

**PLANNING DEPARTMENT TRANSMITTAL  
TO THE CITY CLERK'S OFFICE**  
***SUPPLEMENTAL***  
***CF 14-1635-S2***

<b>CITY PLANNING CASE:</b>	<b>ENVIRONMENTAL DOCUMENT:</b>	<b>COUNCIL DISTRICT:</b>
CPC-2016-1243-CA	ENV-2016-1277-ND	All
<b>PROJECT ADDRESS:</b>		
Citywide		
<b>PLANNER CONTACT INFORMATION:</b>	<b>TELEPHONE NUMBER:</b>	<b>EMAIL ADDRESS:</b>
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<b>NOTES / INSTRUCTION(S):</b>	
<p>DCP report to Budget &amp; Finance committee (for 2/4 meeting) on FY 18-19 Department of City Planning Budget Requests relative to administration and implementation of the Home-Sharing Ordinance.</p>	
<b>TRANSMITTED BY:</b>	<b>TRANSMITTAL DATE:</b>
Jenna Monterrosa, Council Liaison	1/31/19

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January 31, 2019

Los Angeles City Council  
c/o Office of the City Clerk  
City Hall, Room 395  
Los Angeles, California 90012

Attention: Budget and Finance Committee

Dear Honorable Members:

**IMPLEMENTATION OF THE HOME-SHARING ORDINANCE – FY 18-19 DEPARTMENT OF  
CITY PLANNING BUDGET REQUESTS**

The Home-Sharing Ordinance will become effective on July 1, 2019. In order to effectively implement the work program the Department of City Planning (Department) continues to recommend creation of a new specialized Home-Sharing Unit, complemented by a contract for short-term rental compliance services.

This memo summarizes the immediate staffing and contractual services needs of the Department to be ready to administer and implement the ordinance on July 1, 2019. It is intended to update and supplement the report dated November 28, 2018, which was referred to this Committee by City Council action on December 11, 2018 (see Attachment C). A separate supplemental request for FY 19-20 will be made through the regular budgetary process.

**Recommendations for City Council Consideration**

In order to prepare for effective implementation and enforcement of the proposed Home-Sharing Ordinance, the Department recommends that the City Council consider the following actions to move forward:

1. INSTRUCT the Department of City Planning to enter into a contract with Host Compliance for monitoring and verification services as outlined under Attachment A of this report; and FIND that the services provided by Host Compliance are of an expert and technical nature and therefore, competitive bidding under Charter Section 371 is neither practicable nor advantageous.

2. TRANSFER, subject to the approval of the Mayor, \$485,609 from the Unappropriated Balance Fund No. 100-58 to the Department of City Planning's Fund No. 100-68, Account No. 3040 (Contractual Services) for the initial FY 2018-19 cost of services described above.
3. TRANSFER, subject to the approval of the Mayor, an amount not to exceed \$40,000 from the Unappropriated Balance Fund No. 100-58 to the Department of City Planning's Fund No. 100-68, Account No. 3040 (Contractual Services) for the creation of a per night administrative fee study, described in this report (and left-over funds will be reverted to the Unappropriated Balance Fund No. 100-58).
4. APPROVE Resolution Authorities and three months of funding in FY 2018-19 for the following six positions for the Home-Sharing program implementation, enforcement and administration. These position authorities include: 1 Senior City Planner, 1 City Planner, 1 City Planning Associate, 1 Management Analyst, 1 Senior Administrative Clerk, 1 Administrative Clerk and 1 Principal Accountant I.
5. TRANSFER, subject to the approval of the Mayor, \$153,554 from the Unappropriated Balance Fund No. 100-58 to the Department of City Planning's Fund No. 100-68, Account No. 1010 (Salaries General - \$123,554) and Account No. 6010 (Office and Admin - \$30,000) for staff salaries and office expenditures.
6. INSTRUCT the Department of City Planning to work with the City Administrative Officer to identify alternative funds to subsidize the full staffing costs associated with the registration and renewal of the proposed application fees as listed in the proposed Home-Sharing ordinance.
7. REQUEST the Office of the City Administrative Officer to work with the General Services Department and the Department of City Planning to evaluate options to identify and provide the Department of City Planning additional spaces at Figueroa Plaza to accommodate the additional staff.
8. AUTHORIZE collection of the registration fee and the per night fees to be deposited into the Planning Case Processing Fund (52D), Department Revenue Source – Home-Sharing Fees, to allow revenue tracking and funding the Department of City Planning's Home-Sharing position authorities.

### **Summary of Requests**

#### **Contractual Services - Short-Term Rental Compliance Services and a Per Night Administrative Fee Study**

As discussed in prior Department reports to the City Council (see November 28, 2018 report to PLUM Committee), the Department believes success in administering and enforcing the Home-Sharing ordinance will depend on the use of a new proactive, technology-based approach. It is critical to build a custom user-friendly online/mobile registration portal with the ability to authenticate identification and primary residence, as well as run queries of City databases in real-time. Information technology tools such as web-harvesting and property geolocation are also needed to search for and locate illegal listings operating in the City of Los Angeles (e.g. posted without a registration number, or beyond the 120 day cap). These tasks would benefit from the services of a third party vendor with information technology capabilities and experience with short-term rental monitoring and compliance.

