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August 5, 2021

The Honorable David O. Carter
United States District Court for the Central District of California
Ronald Reagan Federal Building and United States Courthouse
411 West Fourth Street, Courtroom 9 D
Santa Ana, CA 92701-4516

Honorable Judge Carter:

We at Better Neighbors LA,¹ a community coalition of tenants, hosts, housing activists, hotel workers, and local stakeholders in Southern California, appreciate and commend this Court’s work to address the housing crisis for Los Angeles’ unhoused population. We write to propose another potential remedial avenue through enhanced enforcement of the City of Los Angeles’s Home Sharing Ordinance, Ordinance No. 185,931 (“HSO”).

Illegal short-term rentals—posted on Airbnb.com, Vrbo.com, and Homeaway.com, and numerous other online platforms—have removed thousands of affordable housing units from the traditional rental market, increased eviction activity, and exacerbated the affordable housing crisis in Los Angeles, pushing many city residents into homelessness. The HSO was specifically designed to curb illegal short-term rental activity in the City of Los Angeles and promote the preservation of affordable housing. However, recent enforcement efforts by the City of Los Angeles have been uneven and deficient, resulting in a dwindling supply of affordable housing for city residents.

As this Court’s April 25, 2021 Order acknowledged, “while long-term housing is vital, its construction is long-term, and the interim period has lasted decades.”

Enhanced enforcement of the HSO addresses the Court’s specific concern with the slow pace of long-term housing construction by offering a targeted solution. The City estimates that between **6,000 to 10,000 housing units** have been removed from the traditional rental market and converted by their owners to short-term rentals.² This represents the several years’ worth of

¹ Our mission is to ensure access to affordable housing and to protect local communities from the harmful impacts of illegal activity in the short-term rental market.

² See Los Angeles Department of City Planning, Report Back Relative to Proposed Homesharing Ordinance, http://clkrep.lacity.org/onlinedocs/2014/14-1635-S2_rpt_PLAN_10-20-2017.pdf (Oct. 19, 2017). Another study estimates that, as of October 2019, *short-term rentals in Los*

affordable housing construction in Los Angeles.³ Were the City to substantially increase its enforcement efforts and clamp down on illegal short-term rentals, it would not only preserve the existing stock of affordable housing but facilitate the return of already converted units back to the long-term rental market, increasing the amount of housing available to Los Angeles residents today.

As discussed below, enhancing the City's enforcement of the HSO is one of the few immediate ways to return affordable housing units back to the Los Angeles rental market, thereby serving as a critical measure to counter the staggering rise in evictions and shortage of affordable housing that has catalyzed the homelessness crisis in our city.

I. Unregulated Short-Term Rentals & Homelessness in Los Angeles

The unregulated short-term rental market in Los Angeles poses critical challenges to the availability of affordable housing. When hosts choose to rent their properties to tourists on platforms like Airbnb, these units are directly removed from the traditional rental market. One study has found that, in all Los Angeles neighborhoods, a host can recoup the equivalent of a whole year of rental income by choosing to rent their property to visitors for just 83 nights a year.⁴

As a result, Los Angeles landlords are highly incentivized to evict long-term tenants from their homes so they can convert rent-stabilized units into more lucrative, and less regulated, temporary rentals. Moreover, this practice allows them to evade the restrictions of the Los Angeles Rent Stabilization Ordinance (RSO), which caps rent increases for eligible properties and offers tenant protections in order to keep city residents in their homes.

Often, these illegal conversions involve whole residential buildings that have been turned from long-term rentals into unregulated hotels.⁵ This problem is particularly acute in Los Angeles neighborhoods already experiencing rapid gentrification and sky-rocketing rental and housing prices, such as Venice, Downtown LA, Hollywood, and Echo Park.⁶

Angeles were “responsible for 7,289 units of lost housing—a 46.5% increase over the last two years.” See David Wachsmuth, Urban Politics and Governance research group, McGill University, “STRs in Los Angeles: Are the Nov. 2019 regulations being enforced?” <https://upgo.lab.mcgill.ca/publication/strs-in-los-angeles/strs-in-los-angeles.pdf> (Dec. 2019) (emphasis added).

³ An average of only 1,100 units of affordable housing are built in Los Angeles each year. See Los Angeles Alliance for a New Economy (LAANE), Airbnb, Rising Rent, and the Housing Crisis in Los Angeles, <https://www.laane.org/wp-content/uploads/2015/03/AirBnB-Final.pdf> (March 2015), at p. 16.

