



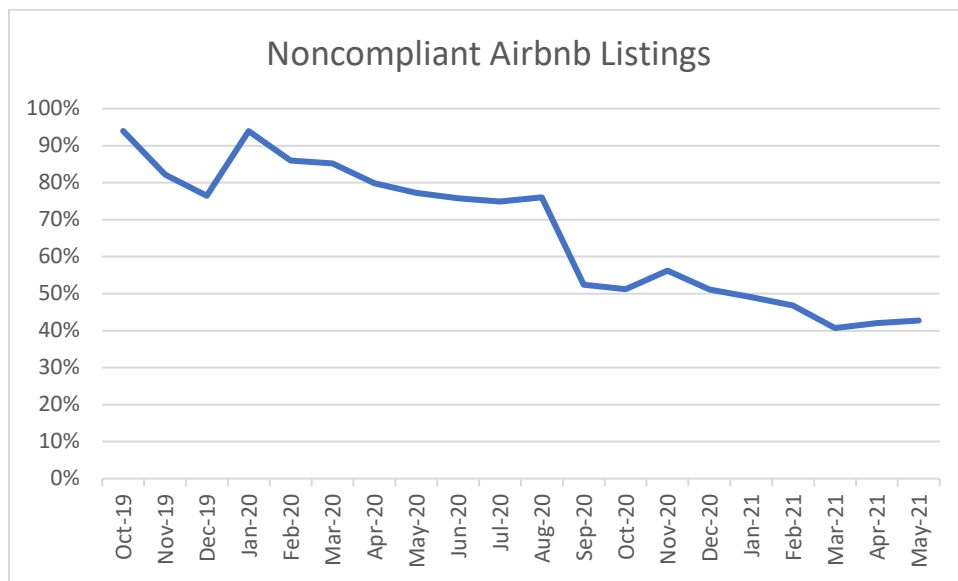
July 22, 2021

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

Dear Los Angeles City Council,

This council passed the Home Sharing Ordinance (HSO) in 2018 because “the conversion of long-term housing units to short-term rentals reduces housing stock and contributes to increased rents and decreased availability of affordable housing.” Council promised that “this ordinance *will protect* the City’s affordable housing stock” (emphasis added) — but ordinances do not enforce themselves. Absent a robust enforcement program, the HSO will fail to protect housing. Our data analysis over the last 18 months suggests the Department of City Planning (DCP) is failing in enforcement.

Better Neighbors LA has demonstrated, time and again — including using DCP’s own data — the prevalence of noncompliant listings in the Los Angeles STR market. While the share of noncompliant listings has declined since HSO implementation began in late 2019, noncompliant listings continue to compose a significant share of the market, and improvements appear to have levelled off.ⁱ



The HSO Provides Ample Enforcement Tools

The short-term rental (STR) market is an intricate ecosystem that extends beyond “host” and “guest,” and different responsibilities are vested in different actors. The HSO is suitably flexible: as described in the Administrative Guidelines, “a Host, operator, Hosting Platform, and/or property owner may all be determined responsible and assessed fees for different enforcement actions.”

- Fines may be levied — against hosts, platforms, and others — in different amounts:
 - Fines against *individuals* range from \$500 to \$2,000 per day for noncompliant listings (e.g., lack of registration number or exceeding the 120-day cap).
 - Fines against *platforms* are \$1,000 per day for noncompliant listings. In addition to ensuring the legitimacy of registration numbers and the 120-day cap, platforms must ensure one host is connected to only one property.
- Hosts may have their registration status suspended or revoked by DCP. (Of course, this is only relevant if the host has registered with DCP in the first place. Most hosts never do.)
- For listings covered by a Platform Agreement (Airbnb is the only such platform), the “take-down and collaboration requirements” indicate the Platform “shall” block transactions and remove listings for items flagged by DCP’s Application Programming Interface (API).
- By working with the City Attorney’s office, DCP can support proactive litigation against persistent or egregious bad actors.

DCP Enforcement: An ACE Bandage on an Open Wound

HSO enforcement takes place largely through the City’s Administrative Citation Enforcement (ACE) Program. From the start of the Home Sharing Ordinance through May 3, 2021, DCP reports taking the following enforcement activity:

- \$500 fines have been issued to 770 individual hosts.ⁱⁱ All fines were for advertising a STR without a valid registration number.
- One individual host’s registration number was revoked.
- No action or fines have been taken against any platform.
- Despite the HSO’s explicit anticipation of takedown notices, DCP staff recently confirmed “no individual removal notices are sent to hosting platforms.”ⁱⁱⁱ

Hosts may contest ACE fines, and 445 of the 770 citations remain open. Assuming the 325 closed cases indicate the payment of the complete fine, enforcement has brought some \$162,500 into city coffers. Assuming all 445 currently open citations are ultimately paid, this will generate an additional \$222,500, for a total of \$385,000 over the life of the program.

DCP appears to go out of its way to avoid robust enforcement. Although the Administrative Guidelines report that “the City *may* initially provide a warning” before issuing fines (emphasis added), in practice DCP does not issue a citation until at least two warnings have been issued. Through May 3, 2021, DCP had issued over 16,000 warning letters related to noncompliant listings— about 19 warnings for every citation issued. Further, although the HSO specifies fines on a *daily* basis, DCP does not make use of cumulative fines to stop ongoing violations; and although the HSO allows fines up to \$2,000 for certain sorts of violations, DCP has only ever issued the lowest possible host fine.

A critical abdication of responsibility relates to DCP's failure to enforce the HSO with regard to STR platforms. Platform accountability lies at the heart of the HSO, and DCP's reluctance to use this tool in the face of persistent noncompliance is baffling. As we have noted before, there are literally dozens of platforms advertising STRs in Los Angeles, only one (Airbnb) has a Platform Agreement with the city, and the vast majority of platforms do not make even the slightest pretense of complying with the law.