As adopted in 2016, Council Motion 14-1635-S3 directed the Department of City Planning to consider technology-based options for the implementation and enforcement of the ordinance. In line with the motion, the Department has been working closely with the Office of City Attorney to move forward options for securing a vendor for these tasks. The Department has developed a proposed scope of services (Attachment A) for short-term rental compliance services that would cost approximately \$1,456,825 per year. The services would be designed to match the unique registration and enforcement requirements of the proposed Home-Sharing ordinance.

Funding for a secondary contractual service is also being requested at this time. Pursuant to the adopted Home-Sharing Ordinance, Hosts shall pay a per-night fee for each night of Home-Sharing to assist in funding the administration and enforcement of the ordinance. The ordinance specifies that the City Council shall adopt, by resolution, a per-night fee based on an analysis of the cost of implementing, maintaining, and enforcing this subdivision. A fee study is needed to fully evaluate the anticipated program costs and current expected revenues. It is expected that the fee study should cost no more than \$40,000 to complete.

### **Home-Sharing Unit - 6 Positions**

The Home-Sharing Unit will provide the day-to-day administration of the ordinance. This staff is critical to the successful implementation of the Home-Sharing Ordinance. Assuming the contractual services laid out in this report are also employed, initial Department staffing can be limited to a staff of six to perform core functions. A list of actions needed to establish and implement the ordinance are included as Attachment B and duties of the six requested positions are below.

These six positions are needed prior to July 1, 2019 in order to initiate the Home-Sharing program, manage the consultant, prepare outreach materials, and launch the online registration system. Once the ordinance becomes effective, the six positions are needed to facilitate registration and enforcement of all home-sharing activity. This initial staffing need is modest compared to much smaller cities such as San Francisco and Santa Monica that have six and four staff respectively. Additional position authority will be sought in the FY 19-20 budget to manage the extended-stay program – a feature of the ordinance not found in these other cities.

In addition to the staffing needs, it is necessary to secure office space at Figueroa Plaza for the Home-Sharing Unit in order to accommodate the additional staff.

### **Program Funding**

The full costs for staffing and contractual services had been anticipated to be funded by a mix of three revenue sources included in the draft ordinance:

- 1) 10% of TOT derived from home-sharing activities,
- 2) a per-night fee for administration and enforcement (fee amount TBD), and
- 3) Home-Sharing registration and application fees.

The TOT and per-night fees (1 & 2) were to be deposited in a new Short-Term Rental Enforcement Trust Fund, which would allocate resources each year with City Council and Mayor approval. However, in their December 11, 2018 action, the City Council removed the creation of the Trust Fund from the Home-Sharing ordinance by removing the proposed addition to Chapter 170 in the LAAC, Sec. 5.576 (Creation and Administration of the Short-Term Rental Enforcement Trust Fund). Council referred this Ordinance for the creation of the Short-Term Rental Enforcement Trust Fund to the Budget and Finance Committee.

170 in the LAAC, Sec. 5.576 (Creation and Administration of the Short-Term Rental Enforcement Trust Fund). Council referred this Ordinance for the creation of the Short-Term Rental Enforcement Trust Fund to the Budget and Finance Committee.

While registration fees are subsidized, the per-night fee could be established through an administrative fee study (see above) at a rate to cover the cost of the registration subsidy and potentially render the administration and enforcement of the Home-Sharing Ordinance full cost recovery. The registration fees would not begin to generate revenue until July 1, 2019 – and will take time to accumulate. The table below presents a summary of these revenue sources.

Revenue Source	Fee Amount	Budgetary Impact
Home-Sharing Registration	\$89 per year	Subsidized
Extended Home-Sharing Registration (Administrative)	\$850 per year	Subsidized
Extended Home-Sharing Registration (Discretionary)	\$5,660	Full cost recovery
Per-Night Fee	TBD per night booked	Could cover remainder of administration and enforcement costs and subsidize regular fees

**Conclusion**

In summary, the Department recommends the City Council authorize position authorities necessary to appropriately staff the work program; and authorize the Controller to appropriate an advance funding for contractual services and salaries from the Reserve Fund to the Department of City Planning's fund for expenditures (see Recommendations above). The Reserve Fund advancements can be reimbursed by the revenue sources identified above when the Ordinance is effectuated.

