



THE IMPACT OF SHORT TERM RENTALS ON AFFORDABLE HOUSING IN OAKLAND: A REPORT AND RECOMMENDATIONS

PREPARED BY **DESSI MIA CARBAJAL**
FOR **COMMUNITY ECONOMICS, INC**
AND **EAST BAY HOUSING ORGANIZATIONS**
DECEMBER 2015



REPORT RECOMMENDATIONS

1. The City should collect the full 14% Transient Occupancy Tax (TOT) from short-term rental businesses in Oakland with a requirement for full disclosure of all rental transactions.
2. The City should allocate 11% of TOT collected to the City's Affordable Housing Trust Fund.
3. The City should enforce existing regulations on short-term rentals such as licensing and business registration, as well as compliance with local zoning laws.
4. City Council should support SB593 (Sen. McGuire) requiring short term rental companies to make regular reports to cities and counties about which homes in each jurisdiction are renting rooms, for how many nights and how much money the homeowners are collecting from short-term rentals.
5. The City should study and consider further regulations, such as limiting the number of nights per year an entire unit may be rented.

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About Community Economics:

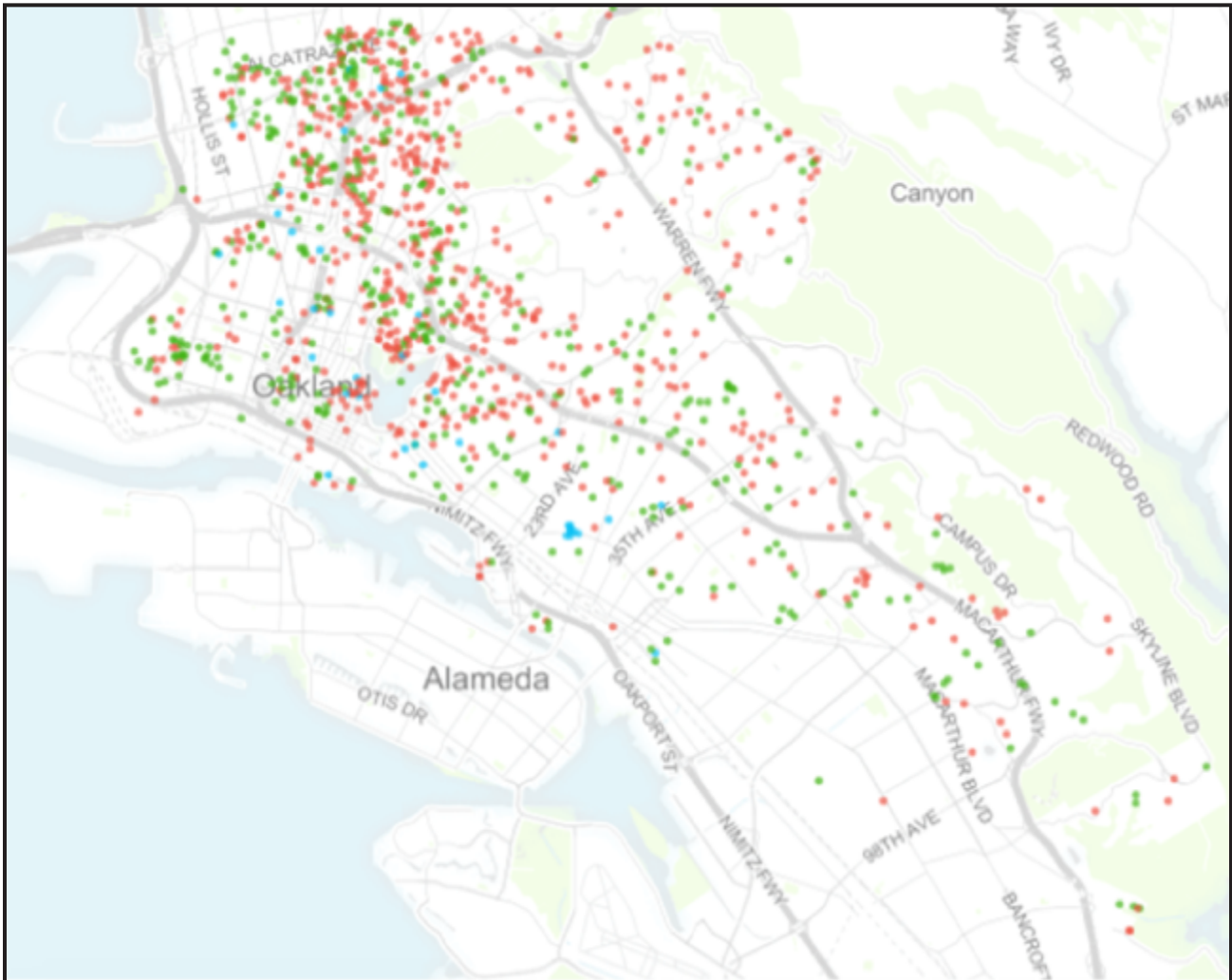
Community Economics (CEI) provides non-profit organizations and public agencies with expert technical assistance in the financing and development of affordable housing. Through that technical assistance and through involvement with local, state, and national housing policy issues, CEI has been at the forefront of the affordable housing movement, developing creative solutions and resources to meet the housing needs of low income households.



About East Bay Housing Organizations:

East Bay Housing Organizations (EBHO) is a non-profit membership organization dedicated to working with communities in Alameda and Contra Costa counties to preserve, protect and expand affordable housing opportunities for the lowest income communities through education, advocacy, organizing, and coalition building. Founded in 1984, EBHO is the leading voice for affordable housing in the East Bay.

We would like to thank **Frances Kwong** of **HKIT Architects** for donating graphic layout services.



Snapshot of Oakland Airbnb Listings from InsideAirbnb. Dots marking Entire Homes are in red, Private Rooms in green and Shared Rooms in light blue. (Source: Webscrape of Airbnb website prepared by Murray Cox, June 2015)

Background and Introduction

Short term rentals in the San Francisco Bay Area are generating major controversy because of their impact on the regional housing crisis. Led by Airbnb, by far the largest of the group, these online rental companies have burst onto the scene with thousands of listings throughout the Bay Area. Concerned that these tourist accommodations conflict with local ordinances and decrease housing availability, several local communities including San Francisco and Berkeley are considering how to regulate this rapidly growing market. Efforts to limit the number of nights a unit is available on the short term rental market, and to collect Transient Occupancy Tax have been hampered by Airbnb's refusal to disclose information about their hosts and occupancy rates.

