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betterneighborsla.org

September 5, 2023

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

Dear Members of Los Angeles City Council,

Better Neighbors LA is writing to update you on the rising number of hosts falsely claiming their rental units are exempt from the registration requirements of the Los Angeles Home Sharing Ordinance (“HSO”). We urged you to press the City Planning Department to fully enforce the HSO by issuing files against those hosts that falsely claim to be exempt as well against the platforms that advertise those listings. Robust enforcement will result in freeing up housing stock across the City for use as long-term accommodation and in turn help ease the ongoing housing crisis.

The Los Angeles Home Sharing Ordinance requires short-term rentals (“STR”) to be registered as such with the City. The HSO exempts from the registration process those properties that are designated by the City as hotels, motels, bed and breakfasts, and transient occupancy residential structures (“TORS”).¹ Many hosts, however, claim to be exempt when their STR is not designated within an exempt category. Historically, and now increasingly, false exemption claims have allowed otherwise ineligible properties to circumvent the HSO. In this report, Better Neighbors LA (BNLA) analyzes data from Inside Airbnb as well as the City Planning Department to illustrate the history of false exemption claims and their concerning upward trend in the city.

False Exemption Claims Historically Decreased After Enforcement from the City: Relying on Planning Department data and monthly scrapes conducted by Inside Airbnb, BNLA has tracked the number of STRs that claim to be exempt since the HSO was first enforced in November 2019. In the first year of enforcement, exemption claims increased from 6.7% of the Los Angeles STR market to an astonishing 35.9%, representing 1,730 units. Seeing this trend, BNLA obtained the list of exempt properties from the Planning Department and compared it to those properties that claimed the exemption. In February 2021, BNLA submitted an enforcement report chronicling the rise of exemption claims from the HSO, and how the exempted listings did not align with the legitimate list of businesses provided by the Planning

¹ Los Angeles Home Sharing Ordinance, LAMC Section 12.22.A.32.b.11 http://clkrep.lacity.org/onlinedocs/2014/14-1635-S2_ORD_185931_07-01-19.pdf

Department.² The report also outlined several recommendations, including using the data provided to the City by Airbnb in their API agreement to enforce against these bad actors. As a result of BNLA and Planning's efforts, the percentage of short-term rental units claiming these exemptions dropped significantly, representing only 0.93% of the STR market by September 2021. From then through March 2023, the percentage of short-term rentals claiming these exemptions on Airbnb never exceeded 3%, averaging 1.41%.



Recent Rise in False Exemption Claims Necessitates Action from the City: Since April, the City has seen an exponential increase in the number of hosts claiming to be exempt with exemptions. Indeed, the rate increased to more than 8% of all listings and continues to grow. By July the percentage had climbed to 10.64%, representing 683 units.³ Although this tactic has not yet reached the widespread use it once did in 2021, the spike implies that recent hosts have faced no impactful enforcement from the City on this issue and our experience tells us that the number will continue to grow if Planning or the City Attorney does not act.