Sincerely,

VINCENT P. BERTONI, AICP  
Director of Planning



Arthi L. Varma, AICP  
Deputy Director

VPB:AV:mg

**Enclosures**

- Attachment A - Proposed Third Party Vendor Scope of Services
- Attachment B - Proposed Position Authorities for Home-Sharing Program Initiation
- Attachment C – November 28, 2018 Department of City Planning Report

## **ATTACHMENT A – SCOPE OF SERVICES**

**Contractor shall provide a System with no less than the following components and functionality:**

### **1. Mobile Enabled Online Registration and Tax Collection Forms**

Contractor shall develop and host electronic web-based short-term rental registration and Transient Occupancy Tax collection forms customized to the City's specific requirements. The online forms will be designed and developed to streamline the collection of all information and backup-documentation required by the City to process registration and collect all short-term rental related fees and taxes and will include no less than the following features and capabilities:

- 1.1** Twenty-four hours per day and seven days per week availability to mobile access
- 1.2** Mobile adaptive design;
- 1.3** Encryption of all data in rest and in transit through industry best practice standards such as HTTPS and SSL/TLS, as updated from time to time;
- 1.4** Ability to validate inputs whenever possible to minimize data-entry errors;
- 1.5** Ability for applicants to review and electronically sign permit applications and affidavits in a manner utilizing an electronic signature method permissible and legally binding under California law;
- 1.6** Integrated and PCI-DSS compliant electronic credit card, debit card, and Automated Clearing House payment capabilities;
- 1.7** Ability to securely collect, transmit, and store scans, images, PDF documents and other types of application supporting documents;
- 1.8** Ability to securely integrate external data sources and systems using an application programming interface of a type and standard that is suitable to City;
- 1.9** Ability to dynamically and automatically cross reference permit application data with other relevant databases including geographic information system (GIS) data sources and other electronic sources of information;
- 1.10** Ability to easily verify and validate permit eligibility and the validity and authenticity of applicant provided supporting documents;
- 1.11** Ability for authorized parties to access application data in real-time;
- 1.12** Ability for authorized parties to download all data twenty-four hours per day and seven days per week.

### **2. Trend Monitoring**

Monthly email-delivered report and live web-delivered dashboard with aggregate statistics on the short-term rental activity within City's jurisdiction, including:

- 2.1** Active monitoring of jurisdiction's short-term rental listings across more than 50 STR websites, as updated on a continuous basis to always include those STR websites with the greatest amount of activity and market share within the City;

- 2.2 Monthly analysis of STR activity scale, scope, and trends.

### **3. Address Identification**

Contractor shall provide a monthly email-delivered report and live web-delivered dashboard with complete address information and screenshots of all identifiable STRs within City's jurisdiction, including:

- 3.1 Active monitoring of jurisdiction's STR listings across more than 50 STR websites, as updated on a continuous basis to always include those STR websites with the greatest amount of activity and market share within the City;
- 3.2 Up-to-date list of active STR listings;
- 3.3 High resolution screenshots of all active listings captured on a weekly basis;
- 3.4 Full address and contact information for all identifiable STRs;
- 3.5 All available listing and contact information for non-identifiable STRs in jurisdiction.

### **4. Compliance Monitoring**

Contractor shall provide ongoing monitoring of the STRs operating within City's jurisdiction for zoning, permit, and registration compliance coupled with systematic outreach to non-compliant short-term rental property owners (using City's form letters), including:

- 4.1 Ongoing monitoring of STRs for zoning, permit, and registration compliance;
- 4.2 Pro-active and systematic outreach to unregistered and/or illegal short-term rental operators (using jurisdiction's form letters);
- 4.3 Monthly staff report on zoning, permit, and registration compliance;
- 4.4 Up-to-date list of STRs operating illegally or without the proper registration;
- 4.5 Full case history for non-compliant listings.

### **5. Rental Activity Monitoring and Tax Collection Support**

Contractor shall provide ongoing monitoring of STR properties within the City's jurisdiction for signs of rental activity, including:

- 5.1 Automatic monitoring of review activity across more than 50 STR websites, as updated on a continuous basis to always include those STR websites with the greatest amount of activity and market share within the City;
- 5.2 Weekly screenshots of reviews and calendars for each active listing;
- 5.3 Quarterly staff report on jurisdiction's STR tax compliance;
- 5.4 Up-to-date list of short-term rental landlords suspected of under-reporting taxes
- 5.5 Documentation of information that serves as the foundation for the suspicion of tax under-reporting;

- 5.6 Custom data reports and analysis to support tax audits and other short-term rental related investigations;
- 5.7 Quarterly pro-active, systematic and data-informed outreach letters to short-term rental operators, in a form approved by City, regarding the rental operators tax remittance obligations (using jurisdiction's form letters), including no less than four full color letters each property per year, as needed;
- 5.8 Integrated mobile-enabled web forms to streamline transit occupancy tax (TOT) audits and the collection of rental activity documentation from hosts suspected on TOT underreporting.

