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May 25, 2023

VIA ELECTRONIC AND USPS MAIL

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

Dear Members of the Los Angeles City Council,

The mandatory registration system set forth by the City of Los Angeles Home Sharing Ordinance (“HSO”) is crucial to its enforcement. By issuing registration numbers exclusively to eligible hosts to display on their short-term rental listings, the system enables easy identification of non-compliant listings that do not display a registration number. This process is intended to facilitate regulatory oversight and ensure that hosts adhere to the established guidelines, ultimately protecting the housing market and preserving the City's revenue streams.

Unfortunately, many dishonest hosts have devised tactics to exploit the registration system resulting in the illegal removal of housing units from the market and depriving the City of revenue, including registration fees and Transient Occupancy Taxes. Better Neighbors Los Angeles (“BNLA”) conducted an analysis of Airbnb data to identify and quantify these illegal tactics employed by hosts.

Explanation of Home-Sharing Registration: Under the HSO, hosts must register annually with the City Planning Department, paying either \$183 for regular registrations or \$982 for extended registrations.¹ Upon meeting all requirements, the Planning Department issues a unique registration number allowing the host to rent out their unit on a short-term basis.

The requirements include:

- The unit must be the host's primary residence, where the host resides for over six months in a year. Since a host can only have one primary residence, they can only rent out one unit on a short-term basis.

¹ Under the HSO, STRs may not be rented for more than 120 days a calendar year without an Extended Home Sharing permit. Hosts with an extended permit may rent the unit out for up to 365 nights. The unit must still be the host's primary residence. This requires the host to reside in the unit at least 183 days during the year.

- The unit cannot be subject to the Rent Stabilization Ordinance, cannot be a unit removed from the long-term market under the Ellis Act, and cannot be restricted by an affordable housing covenant.
- If the unit is an accessory dwelling unit (“ADU”) built after 2016, it must be the host's primary residence. If the ADU was built before 2016 the host can rent the ADU or the main house, regardless of which unit is their primary residence, but cannot rent both.
- The host must obtain a transient occupancy tax certification and a business license.
- The host must obtain a certificate of occupancy for the unit and certify that it is equipped with necessary safety equipment, such as fire extinguishers and smoke/carbon monoxide detectors.

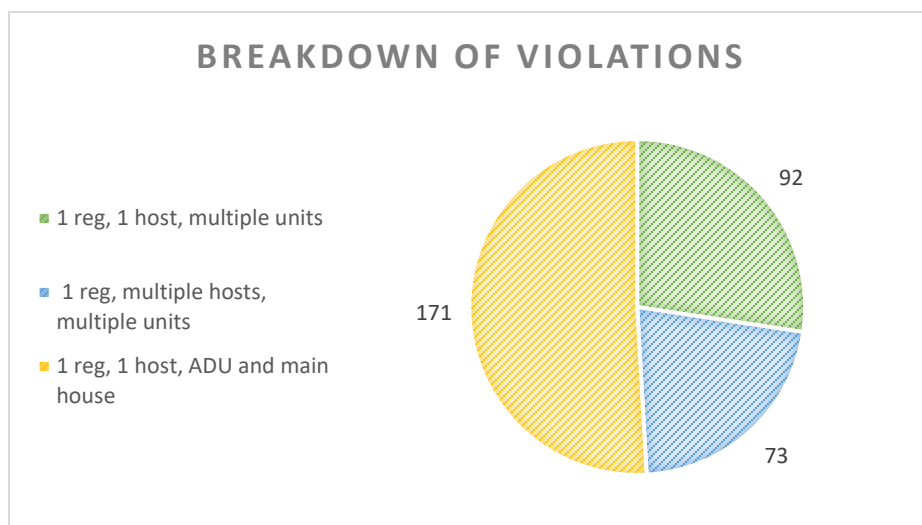
Hosts must display their registration number on their short-term rental listings. This requirement aims to facilitate easy identification of non-compliant listings for enforcement purposes. The HSO prohibits platforms from processing booking transactions for listings that do not display the registration numbers. Despite the registration system's intention to allow easy identification of compliant and non-compliant listings, hosts employ various tactics that undermine it.