Oakland is experiencing a rapidly growing demand for housing and space to accommodate newcomers and visitors alike. At this year's Oakland Annual Tourism Breakfast, Visit Oakland President & CEO, Alison Best, noted that Oakland's hospitality industry surpassed national averages in lodging benchmarks, including a 79% overall hotel occupancy, compared to the nation's 62% occupancy rate.¹ Short term rental companies like Airbnb and its competitors VRBO, Flipkey, and HomeAway have created a business model that relies on incentivizing landlords and tenants to transform residential units into tourist accommodations. A leader among so-called sharing economy enterprises, Airbnb connects residents looking to enter the short term rental market to tourists around the globe via their website. The essence of the company is best summed up in the following passage from a comprehensive report produced earlier this year by Los Angeles Alliance for a New Economy (LAANE):

"Airbnb sells itself as a platform akin to a community bulletin board. However, unlike most community bulletin boards, the company takes a percentage out of every transaction, has centralized control over all listings, and maintains a global scope of operations. In other words, Airbnb is a hotel company. It may be deregulated and decentralized, embedded within countless apartment buildings, bungalow courts and leafy suburban streets, but the company's primary function is to make a profit accommodating guests."²

Airbnb's sky-high valuations have placed the company among the ranks of hospitality industry giants, with a market value of

\$25.5 billion and rising³, outcompeting hotel industry giants like the Hyatt (\$8.4 billion) and Wyndham (\$9.3 billion)⁴. The company profits by charging hosts a three percent commission on each booking and charging travelers a fee of between six and twelve percent, adding up to a total yield of anywhere between nine and fifteen percent for every rental.⁵

Airbnb has made major inroads in Oakland in the past two to three years. This report analyzes its activity and impact on the scarce supply of affordable rental housing in the City. This report relies primarily on an in-depth website called Inside Airbnb, designed and maintained by an independent analyst named Murray Cox. The data-rich resource has become the go-to site for Airbnb facts and analysis. Cox includes details on Airbnb hosts, prices, listing locations, and listing types. These data sets provide valuable insight about the Airbnb landscape in the City of Oakland. This report focuses on Airbnb because of its predominance in the short term rental market. Of course, their competitors also contribute to the impact. Therefore all recommendations in the report refer to the short term rental industry as a whole.

An Airbnb snapshot on June 22, 2015 identified 1,155 Airbnb listings for rent in Oakland, with several significant attributes:

- 1. The majority of these listings (57%) are entire homes**, as opposed to "private rooms" and "shared room" listings that make up an almost negligible portion of the market. This proportion is similar to San Francisco, Los Angeles, and other major markets for which data are available, disproving the Airbnb claim that their "hosts" are mostly just people occasionally renting out a spare room to help pay their mortgage costs.⁶
- 2. On average, Oakland Airbnb units are available 237 nights out of the year.** Such high availability implies that these units probably do not have the owner present, could be violating local zoning ordinances prohibiting short term rentals in certain areas - and more importantly, are removing rental-housing stock in an extremely tight market.
- 3. The majority of Airbnb listings are located in neighborhoods in North Oakland**, which seem not coincidentally to be communities with high and rapidly increasing rents. The concentration of entire homes

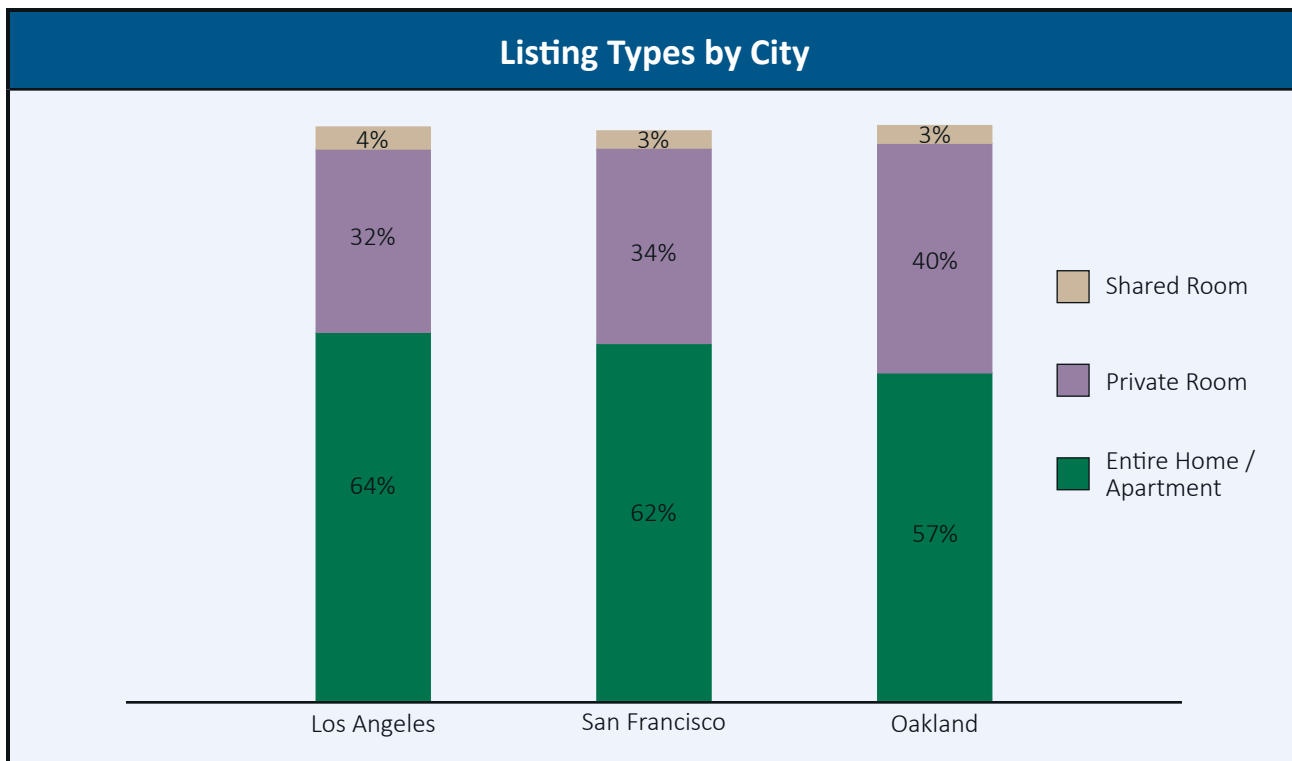


Figure 1: Distribution of Airbnb Listings that are Entire Homes, Private Rooms or Shared Rooms by City

available for short term rental through Airbnb in neighborhoods with high median rents and high-income earners questions the validity of Airbnb’s claim to help people afford rent or mortgage. By removing rental housing supply in these already tight markets, Airbnb could very well be contributing to rising housing costs in impacted neighborhoods.

Based on the methodology in the following section, we conclude from the Inside Airbnb dataset and our own analysis that the Airbnb Oakland market has generated revenues of somewhere between \$4.9 million and \$35 million between the time they came on the scene in July 2009 and July 2015. This doesn’t count the revenues from other short term rental companies like VRBO. Further, given that renters were leaving reviews in June 2015 at least three times the rate as the previous year, it can be concluded that Airbnb is generating more revenue than ever before from its Oakland market (Figure 2).

The City of Oakland collects a 14% Transient Occupancy Tax (TOT) from every person (transient) occupying any hotel/motel less than thirty (30) consecutive days.⁷ Oakland’s voter-approved Measure C in 2009 allocated 3% of TOT income to cultural arts programs, leaving 11% for the general fund. Airbnb and other short term rental businesses providing the same service as ho-

tels have not been subject to this TOT. Based on the revenue estimates above, Oakland lost a potential for several million dollars in TOT up to July of 2015 by not assessing the tax on these short term rental businesses.

We understand from the City of Oakland’s 2015-2017 proposed budget and from Airbnb’s website that Oakland’s City Administrator executed a contract with Airbnb that took effect July 1, 2015. Despite a public records request as well as requests from multiple Councilmembers, we have not been able to review that contract. We know that Airbnb is now collecting 14% TOT from their “guests” on every transaction in Oakland. From the analysis in this report, we believe their current level of business should yield between \$688,000 and \$2.32 million in TOT annually. The Oakland budget shows only \$500,000/year in the 2-year budget cycle. Working with incomplete information, we are concerned the contract does not require full payment of the TOT or full disclosure of all rental transactions.