**6.0 Short-term Rental Phone Hotline and Online Complaint Forms**

Staffed telephone and online hotline/forms for neighbors to report non-emergency problems related to STR properties:

- 6.1 Ability for complainants to make reports online or by telephone
- 6.2 Full documentation of all reported incidents
- 6.3 Digital recordings and written transcripts of all calls
- 6.4 Ability for neighbors to include photos, video footage, and sound recordings to document complaints
- 6.5 Real-time outreach to owners or managers of problem properties (whenever contact info is known)
- 6.6 Automatically escalate unresolved issues to emergency responders where required
- 6.7 Ability to automatically generate email notification to City's code enforcement contact detailing complaint
- 6.8 At and upon City's direction, integration of the short-term vacation rental hotline into existing 311 systems
- 6.9 Automatic reports to pin-point problem properties, repeat complainants, the number and types of reported incidents, complaint trends and other enforcement related information
- 6.10 Custom reports and analysis of hotline related activities

**7.0 Short-term Rental Related Advisory Services**

Contractor shall provide no less than twenty hours of short-term rental related consulting services from nationally recognized experts including no less than ten hours provided by Ulrik Binzer or Jeffrey Goodman.

**Total Annual Subscription Service Price**

**\$1,456,825**



## **ATTACHMENT B - Proposed Position Authorities for Home-Sharing Program Initiation and Implementation, Enforcement, and Administration - 6 Total Number of Position Authorities**

- 1 Senior City Planner - To oversee the day-to-day implementation of the home-sharing ordinance. Manage the home-sharing task force and associated work programs. Coordinate with other departments. Report progress to City Council and Department management. Interpret the ordinance and make policy calls.
- 1 City Planner - Manage the creation and periodic update of the Administrative Guidelines to govern the registration, monitoring and enforcement of the ordinance. Oversee the creation of internal and external reports. Manage communications with hosts, platforms and other stakeholders. Manage and conduct more in-depth investigations, as needed to enhance proactive enforcement capabilities.
- 1 City Planning Associate - Create and update the Administrative Guidelines. Prepare internal and external reports. Communicate with hosts and platforms and conduct more in-depth investigations, as needed to enhance proactive enforcement capabilities. Develop protocols for dealing with registrations that cannot be processed through the online system, including verifying building permit records, RSO status, enforcement citations and primary residency requirements, as needed.
- 1 Management Analyst - Oversee service contract with third party consultant, including reviewing deliverables and payments. To manage and organize the online registration system, including inter-departmental workflows. Maintain home-sharing records and databases. Collecting data from relevant Departments that is needed to verify eligibility. Manage case transfers to appropriate departments for enforcement
- 1 Senior Administrative Clerk – Manage protocols for issuing Home-Sharing registrations. Assist in the administration of service contracts. Assist in inter-departmental coordination of enforcement protocols, including the transfer of case files along to the appropriate enforcement agencies. Coordinate random auditing of online registrations to ensure quality control. Coordinate data sharing with hosting platforms as well as enforcement agencies include DBS, HCID and LAPD.
- 1 Administrative Clerk - To assist Senior Administrative Clerk. Issue registrations. Prepare case files for violations of ordinance. Monitor and track complaints through the hotline system as well as regular code enforcement reporting systems. Perform general clerical tasks.

**Attachment C**

November 28, 2018 Department of City Planning Report

**DEPARTMENT OF  
CITY PLANNING**

**CITY PLANNING COMMISSION**

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November 28, 2018

Los Angeles City Council  
c/o Office of the City Clerk  
City Hall, Room 395  
Los Angeles, California 90012

Attention: Planning and Land Use Management (PLUM) Committee

**REPORT BACK RELATIVE TO PROPOSED HOME-SHARING ORDINANCE (COUNCIL FILES  
14-1635-S2, 14-1635-S3)**

On November 6, 2018 the PLUM Committee considered the proposed Home Sharing Ordinance (HSO) and voted to request the City Attorney prepare and present the ordinance, as amended, for form and legality. The PLUM Committee motion also instructed the Department of City Planning (DCP) to report back on the following:

1. Options to further incentivize maximum participation and compliance by platforms, including those incentives that could be incorporated within platform sharing agreements. Planning staff was further instructed to engage platforms directly to identify the most appropriate set of incentives.
2. Details regarding the web-based enforcement system, including all of the pertinent service components and anticipated implementation timeline, with the assistance of the Office of City Attorney and Chief Administrative Officer (CAO).

The Department's response to these items is detailed below. To assist in implementation and enforcement of the proposed Home-Sharing Ordinance, the Department has prepared some recommended actions for the City Council, provided at the end of this report.

**1. Incentivizing Maximum Participation and Compliance by Platforms**

The Department has engaged representatives of the major hosting platforms to identify the types of incentives that could be incorporated within the proposed platform agreement structure in order to incentivize participation and compliance. The platform agreement framework, as currently

incorporated in the proposed ordinance, recognizes that certain host requirements may be waived if hosts advertise solely on a platform that enters into a platform agreement and complies with the ordinance's platform responsibilities. The agreements would spell out how the platforms will comply with the provisions of the ordinance. In order to inform the potential incentive options, a summary of the hosting platform requirements and the concept of platform agreements is presented below.

