

## Communication from Public

**Name:** ECONOMIC IMPACT REPORT ON SHORT TERM RENTALS  
IN LA

**Date Submitted:** 09/10/2019 11:40 AM

**Council File No:** 18-1246

**Comments for Public Posting:** Please review the attached ECONOMIC IMPACT REPORT ON  
SHORT TERM RENTALS IN LA; it is very informative.



## The Economic Impact of Short Term Rentals in Los Angeles

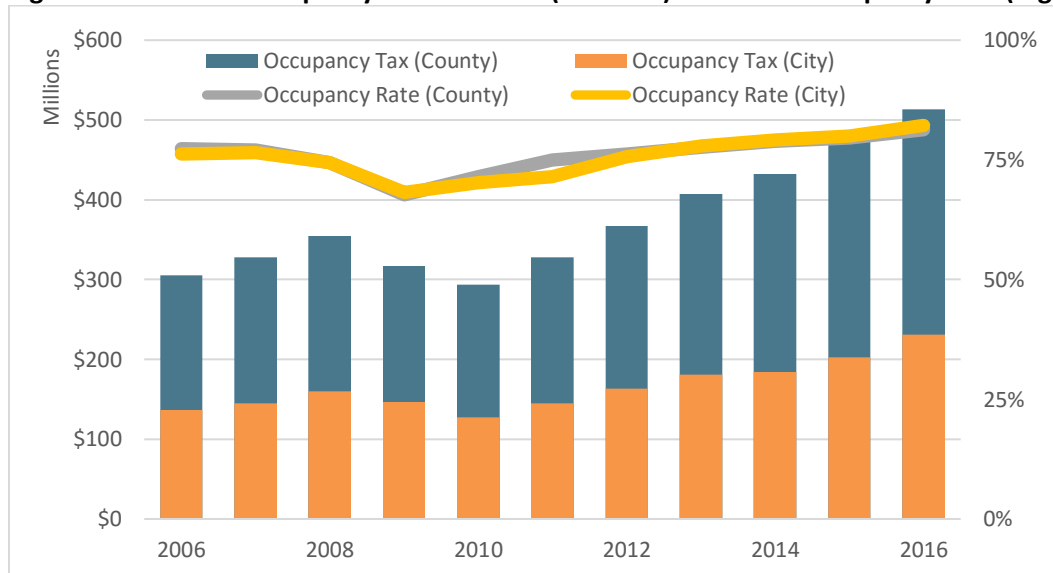
Los Angeles is one of the world’s leading tourist destinations and a global center of economic activity. The city’s nearly 50 million annual visitors require a diverse range of lodging options to accommodate them. As short term rentals (STRs) continue to increase in popularity in Los Angeles, the City is evaluating the best means to incorporate STRs into its existing regulatory framework. In 2014, the Los Angeles Short Term Rental Alliance, in partnership with HomeAway, Inc., commissioned an analysis of the economic impact of STRs in the Los Angeles area. This memo serves to update that study with data for 2016 and to continue to inform the discussion of the impact of STRs in Los Angeles.

As in the original 2014 analysis, STRs are defined as any property listed on a major short term or vacation rental website. These are residential dwelling units which are available to be rented through STR websites, usually for a period of less than 30 days. The economic impact of STRs will be provided for both the City of Los Angeles as well as Los Angeles County, the original geography of analysis. The same economic impact calculation methodology was used in both the original study and this update.

### Tourism and the Los Angeles Area Economy

Spending by visitors to the Los Angeles area continues to be a major economic driver in the local economy. Los Angeles has seen an increase in the volume of visitors and their total spending every year since 2009. The 47.3 million total visitors to Los Angeles County in 2016 created a total economic impact of more than \$33.6 billion. Los Angeles is on pace to far exceed its goal of more than 50 million annual visitors by 2020.

**Figure 1: Transient Occupancy Tax Collected (Left Axis) and Hotel Occupancy Rate (Right Axis)**



Source: Dean Runyan; PKF Consulting; Los Angeles City Controller



Similarly, Los Angeles's leisure and hospitality industry continues to see record-breaking levels of activity. Revenues for the hotel industry, occupancy tax remitted, the number of room-nights sold, hotel occupancy rates, employment in the leisure and hospitality sector, and overall wage levels in these occupations have all steadily increased over the past few years. Furthermore, both employment and average wages in the leisure and hospitality sector have been increasing at a faster rate than overall employment and wages in Los Angeles County between 2010 and 2016. This indicates a growing tourism sector and a high level of demand in Los Angeles' lodging market. Hotel occupancy in both the City of Los Angeles and Los Angeles County exceeded 80 percent in 2016. Industry experts consider this level of hotel occupancy to be "at capacity" as this indicates every hotel will have sold every available room during all high demand times. Nationally, the hotel occupancy rate was 65.5 percent in 2016.