This report demonstrates the clear nexus between private short term rentals and the limited and shrinking supply of housing stock in Oakland. We cannot afford to continue to lose both housing stock and tax revenues that could help the City address the current housing crisis.

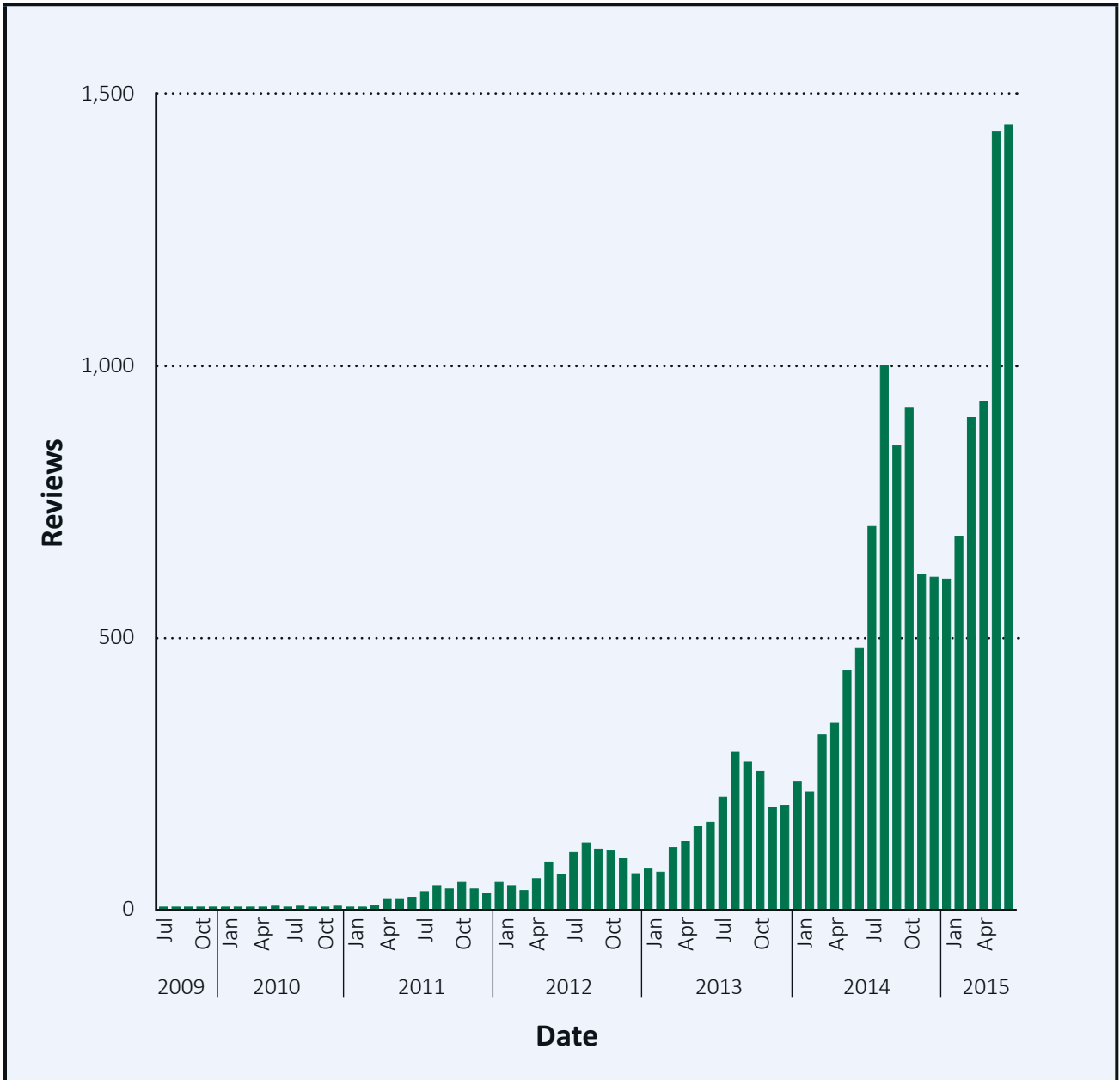


Figure 2: Monthly Airbnb Online Reviews from July 2009 through June 2015. (Note: Reviews do not equal total bookings, as not all renters leave reviews.)

Data and Terminology

Previous research indicates that while Airbnb's marketing strategy presents the company as a champion of home sharing by focusing on private and shared room listings, the reality is that the company's marketplace is dominated by entire home/apartment listings. Without regulations, this raises the stakes for the conversion of entire residential homes into private hotels. The difference between entire homes and the other two listing types that make up Airbnb's business model are as follows:

1. Entire home/apartment units (or "whole units"):

An entire home rental, in which the host is not present during the guest's stay.

2. Private rooms: An accommodation within the host's home with the expectation of some degree of privacy. Host lives in and is present in the dwelling during the guest's stay. The guest is essentially a short-term housemate.

3. Shared room: Guest and host occupy the same living space, with little expectation of privacy.

Inside Airbnb compiles data from short term rentals in cities around the world to examine how Airbnb impacts local housing markets. "Web scraping" is a term used for various data extraction methods that use software to collect information from a website. Murray Cox, creator of Inside Airbnb, has performed web scrapes on Airbnb markets in over twenty cities around the world, including ten in the United States. Data from the Oakland web-scrape was compiled on June 22, 2015.

Cox uses "high availability" and "frequently rented" metrics to assess the impact of Airbnb on residential housing. These metrics are defined as follows:

1. Highly available listings are available for short term rental on Airbnb more than 60 days per year. This is determined by a host's calendar, which shows what days or weeks their listing is available.

2. Frequently rented listings have estimated booking nights of more than 60 nights per year. To determine a listing's estimated booking nights, Inside Airbnb converts online reviews to estimated rentals.⁸ The length of stay is the determined by multiplying

the amount of estimated rentals by the minimum required stay for a given listing.⁹ For example, if Joe's "Cute cottage in Rockridge" has 22 guest reviews, Inside Airbnb assumes Joe's listing has been booked 22 times. To account for rentals without a review, Inside Airbnb increases estimated bookings by 50%, or in this case, to 33 estimated bookings. If Joe requires a minimum 3-night stay per booking, it can be assumed that at this listing has been occupied 99 nights out of the year (33 estimated bookings x 3 –night minimum required stay). Assuming the reviews are legitimate, this methodology represents a realistic value for a listing's number of nights of occupancy.¹⁰

Methodology

This report uses data from listings that have been filtered to meet the availability and rental rated metrics to inform Airbnb's impact on Oakland and to generate revenue estimations from Airbnb's market. Table 1 illustrates the three factors (number of units, estimated booking nights, and average price) used to calculate revenue generated by Airbnb between July 2014 and July 2015.

Frequently Rented Listings

There are 577 Oakland listings that meet Inside Airbnb's classification as frequently rented (estimated booking nights > 60 nights per year) and recently reviewed (reviewed in the last 6 months¹¹). This selection is also reflected on Inside Airbnb's interactive online display of the Airbnb market within the City of Oakland. The first two columns in Table 1 divide the 1155 total Oakland listings between the 557 that are frequently rented and the 598 that are not. Different estimations are then applied to each category.