### Hosting Platform Requirements

A Home-Sharing Hosting Platform (hosting platform) is defined as an entity "that participates in Short-Term Rental business by collecting or receiving a fee, directly or indirectly through an agent or intermediary, for conducting a Booking Service transaction using any medium of facilitation." As currently proposed, all hosting platforms would be required to comply with the following responsibilities outlined in proposed LAMC section 12.22 A.31 (f):

- A hosting platform shall not complete any booking service transaction unless it has verified that the rental unit has a valid home-sharing registration number issued by the City or, as applicable, a pending registration number.
- A hosting platform shall not complete any booking service transaction for any rental unit approval which has exceeded the 120-day limit for hosting short-term rentals in one calendar year unless they have an extended home-sharing approval.
- A hosting platform shall designate an employee or representative to respond to enforcement issues and coordinate sharing of information.
- A hosting platform shall provide the City basic information needed by the City to verify tax compliance and conduct enforcement.
- If subject to a Transient Occupancy Tax (TOT) collection and remittance agreement, the hosting platform shall assume the same duties and responsibilities as the host.

The proposed ordinance identifies penalties and fines of \$1,000 per day for hosting platforms that do not comply with these requirements, as outlined in proposed LAMC Section 12.22 A.31(g).

### Platform Agreement

The concept of a Platform Agreement was introduced by the PLUM Committee as a way to provide incentives for platforms to enter into a written agreement with the City detailing how they intend to comply with the platform responsibilities outlined above. In exchange, hosts that list exclusively with that platform would be able to take advantage of a number of streamlining benefits with regards to registration and compliance requirements. By signing an agreement, platforms would be able to incentivize hosts to utilize their services. As currently incorporated in the draft ordinance, the proposed incentives for hosts that list solely on a platform that has signed and adhered to a platform agreement are as follows:

- An exception for hosts from the requirement to individually register for a Transient Occupancy Tax (TOT) Registration Certificate with the Office of Finance, since the platform agreement would include a requirement for hosting platforms to collect TOT revenues for all bookings;

- The option for hosting platforms to implement a “pass through registration” process whereby hosting platforms provide relevant information to the City on their users, for the purpose of facilitating home-sharing registration; and
- A streamlined renewal process that would allow hosts to renew without the need to provide information on their previous booking activities to the Department (the Department would receive all necessary information directly from the hosting platforms).

Beyond incentivizing data sharing and self-enforcement by hosting platforms, the platform agreement allows for customization of the compliance details to correspond with individual capabilities. For example, data sharing protocols and procedures can be negotiated, as well as the method by which platforms would verify the current status of listings with the City.

### Discussions with Hosting Platforms

Department staff engaged representatives from two key hosting platforms that have been engaged in the public process up until this point - Airbnb and Homeaway, which owns VRBO. Together, these firms represent approximately ninety percent of short-term rental listings in Los Angeles. However, it should be noted that their business models differ and that discussions with the two hosting platforms varied considerably. As opposed to Airbnb, Homeaway and VRBO state that most of their hosts are believed to be non-primary residents who would not be eligible for home-sharing under the proposed ordinance.

In discussion with Department staff, hosting platforms generally expressed concerns regarding two key provisions of the proposed ordinance: (1) the primary residence requirement; and (2) hosting platform responsibilities requiring them to share basic user information with the City and refrain from booking unpermitted listings.

While hosts and property owners are primarily responsible for unpermitted activity, the assistance of hosting platforms is necessary to assist in enforcement because names and property addresses are usually hidden from public view by hosting platforms. Given the importance of enforcement to the success of the ordinance, participation by hosting platforms has been deemed necessary by both the City Planning Commission and the City Council.

Airbnb has offered to share some limited data on a monthly basis with the City, but only anonymously, where the information cannot be connected to an actual person or address. The company has indicated that contact information would only be provided through a targeted subpoena process when the user has had a chance to challenge the sharing of their information through a legal proceeding.

Airbnb has proposed an alternative framework centering on the use of a “pass-through registration” system whereby platforms forward basic information to the City on new and existing users. The City would therefore have host names and property addresses to aid in enforcement. However, Airbnb has indicated that it may offer to participate in the system only if it applies to a much wider segment of the market, including non-primary residences and vacation rentals. Airbnb appears to have only rolled out the pass-through registration system in cities that have permitted short-term rentals beyond primary residences. In New Orleans, the company discontinued the pass-through registration system once the City Council placed a moratorium on whole-home listings and non-primary residences. The Department has been working with potential third party

vendors to assess their capabilities to design a unique online/mobile home-sharing registration system that will work with all platforms.

### Policy Options to Incentivize Platform Compliance through Platform Agreements

Based on conversations with hosting platforms, and in line with the PLUM Committee direction, the Department has prepared some additional policy options to further incentivize maximum participation and compliance by platforms. These incentives can be included as part of platform agreements but will also require amendments to the proposed ordinance.

Several options were identified, but only those that are within the scope of the proposed home-sharing framework are listed as any other options may require further environmental analysis.

1. Allow for a 2 year renewal period rather than 1 year; or
2. Allow for additional flexibility with data sharing requirements while ensuring the City's enforcement needs are addressed.

