

To: Los Angeles City Council

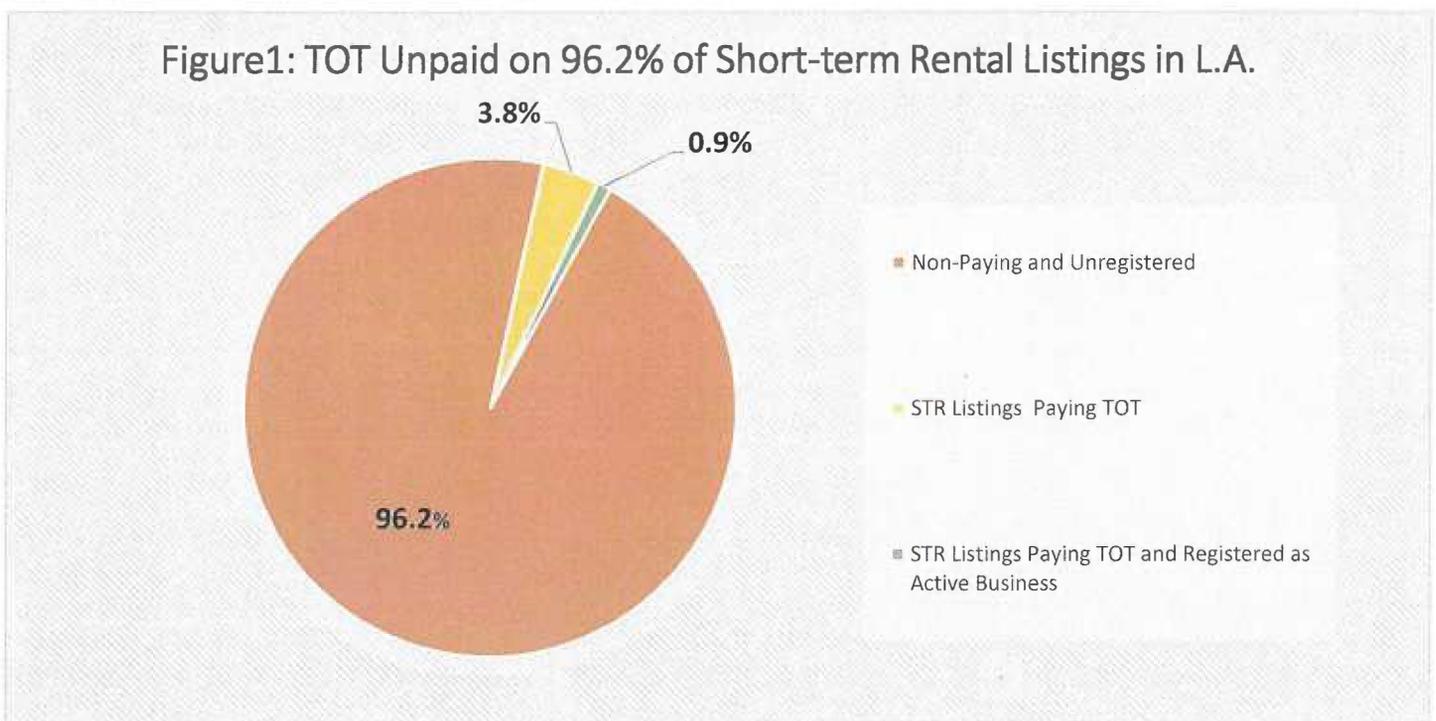
From: Roy Samaan, Research & Policy Analyst, Los Angeles Alliance for a New Economy (LAANE)

RE: Council File: 14-1635-S2

Via E-mail and USPS

As Council draws closer to crafting an ordinance governing the short-term rental industry in Los Angeles, there is broad agreement on the basic framework of that ordinance—limit the industry to primary residences, so as to promote home sharing while preventing commercial operations. The most basic question about how to enforce such a framework is where to place the responsibility—on the host, or on the platform.

To understand what will likely work to ensure illegal hosts to not continue to proliferate, LAANE has gathered data on the compliance of hosts with existing regulations serves to highlight. If most hosts were complying, this would suggest an ordinance focused on hosts would be effective. If most were not complying, it would suggest the need to place responsibility on platforms.



As of July 2015, there were 17,361 short-term rental listings available through at least 19 different platforms. Using data provided by the City of Los Angeles Office of Finance, we have conducted an analysis of all addresses for which *any* TOT was paid over the last three years. We found that 96.2 percent of all short-term rental listings in Los Angeles have not remitted TOT at any time over the past three years.

Even fewer short-term rental sites have registered as an active business with the Office of Finance. Our analysis shows there are just 120 short-term rental operators who have registered as an active business (all those registered as businesses are also paying TOT). These listings represent less than one percent of all short-term rental listings in the City of Los Angeles. These data are summarized in Figure 1.

Some may argue that these numbers will change once an ordinance is put in place. However, a review of other cities suggests that compliance by hosts without platform responsibility is likely to be low. Both Portland and San Francisco

have registration requirements in place for STR operators. However, just six percent of hosts have complied in Portland, and only eight percent in San Francisco.

Enforcing registration requirements on 17,361 unknown individuals scattered throughout the city is, to say the least, a challenge, especially when the number of listings grew by 65 percent between May 2014 and September 2015. Enforcing a registration requirement on 19 public platforms, four of which contain 92 percent of all listings, is likely more achievable. To do so, the City could bar platforms from advertising unregistered listings holding both STR operators and platforms accountable to following the law. This would also help ensure proper payment of transient occupancy taxes.

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