Booking Nights per Year

Frequently rented listings are multiplied by the minimum and average booking nights per year in the first two columns, respectively. Since 60 nights/per year is the minimum amount of estimated booking nights required to meet the frequently rented metric, that value was used for the minimum estimate. Meanwhile, the average available nights per year for frequently rented units (247) was converted into estimated booking nights in the second column to illustrate the greatest booking potential for frequently rented listings. For the remaining 598 listings, we

Revenue Generated by Airbnb's Oakland Market			
	Minimum Estimate Adjusted for Frequently Rented Listings	Adjusted for Average Available Nights per Year for Frequently Rented Listings	Maximum Estimate Adjusted for Average Available Nights per Year for All Listings
Number of Listings (1,155 total)	557	557	1,155
Estimated Booking Nights per Year	60	247	237
Average Listing Price	\$112	\$112	\$128
Estimated Revenue for Frequently Rented Listings	\$3,743,040	\$15,408,848	
Number of Listings Not Frequently Rented (1,155 total)	598	598	
Estimated Booking Nights per Year	20	20	
Average Listing Price	\$98	\$98	
Estimated Revenue for Listings Not Frequently Rented	\$1,172,080	\$1,172,080	
Total Estimated Revenue	\$4,915,120	\$16,580,928	\$35,038,080
Total Estimated Revenue Generated by 14% TOT	\$668,116	\$2,321,329	\$4,905,331
Total Estimated Revenue Generated by 11% TOT for Affordable Housing	\$540,663	\$1,823,902	\$3,854,188

Table 1: Revenue Estimates Adjusted for Frequently Rented Listing per Year and Average Available Nights per Year

applied an estimated booking nights rate of 20 in both columns to provide a conservative estimate of their potential earnings.

The final column shows the maximum estimate based on total number of listings and the average available nights per year for all units (237). The overall average availability is just slightly less than the value for frequently rented units. According to the data, the majority of Oakland Airbnb listings (86%) are marked as highly available, which resembles the rate of listings in Los Angeles (85%), New York (82%), and San Francisco (76%).¹² These figures indicate that the majority of Airbnb hosts are looking to maxi-

mize bookings by listings their units on Airbnb with a nearly year-round availability.

Oakland's Airbnb Landscape

The analysis from this report reveals a concentration of Airbnb units in the rapidly gentrifying neighborhoods of North Oakland and around Lake Merritt. Airbnb listings in East Oakland are not as prevalent and tend to be a combination of private rooms and entire homes scattered around highland neighborhoods like Upper Dimond, Upper Laurel, Millsmont, and Redwood Heights.

Airbnb's Top Revenue Generating Neighborhoods in Oakland			
Neighborhood	Entire Homes Listed on Airbnb	Total Units Listed on Airbnb	Revenue from Entire Home Listings
Bushrod	41	75	\$151,006
Lakeside Neighborhoods (Trestle Glen, Lakeshore and Cleveland Heights)	53	66	\$246,116
Rockridge	42	58	\$208,680
Temescal	38	51	\$152,614
Longfellow	18	42	\$65,741
Adam's Point	26	42	\$78,099
Shafter	26	35	\$259,976
Total Revenue			\$1,162,232

Table 2: Airbnb's Top Revenue Generating Neighborhoods in Oakland

Meanwhile, the North Oakland census tracts where most of Oakland's Airbnb activity is taking place are some of the City's most desirable neighborhoods.

In neighborhoods like Bushrod, Rockridge, and Adams Point, median household incomes are higher than those in other parts of the city, which is consistent with short term rental trends in other cities. Moreover, entire units in Airbnb's top 10 revenue generating Oakland neighborhoods yield over a third of the total revenue for the City (see Table 2), which shows how Airbnb's profits rely heavily on entire home listings. There are 250 entire residential units, mostly clustered in Oakland's upscale neighborhoods, which show signs of being converted into Airbnb hotels. These units are available for rent 268 days per year, and have been booked 157 estimated nights annually, on average.

Conversions imply that landlords and property owners, in search of greater profits, have opted to operate traditional apartments as short term rentals. In Oakland, where landlords are subject to rent adjustment ordinances, choosing to list a unit on the Airbnb market could mean potentially greater earnings without the hassle of regulations. In neighborhoods like Temescal, nightly short term rental rates are rising alongside the rising median rents, which rose by over 20% from the beginning to the end of 2014.¹³

With average nightly rates of \$123 for Airbnb entire home listings in Temescal, a landlord could earn up \$3,690 a month at full occupancy, which is 14% higher than the average monthly rent for the area in June 2015.¹⁴ Airbnb entire units in Oakland's highest yielding areas already make up the majority of the listings, and generate a significant portion of the revenue. If these hosts were the "primary residents" of the homes they're listing and are just looking to earn extra money while vacationing, as Airbnb repeatedly claims¹⁵, revenues and availability for these entire home listings should not be so high.

North Oakland Under Seige

Oakland's northern neighborhoods have been disproportionately impacted by private short term rentals. Three separate snapshots of Airbnb listings in Oakland at the neighborhood level reveal that North Oakland has the greatest number of listings for a given month, weekend, and day.¹⁶ According to the data, the presence of entire units is overwhelmingly concentrated in this part of town.

Oakland's Bushrod neighborhood makes up two small census tracts in North Oakland, but has a cluster of 75 units listed on Airbnb with over half being entire homes. Geographically, the

area is bound by Woolsey Street on the North, Telegraph Avenue to the East, and MLK Jr. Way to the West. Airbnb data for Oakland show \$131 as the average nightly rate for an entire home/apartment in the Bushrod precinct.

It has been observed that in cities including New York and Los Angeles, short term rentals are most prominent in neighborhoods where the average median household income is 20% higher than that of the entire city.¹⁸ In the case of New York City, rapidly gentrifying neighborhoods like ones in the Lower East Side of Manhattan and Williamsburg and Greenpoint in Brooklyn, had the greatest share of private short term rentals in the city.¹⁹ This case closely resembles the Airbnb landscape in Oakland. According to UC Berkeley's Urban Displacement Project, Airbnb's top five revenue generating neighborhoods in Oakland are also in the advanced stages of gentrification,²⁰ with exception of the Piedmont Avenue tract, which has historically been a moderate to high income area. Short term rental conversions further tighten the supply of housing in these areas, resulting in even greater rent spikes and barring low-income renters from moving into the

neighborhoods. Figure 3 shows rent increases in Bushrod over the last four years including a 71% increase in just the last 18 months. Airbnb listings in the area began increasing at a steady rate around April of 2014.

While we do not know the exact relationship between Airbnb density and median rents, it is telling that high Airbnb density overlaps with lower rental vacancy. Rental vacancy rates for the Bushrod, Adams Point, and Temescal census tracts are among the lowest in the city.²¹ Just as interesting is the amount of revenue being generated in these North Oakland neighborhoods. Analysis on just entire home listings in Airbnb's highest revenue generating neighborhoods shows that roughly \$1.2 million, a third of the total revenue from July 2014 to July 2015, came from 244 entire home accommodations (see Table 2). In order to maintain inclusivity and avoid displacement in neighborhoods with declining vacancy rates, and consequently rising rents, the City of Oakland must ensure that short term rentals do not remove rental units from these markets.