## **2. Details Regarding the Web-Based Enforcement System**

As discussed in prior Department reports to the City Council (see October 19, 2017 PLUM report), the Department recommends a new more proactive, technology-based approach to enforcement of short-term rentals. The proposed approach differs from the typical approach to zoning code enforcement, which is largely based on site inspections that occur after a complaint is received. Under the typical approach, the ability to establish a code violation relies on documenting evidence of a violation. With dedicated short-term rental evidence of short-term rental use is often difficult to prove.

In contrast, the recommended short-term rental enforcement strategy would involve use of the internet and web listings, where short-term rentals are booked by most guests. The proposed ordinance would prohibit hosts from advertising an unregistered short-term rental listing. As proposed, technologies such as web-harvesting and property geolocation would be used to search for and locate all illegal listings operating in the City of Los Angeles (e.g. posted without a registration number, or beyond the 120 day cap). Enforcement would also benefit from the creation of an automated online/mobile registration portal with the ability to authenticate identification and check City databases in real-time. These tasks are complex and would benefit from the services of a third party vendor with experience in short-term rental monitoring and compliance.

As adopted in 2016, Council Motion 14-1635-S3 directed the Department of City Planning to consider technology-based options for the implementation and enforcement of the proposed ordinance. Many cities are increasingly utilizing technology-based solutions to counter illicit short-term rental activity, including Pasadena, Malibu, Berkeley, Minneapolis and Ft. Lauderdale.

In line with the motion, the Department has been working closely with the Office of City Attorney to move forward options for securing a vendor for these tasks. The Department has developed a proposed scope of services (Attachment A) for short-term rental compliance services. The services would be designed to match the unique registration and enforcement requirements of the proposed Home-Sharing ordinance.

### *Proposed Staffing Resources*

Assuming the contractual services laid out in this report are employed, additional staffing to register hosts below the 120 day cap will include key functions, including managing the functions of the vendor, finalizing registrations, and coordinating enforcement activities. Six (6) positions are needed to facilitate registration and enforcement of all home-sharing activity once the ordinance becomes effective. This initial staffing need is modest compared to much smaller cities such as San Francisco and Santa Monica that have six and four staff respectively. Additional Planning Department employees are also requested to be authorized to implement the extended home-sharing provisions, including processing administrative and discretionary applications. The staff would be funded primarily by the cost of the extended home-sharing entitlement and would be able to be ramped up accordingly, including up to 20 planners (see Attachment B for details). By way of comparison, New York City has a short-term rental staff of 48 persons, including enforcement personnel. It should be noted that while position authorities are recommended for immediate authorization by City Council, the process of hiring and on-boarding new staff can take between 4-6 months, or longer, depending on the status of the position. If appropriate staffing is not in place by the effective date of the ordinance, staff from other projects may need to be diverted from other assignments. In addition, it is necessary to secure office space for the Planning Department in order to accommodate the additional staffing resources.

The costs for staffing and contractual services are anticipated to be covered by the funding sources included in the draft ordinance, including the 10% of TOT from home-sharing activities, the per-night fee for administration and enforcement, and registration and application fees. It is important to note that the reduction of the application fees for the Administrative Clearance for Extended Home-Sharing, as directed by the PLUM Committee, may require a city subsidy in order to cover the costs of case processing. Including any required subsidy, projected revenues are aligned with program costs, as presented in the September 13, 2018 report. The funding for all sources will not begin to accumulate until after the ordinance takes effect in July 2019. Positions to administer and enforce the Home-Sharing Ordinance (HSO) are not included in the FY 2018-19 adopted budget. The Department therefore, recommends the City Council authorize position authorities necessary to appropriately staff the work program; and authorize the Controller to appropriate an advance funding for contractual services and salaries from the Reserve Fund to the Department of City Planning's fund for expenditures (see Recommended Action below). The Reserve Fund advancements will be reimbursed by the Short Term Rental Enforcement Trust Fund which will accumulate revenue from the TOT, and the per-night and registration and application fees when the Ordinance is effectuated.

### Enforcement Procedures Including Pertinent Service Components and Anticipated Implementation Timeline

The central enforcement tool is likely to be the proposed ordinance's ban on online advertising without a registration number. This, along with other important ordinance provisions such as the 120 day cap, requires looking online at more than twenty-five thousand ads for violations, then sending out warnings and citations. The procedures and timeline anticipated to accomplish the enforcement system are outlined below. It is important to note that the enforcement procedures provided below are limited to the vendor and inter-Departmental responsibilities associated with regular home-sharing registration and not the typical complaint-based code enforcement. Certain steps need to be in place before the July 1, 2019 ordinance effective date and are identified separately.