### **Short Term Rentals in Los Angeles**

STRs continue to be incredibly popular with both hosts and guests alike in the Los Angeles area. The number of properties listed on major STR websites in 2016 exceed 30,000 units, more than double the level in 2013. This makes the Los Angeles area home to one of the largest volumes of properties participating in the local STR market. Even so, these STRs represent just 0.8 percent of all housing units in Los Angeles County in 2016.

### **The Economic Impact of STR Guest Spending**

As in the original 2014 analysis, the total spending of STR guests on their lodging is used as the primary data input into the economic impact model. The total direct spending by STR guests while in Los Angeles is calculated by applying visitor spending ratios derived from third-party industry sources against the amount spent on lodging. Finally, the total impact is calculated by estimating the indirect and induced effects of this direct spending as it ripples out throughout the greater Los Angeles area economy. The most recent (2007-2013) multipliers provided by the US Bureau of Economic Analysis RIMS II industry model for the Los Angeles-Long Beach-Anaheim MSA were used to estimate the ripple effects of the induced and indirect impacts.



STR guests in the City of Los Angeles in 2016 spent a total of \$238.4 million on their STR accommodations. They spent an additional \$583.7 million on other purchases during their visit to Los Angeles (including local transportation, food and beverage, entertainment, and other purchases) for a total direct impact of \$822.1 million. This total direct spending by STR guests in the City of Los Angeles created a total impact of \$1.5 billion in economic activity and supported nearly 14,000 full-time jobs.

**Figure 2: Total Economic Impact of Short Term Rentals in the City of Los Angeles (2016)**

Industry	Output	Value Added	Earnings	Jobs
Agriculture, forestry, fishing, & hunting	\$485,836	\$201,404	\$178,386	4
Mining	\$5,641,740	\$3,945,026	\$789,992	8
Utilities	\$29,513,506	\$15,712,806	\$3,608,010	33
Construction	\$10,114,568	\$5,444,472	\$3,233,966	59
Durable goods manufacturing	\$24,502,182	\$9,915,633	\$4,870,679	87
Nondurable goods manufacturing	\$103,374,968	\$30,322,311	\$15,881,275	260
Wholesale trade	\$52,854,047	\$35,814,484	\$15,368,324	222
Retail trade	\$99,205,966	\$65,083,683	\$32,141,069	1,178
Transportation & warehousing	\$199,497,219	\$93,006,227	\$76,318,623	2,514
Information	\$51,411,493	\$29,768,357	\$11,673,221	146
Finance & insurance	\$101,979,287	\$53,815,870	\$24,785,799	385
Real estate and rental & leasing	\$157,183,123	\$109,434,746	\$23,436,854	859
Prof, scientific, & technical services	\$61,123,263	\$38,314,456	\$25,528,996	373
Management of companies & enterprises	\$26,007,464	\$15,633,908	\$10,126,939	97
Admin & waste management services	\$36,906,217	\$23,576,581	\$15,415,206	468
Educational services	\$11,149,549	\$6,782,786	\$4,861,640	144
Health care and social assistance	\$73,858,438	\$44,257,026	\$31,766,708	689
Arts, entertainment, and recreation	\$137,772,389	\$76,935,173	\$36,212,620	1,836
Accommodation	\$9,880,295	\$6,258,315	\$2,675,793	83
Food services and drinking places	\$258,621,557	\$136,310,570	\$82,366,548	4,148
Other services	\$40,362,961	\$22,407,609	\$14,034,143	372
Households	\$0	\$886,998	\$886,998	69
<b>Total</b>	<b>\$1,491,446,066</b>	<b>\$822,941,440</b>	<b>\$435,274,791</b>	<b>13,964</b>

Source: TXP



STR guests in Los Angeles County in 2016 spent a total of \$407.6 million (of which \$238.4 million occurred in the City of Los Angeles and the balance occurred throughout other parts of the County) on their STR accommodations. They spent an additional \$998.0 million on other purchases during their visit to Los Angeles (including local transportation, food and beverage, entertainment, and other purchases) for a total direct impact of \$1.4 billion. This total direct spending by STR guests in Los Angeles County created a total impact of \$2.5 billion in economic activity and supported nearly 24,000 full-time jobs. This is approximately an 83.7 percent increase in the level of total economic activity generated by STRs in Los Angeles County in 2013.