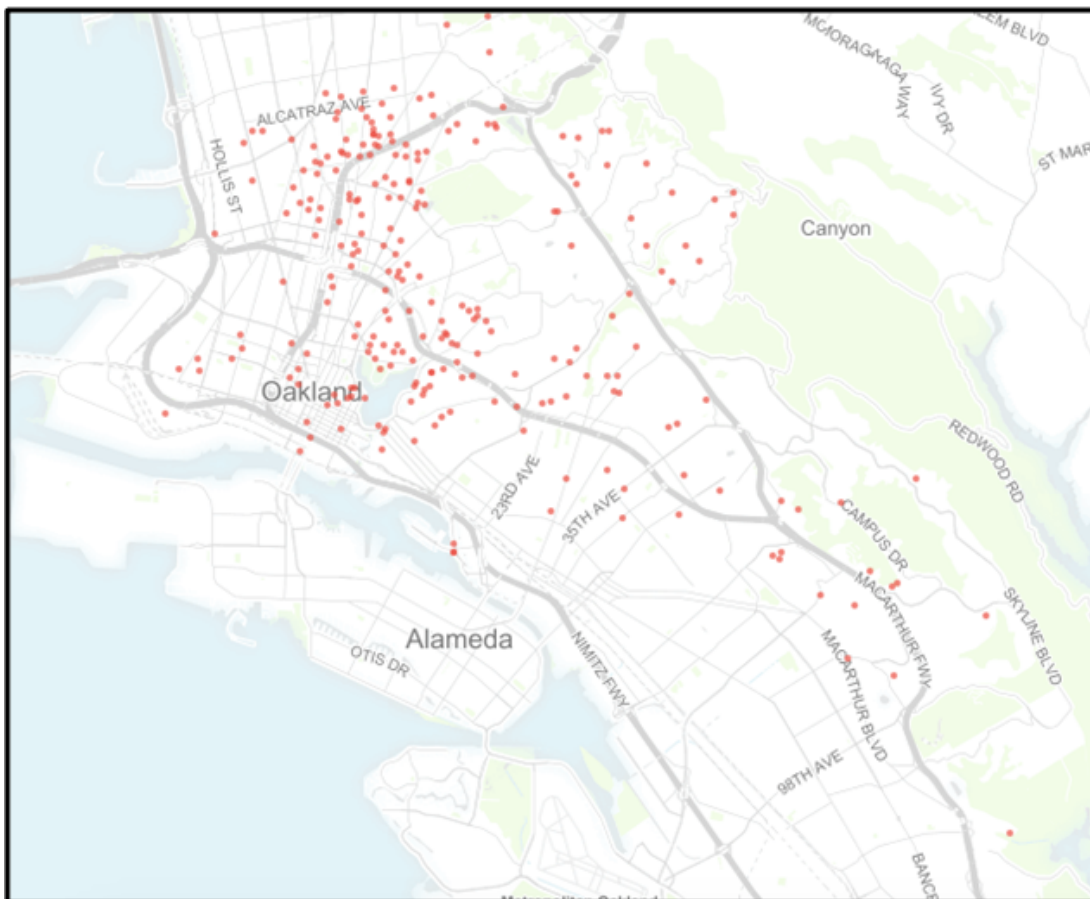


Figure 3: Snapshot of the Concentration of Airbnb Listings in North Oakland meeting Inside Airbnb's "high availability" and "frequently rented" metrics. (Source: Webscrape of Airbnb website prepared by Murray Cox, June 2015)

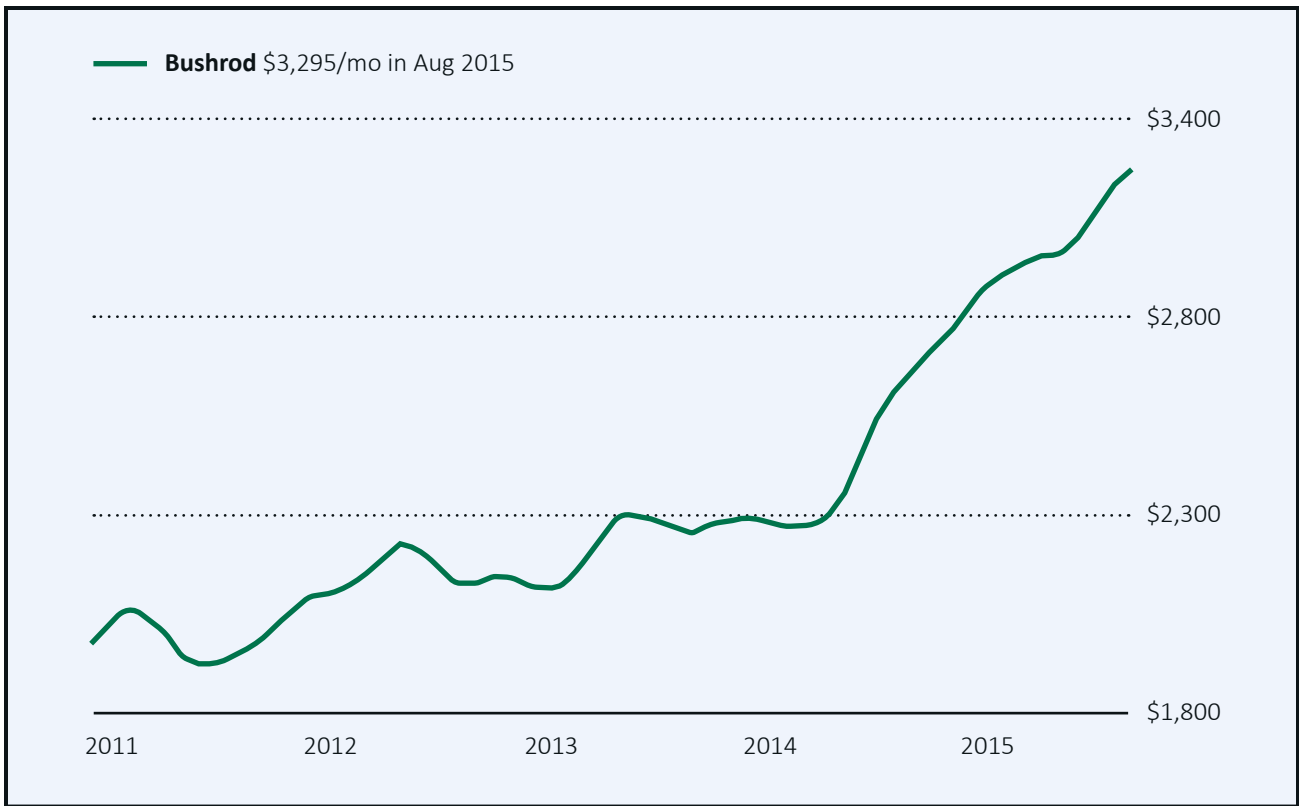


Figure 4: Rent Price Increases for 1Bd/1Ba Units in the Bushrod neighborhood since 2011. (Source: Zillow)