*Preparation Phase (Now Until July 1, 2019 Effective Date)*

1. City Council provides advance funding for staffing and third-party vendor to be repaid from future revenue from new sources established by ordinance.
2. Execute agreement with the third party vendor for information technology services.
3. Establish new Home-Sharing Unit within the Department of City Planning.
4. Establish new Short-Term Rental Task Force for coordination between City agencies (Office of Finance, LADBS, Housing and Community Investment Department, Los Angeles Police Department, Office of City Attorney, Chief Administrative Officer, etc.). The Department will convene regular meetings.
5. Establish data sharing protocols with enforcement agencies.
6. Third party vendor creates new online and mobile-based application/registration system integrated to the proposed ordinance's unique provisions.
7. Third party vendor scans all short-term rental websites in operation in Los Angeles and provides information on all short-term rentals to the Department in database and dashboard format.
8. Establish a 24-hour/7-days-a-week staffed hotline to receive neighbor complaints and provide real-time outreach to hosts to help resolve issues as they are reported.
9. Establish form letters and process to issue "notice of violations" and finable citations.

*Implementation Phase (Beginning July 1, 2019)*

10. The vendor will begin regular scanning of all Short-Term Rentals and provide information on unpermitted listings located in the City of Los Angeles to the Department of City Planning.
11. Unpermitted listings will be identified and vendor will provide available information to document the code violation.
12. A warning "notice of violation" will be mailed to the host and property owner (if contact information is available), as well as the hosting platform.
13. The vendor will proactively check listings after notice of violation has been issued, as well as in periods thereafter, to ensure the violation has been remedied. If not, information will be forwarded to City code enforcement staff.
14. City staff will verify the code violation by examining the documentary evidence.
15. If confirmed, a violation notice with the appropriate fee will be sent to the host and/or property owner, as well as the hosting platform.
  - a. The Administrative Citation Enforcement (ACE) program may be used to send the fines specified in the ordinance, or general ACE use violations.
  - b. Or, other code enforcement fines including Code Violation Inspection Fees and Non Compliance Fees may be assessed.
16. If fines are not paid, and the matter persists, fines will escalate and the case may be referred to the Office of City Attorney to seek compliance.



### **Recommendations for City Council Consideration**

As discussed in this report, to assist in the preparation necessary for effective implementation and enforcement of the proposed Home-Sharing Ordinance, the Department recommends that the City Council consider the following actions if it wishes to move forward with the adoption of the proposed ordinance:

1. INSTRUCT the Department of City Planning to enter into a contract with Host Compliance for monitoring and verification services as outlined under Attachment A of this report; and FIND that the services provided by Host Compliance are of an expert and technical nature and therefore, competitive bidding under Charter Section 371 is neither practicable nor advantageous.
2. TRANSFER, subject to the approval of the Mayor, \$1,464,825 from the Unappropriated Balance Fund No. 100-58 to the Department of City Planning's Fund No. 100-68, Account No. 3040 (Contractual Services) for the services described above.
3. APPROVE Resolution Authorities for the following 26 positions for the Home-Sharing program implementation, enforcement and administration. These position authorities include:
  - 1 Principal City Planner
  - 1 Senior City Planner
  - 6 City Planners
  - 11 City Planning Associates
  - 1 Management Analyst
  - 2 Senior Administrative Clerks
  - 3 Administrative Clerks
  - 1 Principal Accountant II
4. TRANSFER, subject to the approval of the Mayor, \$671,678 from the Unappropriated Balance Fund No. 100-58 to the Department of City Planning's Fund No. 100-68, Account No. 1010 (Salaries General - \$541,678) and Account No. 6010 (Office and Admin - \$130,000) for staff salaries and office expenditures.
5. INSTRUCT the Department of City Planning to work with the City Administrative Officer to identify alternative funds to subsidize the full staffing costs associated with the registration and renewal of the proposed application fees as listed in the proposed Home-Sharing ordinance.
6. REQUEST the Office of the City Administrative Officer to work with the General Services Department and the Department of City Planning to evaluate options to identify and provide the Department of City Planning additional spaces at Figueroa Plaza or City Hall to accommodate the additional staff.

**Conclusion**

The Department will continue to provide policy details to help inform the City Council's consideration of short-term rental regulations. If you have any questions, please contact Matthew Glesne of the Department of City Planning at (213) 978-2666 or [matthew.glesne@lacity.org](mailto:matthew.glesne@lacity.org).

Sincerely,

VINCENT P. BERTONI, AICP  
Director of Planning



KEVIN J. KELLER, AICP  
Executive Officer

Attachments:     A. Potential Scope of Work for Third Party Vendor  
                      B. Requested Position Authorities

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## **Attachment A - Proposed Scope of Services**

The following scope of services have been identified by the Department as areas where a third party vendor may be able to offer valuable services that the City is unable to provide at this time.