**Figure 3: Total Economic Impact of Short Term Rentals in Los Angeles County (2016)**

Industry	Output	Value Added	Earnings	Jobs
Agriculture, forestry, fishing, & hunting	\$830,695	\$344,366	\$305,010	6
Mining	\$9,646,404	\$6,745,314	\$1,350,750	13
Utilities	\$50,463,014	\$26,866,193	\$6,169,076	56
Construction	\$17,294,170	\$9,309,110	\$5,529,525	101
Durable goods manufacturing	\$41,894,512	\$16,954,025	\$8,328,022	149
Nondurable goods manufacturing	\$176,753,399	\$51,845,932	\$27,154,246	444
Wholesale trade	\$90,371,321	\$61,236,602	\$26,277,189	380
Retail trade	\$169,625,122	\$111,281,893	\$54,955,695	2,015
Transportation & warehousing	\$341,105,899	\$159,024,636	\$130,491,706	4,299
Information	\$87,904,802	\$50,898,766	\$19,959,198	250
Finance & insurance	\$174,367,025	\$92,015,873	\$42,379,450	658
Real estate and rental & leasing	\$268,756,079	\$187,114,575	\$40,072,985	1,469
Prof, scientific, & technical services	\$104,510,257	\$65,511,123	\$43,650,187	638
Management of companies & enterprises	\$44,468,287	\$26,731,292	\$17,315,322	165
Admin & waste management services	\$63,103,277	\$40,311,894	\$26,357,349	800
Educational services	\$19,063,808	\$11,597,396	\$8,312,568	246
Health care and social assistance	\$126,285,214	\$75,671,895	\$54,315,601	1,178
Arts, entertainment, and recreation	\$235,567,067	\$131,545,900	\$61,917,346	3,139
Accommodation	\$16,893,603	\$10,700,641	\$4,575,146	143
Food services and drinking places	\$442,198,337	\$233,067,608	\$140,832,617	7,093
Other services	\$69,013,714	\$38,313,153	\$23,995,969	636
Households	\$0	\$1,516,614	\$1,516,614	118
<b>Total</b>	<b>\$2,550,116,005</b>	<b>\$1,407,088,185</b>	<b>\$744,244,955</b>	<b>23,876</b>

Source: TXP



## Conclusions

The overall impact of short term rentals in the Los Angeles area is impressive, accounting for \$1.5 billion in total economic activity and nearly 14,000 jobs in the City in 2016. The direct spending in the local economy by STR guests to the Los Angeles area during their stay represented 12.3 percent of all overnight visitors spending in Los Angeles County in 2016. In this way, STRs and their guests are an important part of the local tourism sector, which is in turn a vital component of the Los Angeles area economy. The continued growth of STR activity in Los Angeles has coincided with historic levels of activity throughout the hospitality sector. This, and surveys conducted with STR guests, indicates that these different lodging types (STRs and traditional hotels) serve discrete segments of the visitor market. As such, spending by STR guests is net new activity in the Los Angeles area economy which would not have occurred without the availability of STRs.

The potential fiscal impacts of STR activity are similarly large. In municipalities where occupancy tax is collected from STRs, cities are generating millions of dollars each year in tax revenue. Los Angeles Mayor Eric Garcetti himself has committed to earmarking a portion of the tax revenue from STRs for the City's Affordable Housing Trust Fund. The voluntary collection agreement executed with Airbnb in August 2016 generated approximately \$13 million in tax revenue by the end of 2016. While HomeAway's properties would not generate as high a tax revenue, they will have a positive impact on the City's Affordable Housing Trust Fund.



## TXP, Inc.

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## Communication from Public