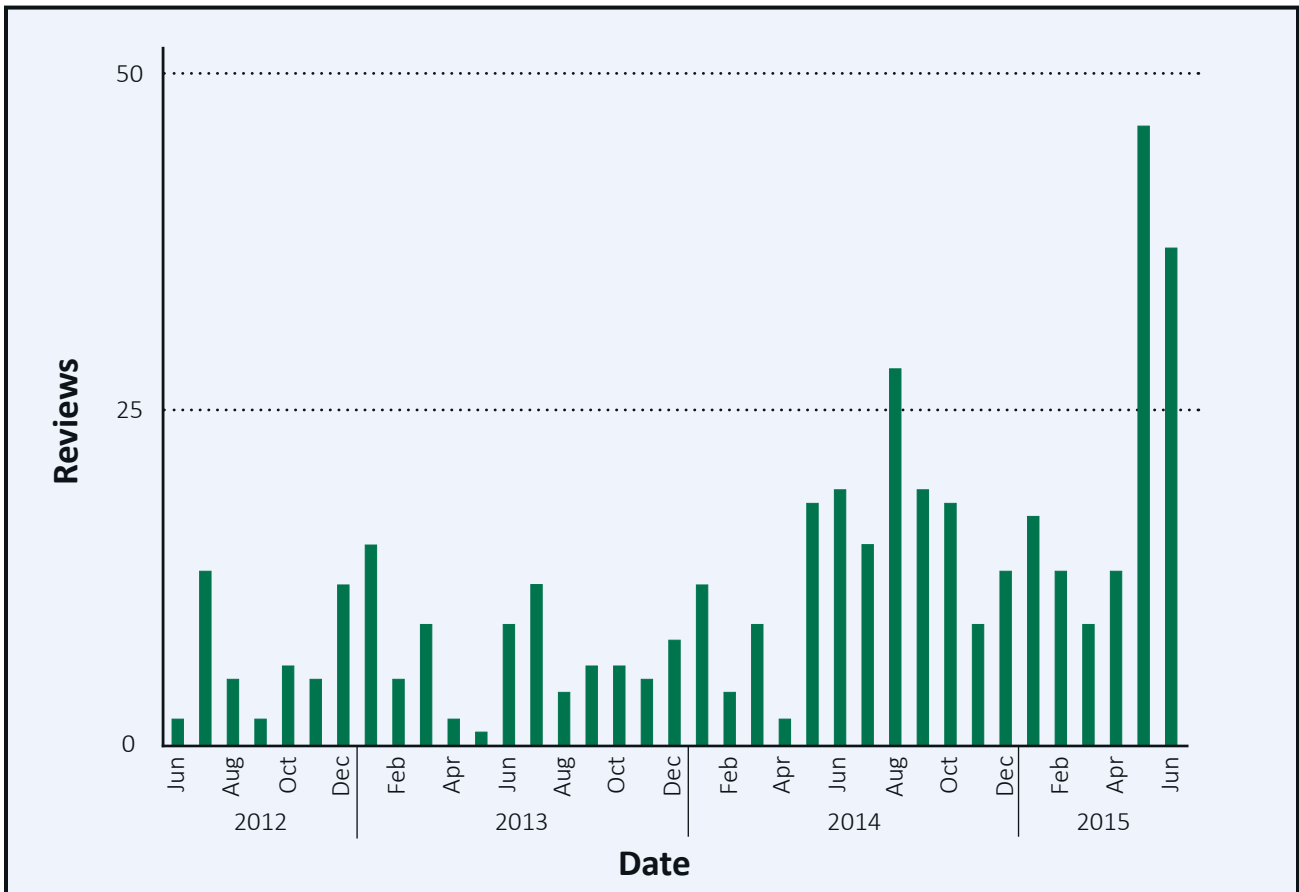


Figure 5: Airbnb Reviews for Entire Home Listings in Bushrod, from June 2012 to June 2015. (Source: Webscrape of Airbnb website prepared by Murray Cox, June 2015)

Oakland's Affordability Crisis

Oakland rents have risen dramatically in the last few years, making it the 5th most expensive rental market in the country. The average price for a 1 Bedroom apartment rental has risen to \$2160.²² Oakland's Housing Element states that the City will need to build at least 14,765 new housing units between January 2014 and June 2023 in order to meet its fair share of housing needed in the region based on the Association of Bay Area Governments' calculations of Regional Housing Needs Allocation (RHNA). Forty six percent of the nearly 1,554 units the city would need to build annually to meet its housing production goals in the next nine years should be affordable to very low-, low-, and moderate-income households. However, despite the regional urgency to address the housing crisis, state and federal funding for affordable housing has plummeted over the last several decades. With the dissolution of state Redevelopment funds, the exhaustion of the State's Prop 1C funds, and major cuts to federal funding for affordable housing, there are fewer resources available to meet the growing need. If the City is serious about reaching its housing production requirements, then Oakland needs to get resourceful about generating the critical funds for affordable housing.

The improbability of the City being able to meet its RHNA goals is even greater if housing units are being taken off the market to serve tourists.²³ This is one reason why Airbnb's presence in cities with housing shortages has become so problematic. Airbnb creates "a platform that allows landlords to pit tourist dollars against renter dollars."²⁴ Cities are left to find ways to regulate the short term rental market to protect the shrinking supply of housing and raise revenues to invest in the development of new affordable housing.

Current Laws for Hotels and Homeowners

In Oakland, as in other cities, TOT requires that every person (transient) occupying any hotel/motel for any duration of time up to 30 consecutive days pay the tax to the operator at the time the rent for occupancy is paid. The rate is 14% of the rent charged. Hotel/motel operators are responsible for collecting and remitting TOT to the City's Tax Administrator's office and reporting rates and occupancy levels.

The City of Oakland's Planning Code restricts short term rentals and other transient habitation commercial activities to seven days.²⁵ Lodgings greater than seven days are subject to a different of regulations. However, the City of Oakland does not actively

monitor transient habitation commercial activities to ensure that rent-controlled properties are not transformed into permanent short term rentals. While the City does have zoning regulations that restrict hotel/motels from operating in certain residential areas, it is not clear if the City has been monitoring violations of this provision.

Before legitimately entering the short-term rental market, a rental property owner would have to go through several steps in order to obtain a business license from the City of Oakland. They would need to pay a \$61 registration fee with a business license application. The host would then be responsible for paying an annual tax (\$1.80 per \$1,000 for Hotel/Motel businesses) to the City based on the gross earnings in addition to the TOT mentioned above.

According to the City's Finance Department's website, a potential host would first need to obtain a zoning clearance from the Zoning Division, in order to verify that operating a short term rental is legal for a specified area. Scott Miller, Zoning Manager, noted that the City of Oakland's Planning Code prohibits short term rentals and other transient habitation commercial activities of fewer than seven days in most residential zones.²⁶ Lodgings greater than seven days are subject to different regulations. However, the City does not actively monitor transient habitation commercial activities to ensure that properties are not transformed into permanent short term rentals.

How Other Cities are Addressing the Impacts of Short Term Rentals

Cities are tackling the explosion of the short term rental industry in a couple of ways. Some, like San Francisco, are trying to regulate the market with restrictions on how many nights a unit can be rented, requiring a host to be present, and other restrictions. Los Angeles, San Jose, Santa Monica, and several others are securing revenues generated by Transient Occupancy Tax. A couple of those cities – Los Angeles and Portland – are citing the nexus between the short term rental businesses and the housing affordability crisis in efforts to designate TOT revenues collected to their affordable housing funds.