### **1. Mobile Enabled Online Registration and Tax Collection Forms**

The development and hosting of electronic web-based short-term rental registration and Transient Occupancy Tax collection forms customized to the City's specific requirements. The online forms will be designed and developed to streamline the collection of all information and backup-documentation required by the city to process registration and collect all short-term rental related fees and taxes will include the following features and capabilities:

- 24/7 availability
- Mobile adaptive design
- HTTPS and SSL encryption
- The ability to validate inputs whenever possible as to minimize data-entry errors
- Ability to allow applicants to review and electronically sign permit applications and affidavits under penalty of perjury
- Integrated electronic credit card, debit card and Automated Clearing House payment capabilities
- Ability to collect scans, images, pdf documents and other types of supporting documents (such as proofs of permanent residency, landlord permissions, Homeowners' Association approvals, insurance policies etc.)
- Ability to integrate external data sources and systems using our secure REST API
- Ability to dynamically and automatically cross reference permit application data with other relevant databases including GIS data sources and other electronic sources of information
- Ability to easily verify and validate permit eligibility and the validity and authenticity of applicant provided supporting documents
- Application data available in real-time through [app.hostcompliance.com](http://app.hostcompliance.com) All data can be download 24/7 via [app.hostcompliance.com](http://app.hostcompliance.com)

### **2. Trend Monitoring**

Monthly email-delivered report and live web-delivered dashboard with aggregate statistics on the short-term rental activity in City of Los Angeles's jurisdiction:

- Active monitoring of jurisdiction's short-term rental listings across more than 50 Short Term Rental (STR) websites
- Monthly analysis of jurisdiction's STR activity scale, scope and trends

### **3. Address Identification**

Monthly email-delivered report and live web-delivered dashboard with complete address information and screenshots of all identifiable STRs in City of Los Angeles's jurisdiction:

- Active monitoring of jurisdiction's STR listings across more than 50 STR websites
- Up-to-date list of jurisdictions' active STR listings
- High resolution screenshots of all active listings (captured weekly)
- Full address and contact information for all identifiable STRs in jurisdiction
- All available listing and contact information for non-identifiable STRs in jurisdiction

#### **4. Compliance Monitoring**

Ongoing monitoring of the STRs operating in City of Los Angeles's jurisdiction for zoning, permit and registration compliance coupled with systematic outreach to non-compliant short-term rental property owners (using City of Los Angeles's form letters)

- Ongoing monitoring of STRs for zoning, permit and registration compliance
- Pro-active and systematic outreach to unregistered and/or illegal short-term rental operators (using jurisdiction's form letters)
- Monthly staff report on jurisdiction's zoning, permit and registration compliance:
- Up-to-date list of STRs operating illegally or without the proper registration
- Full case history for non-compliant listings

#### **5. Rental Activity Monitoring and Tax Collection**

Support Ongoing monitoring of jurisdiction's short-term rental properties for signs of rental activity:

- Automatic monitoring of review activity across more than 50 STR websites
- Weekly screenshots of reviews and calendars for each active listing
- Quarterly staff report on jurisdiction's STR tax compliance
- Up-to-date list of short-term rental landlords suspected of under-reporting taxes
- Documentation of information that serves as the foundation for the suspicion of tax under-reporting
- Custom data reports and analysis to support tax audits and other short-term rental related investigations
- Quarterly pro-active, systematic and data-informed outreach (letters) to short-term rental operators regarding their tax remittance obligations (using jurisdiction's form letters)
  - Up to 4 letters each property per year (full color)
  - Letters are 2 pages each (2nd page is dedicated to full length screenshot of listing) to improve results for effective compliance
- Integrated mobile-enabled web forms to streamline TOT audits and the collection of rental activity documentation from hosts suspected on TOT underreporting

#### **6. 24/7 Short-term Rental Phone Hotline and Online Complaint Forms**

24/7 staffed telephone and online hotline/forms for neighbors to report non-emergency problems related to STR properties:

- Incidents can be reported by phone or online
- Full documentation of all reported incidents
- Digital recordings and written transcripts of all calls
- Ability for neighbors to include photos, video footage and sound recordings to document complaints
- Real-time outreach to owners or managers of problem properties (whenever contact info is known)
- Automatically escalate unresolved issues to emergency responders where required
- Ability to automatically generate email notification to City's code enforcement contact detailing complaint

- Integrate the short-term vacation rental hotline into existing 311 systems, and/or leave it standalone if desired
- Automatic reports to pin-point problem properties, repeat complainants, the number and types of reported incidents, complaint trends and other enforcement related information
- Custom reports and analysis of hotline related activities

**Attachment B - Proposed Position Authorities for Home-sharing for Program Initiation and Implementation, Enforcement, and Administration - 26 Total Number of Position Authorities**

Home-Sharing Enforcement and Administration (6 positions):

- 1 City Planner
- 1 City Planning Associate - To assist City Planner.
- 1 Management Analyst
- 1 Senior Administrative Clerk
- 1 Administrative Clerk
- 1 Principal Accountant II - Administers the trust funds and ensures expenditures and transfers are in compliance with ordinance

Extended Home-Sharing Administrative Clearance (10 positions):

- 1 Principal City Planner
- 1 Senior City Planner
- 2 City Planners
- 4 City Planning Associates
- 1 Senior Administrative Clerk
- 1 Administrative Clerk
- 

Extended Home-Sharing Discretionary Review (10 positions):

- 3 City Planners (1 per geographic team)
- 6 City Planning Associates (2 per geographic team)
- 1 Administrative Clerk