do we collect Occupancy Tax?

- **The tax is due on most reservations and few Hosts are collecting.**
- Win, Win, Win!
 - Win for our Hosts: they no longer need to worry about complicated occupancy taxes
 - Win for Cities: easier to collect from and audit one taxpayer rather than thousands
 - Win for Airbnb: we're doing the right thing to help our community

How does Occupancy Tax Collection Work?

Timing: Occupancy Tax is collected from the guest at the time of booking

All Listings: Tax is collected on ALL listings. Hosts may not opt-out of tax collection.

Remittance: Occupancy Tax is paid to the jurisdiction at the next tax return due date.

Presentation: Occupancy Taxes are a separate line item on booking screens for the Guest (including the receipt)

Alterations: If a guest alters or cancels a reservation, Occupancy Taxes are recalculated with new reservation parameters

What is a Voluntary Collection Agreement? (VCA)

- Legally Binding Agreement between Airbnb and a taxing authority to contractually assume the tax collection and remittance obligations of our Hosts for booking transactions completed on our platform.
- Airbnb registers as a taxpayer and reports/remits in the aggregate on a single return. Hosts cannot opt in/out.
- If Airbnb has a VCA with the jurisdiction (jx), Hosts are “off the hook” for transactions completed on the platform in that jx.
- Airbnb does not assume obligations unrelated to tax (e.g., rental permitting, zoning, health and safety requirements, etc.)
- From start to end, Occupancy Tax Rollouts typically take 2 - 3 mos. but sometimes over a year depending on the length of the negotiations with the jurisdiction
- A primary vehicle for achieving Airbnb’s tax collection and remittance goals.

States in which Airbnb Collects Occupancy Tax

- Alabama
- Arizona
- Arkansas
- Colorado
- Connecticut
- Florida
- Idaho
- Illinois
- Kansas
- Louisiana
- Maine
- North Carolina
- Oregon
- Pennsylvania
- Rhode Island
- South Carolina
- Texas
- Utah
- Vermont
- Washington

California Cities and Counties in which Airbnb Collects Occupancy Tax

- Coachella
- Desert Hot Springs
- Indio
- La Quinta
- Los Angeles
- Malibu
- Oakland
- Palm Desert
- Palo Alto
- Rancho Mirage
- San Diego
- San Francisco
- San Jose
- Santa Clara
- Santa Monica
- Humboldt County
- Marin County
- Nevada County
- San Luis Obispo County
- Santa Cruz County
- Sonoma County
- Tuolumne County