Abuse of Home-Sharing Registration: Despite the registration system's purpose of facilitating identification of compliant and non-compliant listings, hosts employ various tactics to undermine it. Better Neighbors discovered hundreds of duplicate short-term rental listings with the same registration number on Airbnb. Out of 845 such listings in March 2023, 60% (509 listings) were duplicates, while the remaining 40% (336 listings) were instances of hosts abusing the registration system.

Our review identified three primary violations:

- Hosts re-using their City-issued registrations for multiple units.
- Hosts engaging in registration number theft, using other hosts' numbers.
- Hosts using their City-issued registrations to advertise both their main house and an accessory dwelling unit (ADU).

Please refer to the graph below for a breakdown of these violations.



Using these tactics, hosts can list STRs without registering yet appear compliant. Consequently, numerous units, including those ineligible for home-sharing, are withdrawn from the long-term housing market. Meanwhile, the City suffers financial losses, missing out on annual registration fees potentially totaling \$330,000, along with significant transient occupancy tax revenue.

By way of example, Airbnb host, Inspire Homes LA, uses the same registration number for three separate units, despite the requirement that each unit be separately registered and be issued a unique number. City registration data shows that the registration number used by Inspire Homes LA was assigned to an accessory dwelling unit (ADU) in Granada Hills. The host, however, uses the registration number to advertise not only the ADU but also a Junior ADU and the main house on the property. The Los Angeles Department of Building and Safety website indicates that the property owner obtained certificates of occupancy for the ADUs in 2018 and 2019. Since these ADUs were permitted after 2017, in order to obtain a home sharing permit the host was required in its application to certify that the ADU was their primary residence. Moreover, Inspire Homes LA, has created separate listings for each ADU and an additional listing to rent all three units simultaneously, suggesting that none of the units serve as the host's primary residence.

BNLA messaged the host to verify their practice of renting all three units:



10:59 AM

And its 2 guest houses and the main house?



Inspire Homes LA 10:59 AM

<https://airbnb.com/h/granadahills3units>

yes

here is the link

https://www.airbnb.com/rooms/560265391708087276?source_impression_id=p3_1684519213_yqYUyG6He2TNFnhh&check_in=2023-06-27&guests=12&adults=12&check_out=2023-06-30

California's ADUs regulations are intended to alleviate the statewide housing shortage by increasing housing density in single-family home-zoned areas. When hosts illegally convert ADUs into short-term rentals (STRs) this purpose is undermined. Additionally, when an ADU is added to a property with a main house built before 1978, the main house becomes subject to the Los Angeles Rent Stabilization Ordinance (LARSO). Under the HSO, STR operation is categorically prohibited for units subject to LARSO. In the case of the Granada Hills property, the main house, constructed in 1928, is covered by the LARSO. Consequently, this host, through the registration number tactic, not only illegally rents units meant to address the housing shortage but also removes a rent-stabilized unit from the long-term rental market.

Recommendations: To ensure effective enforcement of the HSO, it is crucial that hosts only use their registration numbers to advertise the eligible unit specified in their home-sharing application. Failure to adhere to this requirement not only compromises the City's ability to regulate home-sharing activities but also enables unscrupulous hosts to profit from ineligible units, including rent-stabilized ones. This detrimental practice ultimately deprives the City of vital housing for long-term residents and essential tax revenue.

To address this issue, BNLA proposes the following measures:

- Direct the Department of City Planning to collaborate with Granicus, their contractor, to enhance compliance screenings of listings displaying registration numbers. Flag listings with multiple hosts using the same registration number for further scrutiny.
- Direct the Department of City Planning to regularly monitor listings of hosts that registered an ADU for home-sharing to ensure they are not using their registration to advertise multiple units on their property.

Better Neighbors Los Angeles

May 23, 2023

Page 5

- Direct the Department of City Planning to establish a public database of registration numbers and their associated unit addresses. This database will enable easy verification of the authenticity of registration numbers associated with STR listings.
- Instruct the Department of City Planning to immediately issue citations to all listings displaying a registration number not linked to the advertised unit. The HSO permits citations of either \$572 or double the nightly rate, whichever is higher, for each night an illegal short-term rental operates.
- Initiate a Public Awareness Campaign to educate both hosts and guests about the importance of complying with the HSO. Highlight the detrimental effects of host exploitation on the housing market, affordability, and the City's revenue.

Thank you for your time and consideration of BNLA's recommendations.

Very Truly Yours,

/s/ Randy Renick