DCP has also repeatedly disclaimed responsibility when faced with evidence of specific noncompliant listings. The Administrative Guidelines explain that "members of the public may call the Los Angeles Home-Sharing Hotline... to file any complaints about short-term rental activity." A 2019 DCP document addressing frequently asked questions about the HSO anticipated that "after we receive a complaint, staff will be able to provide real-time outreach to hosts to help resolve issues." This appears to no longer be the case: in a recent letter, DCP staff reported "the [HSO] program is not driven [by] [sic] complaints from the public."^{iv} As of June 18, 2021, the Home-Sharing Hotline had received 3,792 calls. It is not clear if any action has been taken.

Indeed, evidence suggests that absent media attention, DCP may not address even pervasive noncompliance. In February 2021, following multiple communications to DCP regarding a persistent bad actor, as a courtesy Better Neighbors LA alerted DCP staffers about an upcoming press action. That same day, DCP staff forwarded the BNLA email to a platform, saying "it'd be great to have this problem party house taken down... appreciate you looking into this and taking action. There will be press."

----- Forwarded message -----
From: Matthew G [REDACTED] <[REDACTED]@lacity.org>
Date: Wed, Feb 3, 2021 at 7:55 PM
Subject: Fwd: Better Neighbors event
To: [REDACTED] <[REDACTED]@expedia.com> [REDACTED] <[REDACTED]@expedia.com>

Hi Kristina, hope you're well. We'd like to take you up on your offer from May 29th regarding party houses in L.A. We've been notified about a press event by anti STR activists Friday at a supposed party house at [REDACTED] Redesdale that I understand is currently listed on VRBO. It had been on Airbnb but was removed I believe. It'd be great to have this problem party house taken down.

Seems like the home recently sold and is currently listed online for long term rental so hopefully the STR problems are behind us. But appreciate you looking into this and taking action. There will be press. Thanks!!

<https://www.google.com/amp/s/www.foxla.com/news/neighbors-law-enforcement-crack-down-on-secret-covid-19-parties-across-la.amp>

<https://static1.squarespace.com/static/5fc9845732f65217775cb3a5/t/6006f9d532820a0144668dc7/1611069909374/Final+Press+Release-Neighbors+of+Alleged+AirBnB+Party+House+Go+Door-to-Door+to+Help+Enforce+City's+Rules.docx>

----- Forwarded message -----
From: Jon Z [REDACTED] <[REDACTED]>
Date: Wed, Feb 3, 2021 at 11:46 AM
Subject: Better Neighbors event
To: Matt G [REDACTED] <[REDACTED]@lacity.org>

Matt,

Just wanted to give you a heads up that BNLA is going to be having a press event on Friday morning concerning that persistent bad actor at that Silver Lake duplex we've been on about (on Redesdale).

Take care,
Jon

Millions of Dollars for City Coffers Are Left Behind

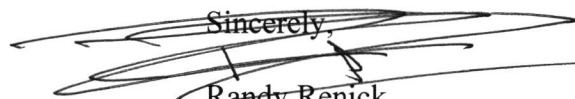
Based on a BNLA analysis of scraped data from the Airbnb website as well as records provided by DCP, we estimate that — as of May 2021 — there were at least 1,246 noncompliant listings on that one platform alone.^v Assuming these noncompliant listings were advertised for the full month of May, DCP might have assessed \$19,313,000 in fines against noncompliant hosts.^{vi} If each noncompliant listing was booked only one time during the month, DCP might have assessed \$1,246,000 in fines against Airbnb. DCP data indicates that for every noncompliant listing on Airbnb, there are two noncompliant listings on other platforms.^{vii} This suggests that **for the month of May 2021 alone, DCP could have issued fines of approximately \$62.7 million for noncompliant STRs.**^{viii}

Robust enforcement is needed to return residential housing to Angelenos. If just ten percent of these noncompliant listings return, **HSO enforcement would create 373 new housing units.**

Who Does DCP Serve?

An ongoing review of communications between DCP staff and various STR platforms — in response to a California Public Records Act Request filed by BNLA — depicts a department confused about its core constituency. DCP seems to view its mission as to ensure that Platforms are allowed to maximize profits while avoiding compliance with the law. We believe it should be focused on achieving the goals of the HSO on behalf of all Angelenos.

We thank you for your leadership and we look forward to working together to strengthen HSO enforcement.

Sincerely,

Randy Renick
Better Neighbors LA

ⁱ BNLA analysis based on data from Inside Airbnb and DCP.

ⁱⁱ Of 853 citations, 79 were dismissed and 4 were voided. (11 citations with no status provided are presumed open.)

ⁱⁱⁱ Correspondence from Beatrice Pacheco dated May 20, 2021.

^{iv} Correspondence from Beatrice Pacheco dated May 4, 2021.

^v Inside Airbnb scrape as of May 20, 2021. Noncompliance stems from: no registration number (4), fake or expired registration number (222), duplicate registration number (419), or improper exemptions (601). This is a conservative analysis and the true number of noncompliant listings is likely higher after examining additional factors (such as RSO status, not using primary residence, violating the 120-day cap without an Extended Home Sharing Registration, and engaging in STR activity despite compliant-appearing advertising).

^{vi} Assumes minimum \$500 fine.

^{vii} On May 21, 2021, DCP contractor Granicus identified 1,950 noncompliant listings on 17 platforms; 640 of these were on Airbnb; 1,310 were on other platforms.

^{viii} \$20.559M in fines on Airbnb and its hosts suggests \$42.146M in fines across 16 other platforms and their hosts.