Airbnb is using its financial and political muscle to fight all efforts at regulation. We just watched its \$8 million success in San Francisco where lobbyists defeated Proposition F's 75 nights per year rental limits and requirements for regular revenue reporting. Airbnb has been particularly adamant about not disclosing

the information required of all hotels about actual occupancy rates, addresses, hosts and revenues. The company insists that it is not subject to TOT and should not be treated as are all other businesses providing transient accommodation. In some cases, they execute contracts with cities that call for payments based on their estimates of TOT, rather than paying the actual TOT. The LAANE report describes how Airbnb uses these contracts as a way to legitimate their business model and their argument that they are not subject to the laws and payments required of hotels. As the LAANE report notes,

“Municipalities have explored a range of regulatory options to address the proliferation of illegal hotels in residential neighborhoods. Consequently every municipality represents a proving ground for Airbnb. Each time a city normalizes the company’s activities, Airbnb becomes a more stable, secure investment.”²⁷

The Airbnb website lists approximately 20 cities, counties, and states around the world where it is collecting some form of TOT from its guests. Missing from this list is the key information about how much of that TOT is actually being remitted to the municipality. As we have shown above, we believe 14% of Airbnb annual revenues in Oakland is somewhere between \$1 million and \$2 million. If in fact the undisclosed Oakland contract is like the ones described in the LAANE report, with Airbnb paying a TOT-alternative payment rather than the actual TOT per short term rental, then Oakland is losing \$500,000 to \$1.5 million per year.

The lack of a requirement for short term rental companies to disclose their occupancy information makes it nearly impossible to enforce regulations. Cities that are experimenting with restrictions on numbers of nights a unit can be rented or proof that hosts are present are finding that the costs of attempted enforcement are higher than whatever they are collecting in payments under their contracts.

Airbnb has a huge stake in maintaining the anonymity of its hosts and listing locations. By not sharing information with municipalities, Airbnb is able to bypass any real enforcement to verify the amount of taxes it is remitting, compliance with local health and safety standards, and whether or not hosts are adhering to limits on nightly rentals already in place. Even before the ballot initiative, San Francisco lawmakers were calling the existing law²⁸ “unenforceable,” claiming that it has no teeth because the city’s Planning Commission simply did not have a method to determine if hosts were present or not present.²⁹

Los Angeles, California

The City of Los Angeles has one of the largest Airbnb markets in the world, with over an estimated 11,400 Airbnb listings in 2014. Los Angeles is also experiencing a tremendous housing crisis and cannot afford to lose units. The City’s most recent analysis indicates the need for 5,300 new units/year in order to keep up with demand. In his 2015 State of the City address, Mayor Eric Garcetti committed to negotiating a TOT contract with Airbnb and injecting \$5 million from those revenues into the City’s Affordable Housing Trust Fund.³⁰ The Los Angeles City Council approved the \$5 million allocation for the Affordable Housing Trust Fund, for the 2015-16 Fiscal Year.³¹ However, the Council stalled this summer on finalizing the contract with Airbnb as they explore regulatory options, so the disbursement of the housing funds is pending the final contract.

Portland, Oregon

Portland was one of the first cities to negotiate an agreement with Airbnb, creating a special “Accessory Short Term Rental” category in its planning code just to accommodate Airbnb rentals. However, Airbnb and its hosts have not complied with the regulations the company itself promoted, and as has become the norm, the company’s refusal to disclose basic information about host addresses and occupancy has stymied Portland’s efforts to enforce its regulations.³² In 2014, City Council approved a TOT agreement with Airbnb and had preliminary discussions about allocating funds to affordable housing.³³ Two City Commissioners plan to present the measure this winter to allocate their full 6% TOT collected to affordable housing.³⁴ In light of a recent mayoral declaration of a state of emergency for housing and homelessness, City Commissioners are confident the measure will pass.

California State Legislation

A pending bill would provide significant assistance to local governments in California in their efforts to regulate short term rental businesses. SB593 (McGuire) would require all “electronic hosting platforms” such as Airbnb to regularly report the addresses of, nights of use at, and revenues obtained by residences that were leased through the platform. The bill would prohibit these short term rental businesses from offering properties in locations prohibited by local ordinance, and would authorize municipalities to establish fines for violation of this provision. And it would require the business to collect and remit any applicable TOT requested by the municipality. The bill was introduced earlier this year and is currently a 2-year bill. We encourage Oakland to support this bill as it proceeds through the Legislature in 2016.

Recommendations

Airbnb's role in depleting the available housing stock in some of Oakland's most desirable neighborhoods makes it harder for long-term residents and newcomers to find adequate housing near public transportation, job centers, and other valuable neighborhood amenities. By applying funds generated by Transient Occupancy Tax on Airbnb's Oakland bookings to affordable housing, the City of Oakland would help mitigate the adverse effects of the company's presence in City while also generating the necessary funds to meet development goals set out in the Housing Element.

- 1. The City should collect the full 14% TOT from short-term rental businesses in Oakland with a requirement for full disclosure of all rental transactions.** First, City Council should demand disclosure of the terms of the current contract. Upon renewal, the contract should ensure that actual TOT at the full 14% rate, not merely a TOT-alternative payment, is remitted to the City. Airbnb and its competitors must be required to disclose information on rates, occupancy, addresses, like any other hotel business subject to TOT.
- 2. The City should allocate 11% of TOT collected to the City's Housing Trust Fund.** The housing crisis has been well documented. This report demonstrates the clear nexus between the growth in short term rentals and the removal of at least several hundred units from the City's rental housing stock. If the City is going to come anywhere close to producing its RHNA goals, we cannot afford to pass up any opportunity for resources to put toward meeting those production goals.
- 3. The City should enforce existing regulations on short-term rentals such as licensing and business registration, as well as compliance with local zoning laws.** As a start, the City should not be intimidated by Airbnb into failing to enforce its own regulations. Hosts should be required to obtain the licenses and pay the business taxes required of all businesses in Oakland. The City should demand the information from Airbnb necessary to enforce existing laws.
- 4. City Council should support SB593 requiring short term rental companies to make regular reports to cities and counties about short term rentals, for how many nights and how much money hosts are collecting.** The enactment of this law is critical to local government's ability to create and enforce their own regulations and accurate TOT collection.
- 5. The City should study and consider further regulations, such as limiting the number of nights/year an entire unit may be rented.** City staff should conduct research into existing and planned local regulatory efforts in other California cities to devise regulations that would make in Oakland. This is much more likely to be feasible after passage of the SB593.

Endnotes

¹ “Oakland Tourism Has Record Breaking Year.” *Visit Oakland*.

N.p., 6 May 2015. Web. 30 Oct. 2015.

² Samaan, Roy. *Airbnb, Rising Rent, and the Housing Crisis in Los Angeles*. LAANE, A New Economy for All, 2015. Web. 30 Oct. 2015.

³ Demos, Telis. “Airbnb Raises \$1.5 Billion in One of Largest Private Placements.” *Wall Street Journal*, 27 June 2015. *Wall Street Journal*. Web. 2 Nov. 2015.

⁴ Samaan, *Airbnb in Los Angeles*.

⁵ According to the company, AirBnB’s guest service fee commission depends on the subtotal of the reservation: “It’s a steady decline from 12 to 6 percent as the reservation amount increases, so guests can save money when booking large reservations.” The company is not clear on whether this refers to the dollar value, length of stay, or some other factor.

⁶ San Francisco data from Slee, Tom. “The Shape of AirBnB’s Business.” *Whimsley*. N.p., 26 May 2014. Web. 2 Nov. 2015. Los Angeles data from Samaan, Roy. *Airbnb, Rising Rent, and the Housing Crisis in Los Angeles*. LAANE, A New Economy for All, 2015. Web. 30 Oct. 2015. Oakland data from Inside AirBnB Oakland data set.

⁷ City of Oakland Transient Occupancy Tax Requirements.” *City of Oakland Finance and Management Agency/ Revenue Division*. N.p., n.d. Web. 2 Nov. 2015.