⁴ Inside Airbnb, “Airbnb vs. Rent: City of Los Angeles,” <http://insideairbnb.com/airbnb-vs-rent-city-of-la> (Aug. 30, 2016).

⁵ Dayne Lee, How Airbnb Short-Term Rentals Exacerbate Los Angeles’s Affordable Housing Crisis: Analysis and Recommendations, 10 Harvard Law & Policy Review 229, 238 (2016).

⁶ *Id.* at 235.

With each unit that is permanently removed from the rental market, there is one less unit available for rent in Los Angeles' heated housing market, where vacancy rates already hover around 5%.⁷ This, in turn, further constricts the available supply of overall housing in Los Angeles and makes that housing more expensive, leading to unsustainable rent hikes and increased competition for rentals. A recent USC study found that 73% of Los Angeles households were rent-burdened, meaning that they spend more than 30% of income on rent and utilities; and nearly half (48%) were severely rent-burdened, spending over 50% of their income on rent and utilities.⁸

Particularly in already rent-burdened areas like Los Angeles, dwindling housing supply and increasing rents are linked to more rapid increases in homelessness.⁹ According to a 2018 Zillow study, *if housing affordability in Los Angeles “worsens by 2 percentage points—if renters are required to spend 51 percent of their income on a typical apartment, up from 49 percent at the time of this analysis—the number of homeless is likely to rise by an additional 4,227 people, or 6 percent above estimated 2017 levels.”*¹⁰

As this research shows, enhancing the City's regulation of short-term rentals will directly aid to preserve the existing affordable housing stock and return converted units back to the long-term rental market, helping to ameliorate the housing and homelessness crisis in Los Angeles.

II. The Los Angeles Home-Sharing Ordinance (“HSO”)

In December 2018, the Los Angeles City Council passed the Home-Sharing Ordinance, Ordinance No. 185,931, to regulate home sharing in response to the extreme shortage of affordable housing and other negative effects of the conversion of long-term housing to short-term rentals.

The Ordinance was designed to serve these goals by, among other things, (1) limiting home sharing to a host's primary residence only; (2) prohibiting a property owner from converting a housing unit into short-term rental if it is not zoned or authorized for transient use

⁷ Andrew Khouri, Los Angeles Times, “The Falling Rents of COVID Times Are Behind Us. Expect Rents to Rise,” <https://www.latimes.com/business/story/2021-06-15/california-reopening-rent-will-rise-as-covid-recedes> (June 15, 2021).

⁸ Jovanna Rosen, Sean Angst, Soledad De Gregorio, Gary Painter Sol Price Center for Social Innovation, University of Southern California, How do Renters Cope with Unaffordability? Household-Level Impacts of Rental Cost Burdens in Los Angeles, https://socialinnovation.usc.edu/wp-content/uploads/2020/12/USC-PRICE_Rent-BurdenReport_12.14.pdf (Dec. 2020), at p. 9.

⁹ Chris Glynn & Alexander Casey, *Homelessness Rises Faster Where Rent Exceeds a Third of Income*, <https://www.zillow.com/research/homelessness-rent-affordability-22247/> (Dec. 11, 2018) (“[C]ommunities where people spend more than 32 percent of their income on rent can expect a more rapid increase in homelessness.”).

¹⁰ *Id.* (emphasis added).

(including Rent Stabilized and registered affordable housing units); and (3) allowing a host to rent a property out no more than 120 days a year, absent a special extended HSO permit.

The HSO also created a permitting system, where hosts are required to register their short-term rentals with the City. These limitations were intended to preserve long-term housing for city residents and discourage landlords from hoarding housing stock to use as temporary tourist and party houses.

III. Enhanced Enforcement of the HSO Will Prevent the Continued Erosion of Affordable Housing in Los Angeles by Short-Term Rentals.

The City of Los Angeles must systematically deploy the enforcement powers available under the HSO to crackdown on illegal short-term rental activity. To date, however, enforcement of the Ordinance has been gravely deficient. Less than 60% of short-term rentals in Los Angeles, according to data from city contractor Host Compliance, are compliant with the HSO.¹¹ Moreover, despite the passage of nearly two years since the HSO first took effect, over forty percent (40.7%) of listings with a displayed registration number are likely illegal.¹² These rental listings either do not have a valid registration number; have a registration number already used by multiple entire-home listings, which is prohibited; were rented out for more than half of the year, making it highly unlikely that they serve as a host's primary resident; or are controlled by hosts who have multiple property listings.

