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betterneighborsla.org

November 30, 2022

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,

Better Neighbors Los Angeles (“BNLA”) writes to you to shed light on unchecked illegal short-term rental (“STR”) activity resulting from the Department of City Planning’s (“Planning”) failure to enforce the Home Sharing Ordinance (“HSO”) at to non-compliant short-term rental platforms. In this report, BNLA analyzes data on enforcement by the Planning Department as well as data obtained under the California Public Record Act (“CPRA”) from the Los Angeles Police Department (“LAPD”). Our report focuses on the Nightfall Group (“Nightfall”), one of the most problematic short-term rental platforms in the City and an excellent example of the City’s failure to regulate non-compliant platforms.

The Home Sharing Ordinance and Platform Compliance:

The HSO requires both hosts and platforms to abide by its regulations and provides a variety of enforcement options to ensure compliance. For platforms, the HSO authorizes enforcement agencies to issue citations (with \$1,145 nightly fines) to platforms that process bookings for hosts without valid registrations or for allowing hosts to complete more than 120 nights worth of bookings without an extended home sharing permit. Despite its authority to impose significant fines against platforms which fail to comply with the law, the City has almost exclusively concentrated its enforcement efforts against non-compliant hosts. Prioritizing enforcement against platforms is, however, both more efficient and more effective given that platforms have access to host data and the power to remove hosts and their listings.

Case Study of The Nightfall Group:

BNLA has received numerous complaints from the public about STR properties listed on The Nightfall Group, a luxury short-term rental platform. The platform advertises about 50 properties in Los Angeles, with nightly rates over \$1000 dollars. Most of the properties accommodate 10-12 guests and are equipped with amenities such as pools and scenic views, characteristics that often attract guests hoping to use an STR as a party house. The platform differs from larger platforms, such as Airbnb or VRBO, in that it screens the properties it lists on its website and offers management services. Given the high number of complaints, the platform’s small number of listings, and its properties’ party conducive features, BNLA selected The Nightfall Group for a case study to examine Planning’s enforcement against platforms.

Analysis of Planning’s Enforcement Data and LAPD Data:

Despite the small size of The Nightfall Group, the platform has an extraordinary level of non-compliance. Of the platform’s forty-eight listings in Los Angeles, only thirteen have a current home-sharing license with the City (27%). Indeed, it appears that eight of these 13 properties only obtained a license after the City issued them a warning letter. While the issuance of warning letters may have been effective in achieving licensing compliance for these eight properties, there are an additional twenty-one properties on the platform (43% of Nightfall’s LA listings) that were issued a warning letter for unauthorized home-sharing that have yet to obtain a home-sharing license from the City. Most of these properties (17 of them) were issued warning letters in 2021 and still remain on the platform without a registration number today.

The failure of Planning’s host focused enforcement efforts emphasizes the need for more platform accountability. If Planning issued fines to platforms, like the Nightfall Group, for processing bookings at listings without valid registration numbers, platforms would have an incentive to remove non-compliant listings. Yet, as long as Planning only enforces the HSO against hosts, platforms actually have an incentive to allow non-compliant listings on their platforms, as they profit off their bookings.

Consequentially, non-compliant hosts continue to operate and profit off their illegal STRs, often disregarding other key regulations of the HSO, including, the HSO’s prohibition of nuisance behavior. BNLA made a CPRA to LAPD requesting any record of calls or complaints about the properties listed in Los Angeles by The Nightfall Group.¹ At the time of BNLA’s request, 48 properties were listed on the platform. In the two years prior to BNLA’s request, 20 of these properties had been reported to LAPD for nuisance behavior, accounting for 205 calls/reports. Some properties were reported more than 25 times for causing a nuisance in their neighborhood. Thirteen of the reported properties were issued warning letters by Planning but have yet to secure home-sharing licenses.

Distribution of LAPD calls for Nightfall Properties:	
Properties with 25+ calls	2
Properties with 15-25 calls	3
Properties with 5-15 calls	3
Properties with 1-5 calls	7
Total	205 calls 20 properties

As this case study shows, prioritizing platform accountability not only would address STRs operating without a license by providing an incentive to platforms to remove such listings, but it also would mitigate the externalities imposed by these non-registered listings.

¹ The HSO webpage directs the public to report “excessive noise, unruly gatherings, or criminal activity” to the Police Department.

Recommendations:

Planning's failure to enforce both hosts and platforms, diminished the intent of the HSO. To address this issue, BNLA recommends the following:

- Direct Planning to issue citations to platforms that advertise and complete booking for non-compliant listings, especially those with high concentrations, such as The Nightfall Group.
- Direct Planning to issue citations regardless of platform size. BNLA has identified that unscrupulous hosts often transition to their non-compliant listings to less predominant platforms to avoid detection.
- Engage the City Attorney to continue lawsuits, like the one filed against HomeAway (owner of VRBO) earlier this year, to both large and boutique platforms.

Thank you for your time and consideration.

Sincerely,

/s/ Randy Renick