⁸ According to the Inside Airbnb website, “Inside Airbnb’s “San Francisco Model” uses a modified methodology as follows:

1. A Review Rate of 50% is used to convert reviews to estimated bookings.
 - Alex Marqusee uses a review rate of 72%, however this is attributed to an unreliable source: Airbnb’s CEO and co-founder Brian Chesky.
 - The Budget and Legislative Analyst’s Office (page 49) also use a value 72% for their review rate, and in addition, introduce a higher impact model using a review rate of 30.5%- based on comparing public data of reviews to the The New York Attorney General’s report on Airbnb released in October 2014.
 - Inside Airbnb analysis found that using a review rate 30.5% is more fact based, however probably not conservative enough, given that the Budget and Legislative Analyst’s Office did not take into account missing reviews because of deleted listings. A review rate of 72% is unverifiable - therefore 50% was chosen as it sits almost

exactly between 72% and 30.5%.

2. An average length of stay is configured for each city, and this, multiplied by the estimated bookings for each listing over a period gives the occupancy rate
 - Where statements have been made about the average length of stay of Airbnb guests for a city, this was used.
 - For example, Airbnb reported 5.5 nights as the average length of stay for guests using Airbnb in San Francisco.
 - Where no public statements were made about average stays, a value of 3 nights per booking was used.
 - If a listing has a higher minimum nights value than the average length of stay, the minimum nights value was used instead.
 - The occupancy rate was capped at 70%- a relatively high, but reasonable number for a highly occupied “hotel”.
 - This controls for situations where an Airbnb host might change their minimum nights during the high season, without the review data having a chance to catch up; or for a listing with a very high review rate.
 - It also ensures that the occupancy model remains conservative.
3. Number of nights booked or available per year for the high availability and frequently rented metrics and filters were generally aligned with a city’s short term rental laws designed to protect residential housing.”

⁹ Ibid

¹⁰ The InsideAirBnB Oakland web scrape includes every review ever given for listings within the City of Oakland since July 2009. One of the drawbacks is that the data does not separate estimated bookings by year- meaning they account for every review ever made in the history of a listing when determining EBN. This obscurity makes it difficult for this report to provide an annual range for revenue estimations based on EBN. Luckily, Inside AirBnB provides a list of individual transactions by listings, which help indicate that the bulk of AirBnB activity in Oakland taking place between 2014 and mid-2015. For instance, there are a total of 16,300 traceable transactions as of June 22, 2015. Nearly two thirds (10,852) of these transactions took place between July 2014 to July of 2015, which shows Oakland’s rapidly growing short term rental market. In addition, eighty percent (917) of the 1,155 identified listings, were last reviewed between July 2014 and July 2015. Combined these two factors suggest that Oakland AirBnB listings are being booked more frequently and recently than they have, by and large, been in previous years.

¹¹ As a reminder, Inside AirBnB’s estimated booking nights also includes reviews from before the mid-2014 to mid-2015 time range. However, because 557 is much lower value than the actu-

al 917 listings that were reviewed between 7/2014-7/2015 and 66% of all reviews occurred within this time range, any over-reporting for estimated booking nights is cancelled out by evidence of overwhelming AirBnB activity in the last year.

¹² Data for San Francisco's highly available AirBnB listings may reflect recent policies on nightly caps for short term rentals, which could explain lower rates of availability.

¹³ Accessed on <http://www.zillow.com/temescal-oakland-ca/home-values/>

¹⁴ Ibid

¹⁵ Accessed on <http://publicpolicy.airbnb.com/new-york-airbnb-community/>

¹⁶ Refer to Appendix for cross-neighborhood analysis chart

¹⁸ For Los Angeles, information accessed from LAANE study, for NYC, information accessed from State Attorney's study

¹⁹ "Airbnb in the City." Office of New York State Attorney General. October 2014. Accessed on <http://www.ag.ny.gov/pdfs/Airbnb%20report.pdf>

²⁰ Accessed on <http://www.urbandisplacement.org/map>

²¹ 2015-2023 Oakland Housing Element. <http://www2.oakland-net.com/oakca1/groups/ceda/documents/report/oak050615.pdf>

²² Zillow Oakland Rentals Price Index <http://www.zillow.com/oakland-ca/home-values/>

²³ "Affordable Housing Cost Study: Analysis of the Factors that Influence the Cost of Building Multi-Family Affordable Housing in California." *Department of Housing and Community Development*. October, 2014. Accessed at <http://www.hcd.ca.gov/housing-policy-development/docs/finalaffordablehousingcost-studyreport-with-coverv2.pdf>

²⁴ Samaan, *Airbnb in Los Angeles*. 16

²⁵ Oakland Planning Code. (Ord. No. 13172, § 3(Exh. A), 7-2-2013; Ord. No. 13064, § 2(Exh. A), 3-15-2011; Ord. No.12939, § 4(Exh. A), 6-16-2009)

²⁶ Conversation with Scott Miller, Zoning Manager for the City of Oakland, on November 17, 2015

²⁷ Furthermore, the LAANE report explains, "AirBnB's financial future will be determined in large part by the company's ability to convince municipal authorities to grant the company legitimacy by establishing a regulatory framework around the company's operations. When we examine the experiences that city regulators have had with AirBnB three themes emerge: 1. AirBnB will offer to remit fees equivalent to local tax rates to cities in exchange for legalization. These fees are not negotiated into any public code, but instead are determined by a contract negotiated between the company and cities in private. AirBnB will not share information allowing cities to verify the accuracy of the payments.⁹⁷ 2. As evidenced in Portland, Oregon, AirBnB's flagship "Shared City," AirBnB will not participate in the enforcement of the model legislation it provided to the City, nor will the company monitor its listings for compliance.⁹⁸ 3. The majority of AirBnB hosts will not comply with any licensing or permitting systems.⁹⁹ AirBnB will not modify its listings to require hosts to display their permit numbers, nor will it voluntarily turn over the addresses of unlicensed hosts to regulatory agencies. This refusal extends to providing addresses so that cities can conduct basic safety inspections to ensure the health and well being of AirBnB's own community of hosts and guests.¹⁰⁰"

²⁸ Under the current law, residents in San Francisco are allowed to rent out their properties an unlimited amount of days if the host is present, while there is a 90-day cap on un-hosted rentals.

²⁹ Steinmetz, Katy. "San Francisco Lawmakers Propose Tougher Restrictions on Airbnb Rentals." *TIME*. Web. 6 Nov. 2015. Accessed at <http://time.com/3757094/san-francisco-airbnb-law/>

³⁰ Huang, Josie. "Los Angeles City Council panel calls for comprehensive plan to regulate short-term rental sites like Airbnb." *Southern California Public Radio*. 4 Aug. 2015. Web. Accessed on <http://www.scp.org/news/2015/08/04/53542/la-panel-puts-off-plan-to-tax-airbnb/>

³¹ Conversation with Ashley Atkinson, Planning and Housing Specialist for the Office of Mayor Eric Garcetti, on June 19, 2015

³² Njus, Elliot "Airbnb, Acting as Portland's Lodging Tax Collector, Won't Hand over User Names or Addresses." *Oregonlive*. The Portland Oregonian, 21 July 2014. Web.

³³ Conversation with Office of Commissioner Dan Saltzman on April 3, 2015.

³⁴ Conversation with Office of Commissioner Dan Saltzman on October 6, 2015.