Many short-term rental hosts in Los Angeles operate multiple listings. The top 10% of these hosts earned nearly 60% of all revenue; and the top 1% of all hosts earned a staggering 20% of all revenue.¹³ This data suggests that many of these short-term rentals are not, in fact, the host's primary residence—a requirement of the HSO—but represent units that have been removed by from the traditional rental market and turned into lucrative short-term rental units.

A 2020 Los Angeles Times analysis found that nearly 5,000 Los Angeles listings on Airbnb.com were missing city registration numbers.¹⁴ Indeed, despite the thousands of illegal listings, only 770 hosts have ever been fined by the City since the inception of the HSO.¹⁵ While

¹¹ Better Neighbors LA, Letter to Los Angeles City Council, Re: April 2021 Home Sharing Ordinance Enforcement Report, https://static1.squarespace.com/static/5fc9845732f65217775cb3a5/t/60bbd56664e68f3ea041dc8c/1622922598241/BNLA+Enforcement+Report_06.04.2021.pdf, (April 30, 2021) at p. 4.

¹² See David Wachsmuth, Urban Politics and Governance research group, McGill University, <https://upgo.lab.mcgill.ca/publication/strs-in-los-angeles-2021/strs-in-los-angeles-2021.pdf> (July 2021).

¹³ *Id.*

¹⁴ Emily Alpert Reyes & Ben Poston, Los Angeles Times, “Thousands of online listings are violating L.A.’s new short-term rental law,” <https://www.latimes.com/california/story/2020-08-09/los-angeles-short-term-rental-violations> (Aug. 9, 2020).

¹⁵ Better Neighbors LA, Letter to Los Angeles City Council, Re: July 2021 Home Sharing Ordinance Enforcement Report, <https://static1.squarespace.com/static/5fc9845732f65217775cb3a5/t/610065354403727afe670e5f>

the City has handed out one-time fines of \$500, it has refused to impose higher fines or ongoing fines of \$500 per day, as the HSO allows, meaning that many operators of illegal short-term rentals are able to continue to absorb these fines as a cost of doing business.¹⁶ To date, only one individual host's registration has ever been revoked by the City, and no fines have ever been assessed by the City against a hosting platform.¹⁷

More troublingly, the Department of City Planning (DCP), which is charged with enforcement of the HSO, has publicly admitted that it does not monitor the number of days any unit is rented on a short-term basis, which is necessary for adequate enforcement of the HSO.¹⁸ Airbnb is the only major platform to share its listing data with the City, a process that would allow the City to monitor for compliance. Only about 68% of short-term rentals are on Airbnb, however.¹⁹ To date, the City has failed to compel the required disclosures necessary to ensure compliance with the HSO from the two dozen other hosting platforms operating in Los Angeles.²⁰

Given the proliferation of illegal short-term rentals on these online platforms and the deepening housing crisis, the City of Los Angeles must systematically deploy the array of enforcement options available under the HSO to have real impact. Specifically, the City can and should ramp up enforcement efforts by issuing ongoing citations for violations and rescinding the registrations for repeat offenders. In addition, it can and should immediately engage in targeted enforcement by scrutinizing hosts with multiple listings as well as crackdown on those hosts claiming false exemptions under the HSO. Finally, the City of Los Angeles has not and should engage in systemic monitoring of listings and regularly fine hosting platforms for violations of the HSO, including for their persistent and unlawful refusal to share data that allows the City to track and police illegal short-term rental listings.

/1627415862309/July+2021+BNLA+Enforcement+Report+4810-7606-9107.pdf (July 22, 2021) at p. 2.

¹⁶ See *supra* note 10.

¹⁷ *Id.*

¹⁸ See *supra* note 13 at p. 3.

¹⁹ Better Neighbors LA, Letter to Los Angeles City Council, Re: March 2021 Home Sharing Ordinance Enforcement Report, https://static1.squarespace.com/static/5fc9845732f65217775cb3a5/t/606da848746494170f756978/1617799241643/BNLA_-March+2021+Enforcement+Report+03.30.2021.pdf, (March 30, 2021) at p. 1.

²⁰ See *supra* note 11, at p. 2.

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We appreciate the Court's consideration of our targeted proposals to enhance affordable housing in Los Angeles, and welcome the opportunity to further discuss these matters with the Court.

Respectfully,

A handwritten signature in black ink, appearing to be "Randy Renick", written over a horizontal line.

Randy Renick
Better Neighbors LA

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