**Name:** Suzette Kitselman

**Date Submitted:** 09/10/2019 11:38 AM

**Council File No:** 18-1246

**Comments for Public Posting:** To the Respected City Council Members: I am a senior, 62 year old, divorced woman; and lost my 4 shopping centers in the Great Recession, which I worked decades to buy, had to declare bankruptcy, and had cancer surgery that same year. Coming out of the Recession has been difficult for many. Since then I have been working hard to get back on my feet. In 2015 I began offering an apartment on Airbnb for short-term vacation rental. I leased this apartment from the Owner, who was fully informed when I leased the apartment, and he agreed to give me a chance. This is addressed right in our Lease Agreement. He has since offered me a couple more apartments because he likes my guests, and families don't want to live at that location: the building is 1/2 block from the tourist area of Hollywood Boulevard; it's an International Tourist Attraction. These apartments are hard for the Owner to rent long term to families because the traffic and noise make it undesirable. The Owner's usual tenants are generally young people who come to LA to "become a star" and end up having to be evicted because they can't pay their rent, cause loud noise at night with their parties, and/or are using and dealing drugs. These evictions cost the Owner lots of money, time and trouble, which of course he doesn't like. He prefers the visitors who come to my Airbnb from all over the world, because they are well-behaved, polite, and bring their children for their big vacation to see Hollywood, Universal Studios, Santa Monica Pier, etc. It's perfect for families who wish to explore Hollywood as tourists. Perhaps making this area a special 'Tourist Zone' is an idea. These families would never be able to come to LA if they only had hotels to stay in! It's just too expensive. The Owner is very happy with me as I pay the rent on time, he likes my guests, and they don't cause problems. He has since offered me more apartments, and now I have a total of three. So far, short term rentals have brought over \$150,000,000 to the City of LA in Transient O As for me, I live simply, share a rented apartment, shop at 99 cent and Trader Joe's, drive a used Prius, and the amount of income I make from these 3 apartments is just barely enough to cover most of my monthly living expenses; although I still cannot afford health insurance. I have paid taxes on the Airbnb income from the beginning. Without my short term vacation rental apartments, my safety net will disappear; it will



cause me a severe financial hardship and I may not be able to stay in Los Angeles. The housekeeper who helps me clean the apartments between guests is a mother of four children. Her income will be severely reduced also, putting her family in financial hardship as well. I fear for her well being and her family's, not to mention my own. THERE ARE THOUSANDS OF US IN LA, all with our own stories. I know elderly ladies, widows, who own homes where they raised their children, and now rent out the extra bedrooms to help pay their property taxes, (must they sell their green velvet curtains to pay the taxes on Tara?) It helps cover their living expenses. Current restrictions on these women could force them to sell their homes, because they are only allowed to rent out one room at a time. This doesn't make sense and seems to interfere with property rights. Do we not have the right to rent rooms in our homes anymore? Are housemates illegal now, too? Once, the LA Times was the advertising marketplace; now, just because websites like Airbnb and HomeAway connect people more efficiently, is this a reason to penalize us? Please, good Council Members, consider: Airbnb hosts comprise less than 1% of the housing in L.A. With the explosion of permits issued for apartment buildings in the last 3 years, and all the newly built apartments offered right now, isn't it clear that we are neither a threat to the rental market, nor to the Hotel Industry? Without Airbnb hosting in L.A., the City wouldn't have received over \$150,000,000 in Transient Occupancy Tax revenue from Airbnb alone, not counting VRBO and HomeAway. Perhaps some of that could go toward housing the homeless? Just think how the tourist industry will be impacted if the City bans Short Term Vacation Rentals? How much money will our City lose, by denying our operation? Hundreds of new apartment complexes being built all over greater Los Angeles ~ so why are the Airbnb hosts the target of these restrictions? We're not hurting anybody. Please consider how many lives you will be damaging by restricting hosting, and all the travelers who have already booked their plane tickets and accommodations for a dream trip to Los Angeles, California! Please, CONSIDER THIS. We are real people of Los Angeles. Thank you so much.

## Communication from Public

**Name:**

**Date Submitted:** 09/10/2019 05:50 PM

**Council File No:** 18-1246

**Comments for Public Posting:** I'm a home owner with 4 rooms, I have 3 children and I'm a single mother. Short term rentals support my mortgage. I have nearly 1000 5 star reviews from people all over the world. Many repeat guests who couldn't not afford to come to LA, it supports the local businesses and brings tourism which supports the economy. Local tourism will suffer once many people can't afford to come to LA. Many of my guests have found their dream jobs and remain friends. Many come back and still go through the platform which is where we are all giving support by a platform which navigates fair situations for both parties. I believe people will go outside these platforms and cause issues that are easily resolved with proper rules and regulations. My guests love the opportunity to have a home to stay in not a hotel. Young women feel safe to stay in a family environment. We should have the freedom to have a choice and stay were we feel safe and happy (Thomas Jefferson) Short term rentals bring in over \$50 million a year in taxes to the state of California. People should have a freedom of choice. All members of society should have the opportunity to achieve and succeed. This should not be limited to a chosen few.