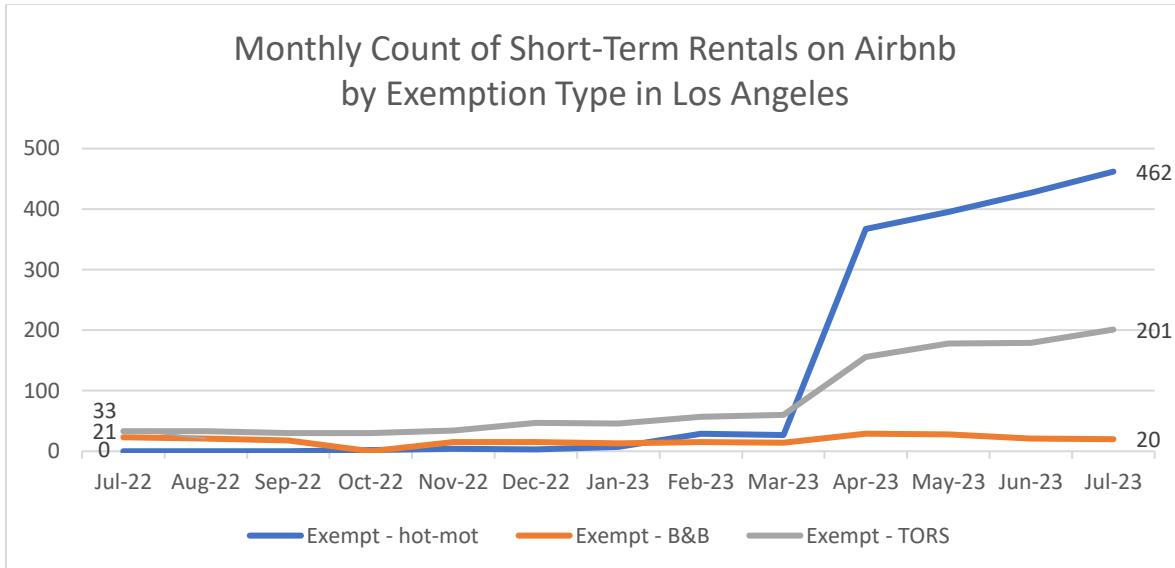
The City's own data makes clear that most of the claims of exemption are fraudulent. First, while the number of actual hotels, motels, bed and breakfasts, and transient occupancy residential structures has remained steady since December 2020, the number claiming exemptions has skyrocketed.⁴ Indeed, the number of properties claiming exemption currently exceeds the number of bed & breakfasts, hotels and TORS licensed in the City. According to data provided by City Planning in June 2023, there are three bed and breakfast addresses, 20

²<https://static1.squarespace.com/static/5fc9845732f65217775cb3a5/t/60804fd370e77d3268e4944e/1619021779507/BNLA+Enforcement+Report+2.15.2021.pdf>

³ The data for this report, unless otherwise noted, comes from the analysis of monthly scrapes of Airbnb's listings provided by Inside Airbnb. These percentages are calculated using the number of listings claiming the exemptions out of the number of short-term rentals available on Airbnb for that month.

⁴ According to data provided by City Planning, in December 2020 in the City of L.A. there were three legitimate bed and breakfast addresses, 31 legitimate TORS addresses, and 495 legitimate hotel or motel addresses.

TORS addresses, and 509 hotel or motel addresses registered with the City. In comparison, on Airbnb in June 2023, there were 20 bed and breakfast exemption claims, 201 TORS exemption claims, and 508 hotel or motel exemption claims.⁵ Planning must enforce the HSO upon the over 180 STRs falsely claiming exemptions to return these units to the City’s housing stock.



These false exemptions represent hundreds of units that have been illegally removed from the long-term housing market. Amid the housing and homelessness crisis in Los Angeles, we cannot afford to continue falling behind in our enforcement of the HSO.

Recommendations: Enforcement is an integral piece to the effectiveness of the HSO. Bad actors will take advantage of any enforcement gaps to increase profits. Our analysis reflects that this has happened with hosts increasingly using this tactic to evade the HSO and rent out units that cannot be registered as short-term rentals. We make the following recommendations:

- Direct the City’s enforcement agencies to reinvigorate enforcement against hosts who are falsely claiming exemptions of the HSO by imposing fines for each violation. The City already has all the data necessary to identify the violations: data provided by Airbnb pursuant to its API agreement and the addresses of registered hotels, motels, bed and breakfasts, and transient occupancy residential structures to identify each violation. Each listing that appears in the API data claiming to be exempt which is not registered with the City as a hotel, motel, bed and breakfast, or transient occupancy residential structures is in violation of the HSO. This can be done immediately.
- Direct the City’s enforcement agencies to issue the maximum fine for each and every violation. The HSO authorizes daily fines in the amount of \$572 for every day a host advertises a non-compliant listing. But except in rare cases, the City only issues a one night fine to illegal operators even when they have been operating illegally for months or years. Letting violators off with a slap on the wrist will not deter bad operators.

⁵ This data comes from the analysis of monthly scrapes of Airbnb’s listings provided by Inside Airbnb.

- Direct the City's enforcement agencies to issue citations to platforms for each night in which they facilitate the booking of non-compliant listings.
- Pass the amendments proposed to City Council to include Mandatory API Agreements with all platforms operating in Los Angeles to support enforcement universally.⁶

Thank you for your time and consideration.

Sincerely,

/s/ Randy Renick

⁶ These amendments are part of Los Angeles City Council file number 14-1635-S12.