



New Report Says Nearly Half Of LA's Airbnb, Vrbo Listings May Be Breaking The Law

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Three years ago, the city of Los Angeles began enforcing a new law aimed at regulating short-term rentals on platforms such as Airbnb. But a new study suggests enforcement has been weak, and law-breaking is becoming more common.

The report, written by McGill University urban planning professor David Wachsmuth, finds that nearly half of recent listings on Airbnb and Vrbo appeared to be out of compliance with the city's home sharing ordinance.

"Los Angeles is one of a number of cities that has short-term rental rules which, on paper, look very good," Wachsmuth said. "But what I find in practice when I dig into the data is that L.A.'s rules are not being enforced effectively."

Among the study's findings:

- An estimated 45% of recent listings on Airbnb and Vrbo were likely violating L.A.'s home sharing law.
- The city could have collected up to about \$300 million in fines last year due to violations. But it levied less than \$40,000 in fines over a similar time period.
- Short-term rentals have taken about 2,500 homes off the market for long-term residents.

In response to the report, Councilmember Bob Blumenfield introduced a motion on Friday asking various city departments to investigate the study's findings and report back on enforcement plans moving forward.

"The laws are clear and the city must do more to ensure that those who are purposely evading rules are held accountable," said Blumenfield in an emailed statement.

The city's Planning Department, one of the departments tasked with enforcing the regulations, did not respond to questions from LAist related to the report's findings. But a department spokesperson said the number of listings in L.A. has been in steep decline since the city began enforcing the law in late 2019.

"Listings across all hosting platforms in Los Angeles decreased by approximately 78% — from approximately 36,600 short-term listings in November 2019, to approximately 8,000 as of November 24, 2022," they said.

Wachsmuth's study also found a steep decline in L.A. listings since the law went into effect. But he largely attributed that trend to the global tourism slump brought on by the COVID-19 pandemic, not regulatory changes in L.A.

Estimating Illegal Listings In LA

In order to do business legally in L.A., short-term rental operators must register with the city and display their registration number in online listings.

The study compared Airbnb and Vrbo listings against a database of valid registration numbers provided by the city. It found many listings were posting invalid or expired registration numbers.

Other listings had valid registration numbers, but were still likely breaking the rules, according to the study. For example, some listings appeared to be booked more than 120 days per year, even though they lacked a permit required by the city for "extended" home sharing.

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David Wachsmuth, professor, McGill University

In total, the study estimates that 45% of listings posted in August 2022 were likely breaking L.A.'s home sharing law.

The study did not definitively prove all of those listings were illegal. But Wachsmuth said he found enough red flags to suggest that law-breaking is becoming more common. In a study from July 2021, he found that about a third of L.A. listings were likely illegal.

"More and more hosts are realizing, 'You know what, you can just get away with this,'" Wachsmuth said.

Up To \$300 Million In Fines Not Levied

Hosts who break the city's rules can be fined \$500 each day they post a non-compliant listing. The daily fine rises to \$2,000 for hosts who rent units for more than 120 days per year without permission from the city.

Wachsmuth said based on his estimates of illegal activity on Airbnb and Vrbo, the city could have collected as much as \$302.2 million in fines last year. However, his study found that the city collected a tiny fraction of that figure, levying just \$36,500 in fines between November 2021 and August 2022.

"There's a huge amount of illegal activity that the city could be deterring by handing out fines aggressively. And they just have chosen not to do that," Wachsmuth said.

Short-Term Rental Companies Respond

Airbnb and Vrbo representatives denied that their platforms enable widespread flouting of L.A.'s home sharing law.

Philip Minardi, head of public affairs for Vrbo's parent company Expedia Group, said in a statement, "Vrbo has worked to ensure all listings display a valid, unexpired registration number."

Vrbo recently agreed to settle a lawsuit brought by L.A.'s city attorney alleging routine violation of the city's home sharing ordinance. The settlement required Vrbo to pay \$150,000 in civil penalties and to provide annual compliance reports to the city for the next three years.

Airbnb entered into an agreement with the city back in 2019 designed to promote compliance with local regulations and streamline enforcement, allowing the city to flag listings for removal.

Airbnb spokesman Sam Randall took issue with the new report's conclusions and questioned the funding source for the study, saying in an emailed statement, "We're proud of the tools we've built in partnership with the city of Los Angeles to help officials enforce local rules."

The study was commissioned and funded by Better Neighbors L.A., a coalition that seeks to curb illegal short-term rentals. The group includes a labor union representing local hotel workers. Wachsmuth said the group had no influence on the study's conclusions.

Edward Kung, an economics professor at California State University, Northridge who has conducted his own research on short-term rentals, said the study's conclusion "that Airbnb reduces rental stock and raises rents is certainly consistent with previous academic findings."

How Are Short-Term Rentals Affecting Long-Term Tenants?

Tenant advocates have long argued that platforms like Airbnb worsen L.A.'s housing crisis by encouraging landlords to remove homes from the long-term rental market in search of higher profits in the vacation rental market.

L.A.'s home sharing ordinance sought to deter apartment-to-Airbnb conversions by requiring that hosts use only their primary residence for short-term rentals.

The new McGill study finds that today, fewer homes are being removed from L.A.'s long-term housing market compared with estimates from 2019. Back then, Wachsmuth estimates that 6,510 housing units were being operated as dedicated short-term rental properties — meaning L.A. residents could no longer use them as long-term homes. Wachsmuth estimates that number has now dropped to 2,500 homes that aren't accessible to long-term renters.

Those missing homes affect L.A.'s housing affordability, Wachsmuth said. He estimates that by reducing the city's housing supply and increasing demand for the homes that remain, short-term rentals have increased rents by \$67 per month for the average L.A. tenant household.

That rent increase may sound small, but Wachsmuth argued it's large enough to have pushed many renters living on the edge into homelessness.

"Short-term rentals have made a pretty substantial contribution to [L.A.'s] housing affordability issues, which themselves generate homelessness," he said.

City Council Eyeing Stricter Enforcement

Since the home sharing ordinance took effect, some city councilmembers have expressed concern about lax enforcement — especially those representing neighborhoods with high concentrations of vacation rentals, such as Venice and the Hollywood Hills.

In March, 2022, Councilmember Mike Bonin sent a letter to various city department heads about efforts to convert a rent-controlled apartment building in Venice into a vacation rental property.

"In light of this project and others like it in my District, I strongly reiterate my previous request that the City identifies an appropriate and immediate enforcement pathway for the improper conversion of multi-family properties into short-term rentals," Bonin wrote.

Last year, Bonin was one of four councilmembers who put forward a motion calling on various departments to plan for increased vigilance against illegal listings. The McGill study estimates that Airbnb and Vrbo listings currently make up about 1.5% of all dwelling units in Venice.