

Communication from Public

Name: Fred Sutton
Date Submitted: 10/17/2023 01:38 PM
Council File No: 14-1635-S10
Comments for Public Posting: Attached, please find a letter from the California Apartment Association regarding this matter.



California Apartment Association
Los Angeles County
4401 Atlantic Ave. Suite 200
Long Beach, CA 90807

October 17, 2023

Honorable Chair Raman
City of Los Angeles
VIA Email

**RE: Agenda Item: 14 - 14-1635-S10
Short Term Rental Ordinance Enforcement**

Dear Chair Raman and Committee Members,

As part of the short-term rental program implementation in 2019, a housing provider “opt-out” portal was created. This mechanism was intended to prohibit Home-Sharing Registration issuance and block any future Home-Sharing Registration ability.

Although there has been progress, we continue to receive reports that housing providers are combating illegal short-term rentals in their communities despite submitting their properties to the prohibition list. Tenants in apartments who list with short-term rental websites can create safety issues for their neighbors and the community. Short-term guests have had no screening or background checks, and keys or gate codes are given out by the listing tenant to strangers.

As the city reviews its enforcement mechanisms, we respectfully request:

- The multi-family prohibition list and its correlating enforcement procedures be further reviewed for effectiveness. Registration should not be granted, and platforms should be held responsible for any illegal activity at these sites.
- Any monetary fine or other enforcement action for illegally engaging in a short-term rental on these properties or explicitly prohibited locations should be incurred by the aggrieving party and short-term rental platform. A property owner should not be fined in these circumstances as no platform should be listing at these locations.

We must protect the housing provider’s ability to operate their communities and prohibit the circumnavigation of a lease agreement. Although lease agreements are the primary protection for communities, they can be time consuming and expensive to enforce. Property owners should not be penalized for activities they are trying to stop and where a listing should already be prohibited.

Thank you for your consideration.

A handwritten signature in black ink, appearing to read 'Frederick Sutton'. The signature is written in a cursive, flowing style.

Frederick Sutton
Vice President, Public Affairs
California Apartment Association
424.307.1378

Communication from Public

Name: Logan A

Date Submitted: 10/17/2023 03:42 PM

Council File No: 14-1635-S10

Comments for Public Posting: Do not interfere with tax paying residents' right to homesharing in order to make ends meet. Los Angeles has much bigger problems than going after homeowners who are trying to make ends meet during these trying times.

Communication from Public

Name: Ted Dhanik

Date Submitted: 10/17/2023 04:01 PM

Council File No: 14-1635-S10

Comments for Public Posting: If this extended permit is repealed, I will lose my home - I will have to foreclose it. My income has not recovered since the pandemic and being able to rent my house the way I have has allowed me to sustain. Do not repeal the extended permit, this move will cause me the file bankruptcy and lose my home, which I've owned since 2007! I have had zero complaints about my rental, all neighbors are happy and no issues. Please do not repeal the extended home sharing permit!

Communication from Public

Name: Mark

Date Submitted: 10/17/2023 04:26 PM

Council File No: 14-1635-S10

Comments for Public Posting: I am a homeowner in Venice and have been renting my rooms on Airbnb for 9 years now to help make ends meet and stay abreast in the expensive city. As a freelance designer and Instructor my work is up and down, and Airbnb helps me make extra money without having to live with some random person that I might not mesh with. Im 55, I don't want a roommate, but I need extra money and enjoy hosting people for short bursts from all over the world. Bring single it helps me maintain my home and helps maintain my health by having people to chat with, share dinners with. Without the extension permit I wont be able to rent my hoke more then 3 months... id have to sell my hoke without the extra income. Please don't end the extension... I really rely on this money. I'm struggling... please I beg you. It helps me in so many ways

Communication from Public

Name: Edward Colman
Date Submitted: 10/17/2023 11:13 PM
Council File No: 14-1635-S10

Comments for Public Posting: It's Déjà vu all over again. When the City Council debated the original Home Sharing Ordinance, we explained why the 120-day restriction would have disastrous effects on thousands of Hosts in L.A. After 4 years of public comment, emails, and meetings, Hosts were able to secure a process whereby we could host year-round under an Extended Home-Sharing permit. Now, you are threatening to abolish Extended Home Sharing EVEN THOUGH it would have the same catastrophic effects it would have had 5 years ago. Eliminating extended home-sharing won't solve the homeless crisis. However, restricting Hosts to 120 days could actually INCREASE homelessness as MANY Hosts would no longer be able to afford to live in their homes. I personally know two former Hosts who could no longer afford to live in their homes of many years, had to sell their homes and left L.A. due to the draconian restrictions of the existing ordinance. Do we really have to explain this again? My wife and I home-share a guest room in our home. We applied for and were granted a home-sharing permit in 2019 when the program began. We renew our extended permit every year. We are retired and live on a fixed income. We depend on the money from our guest room to help us make ends meet throughout the year. Our expenses don't stop after 120 days. Yes, there are still many "hosts" who flaunt the law and continue renting illegal short-term rentals, we are not one of them, nor are the thousands of responsible Hosts who abide by the law. Don't punish them because bad actors don't. Punish them, not us. Please protect LEGAL extended home-sharing, and stop threatening law-abiding Hosts with the loss of livelihood.

Communication from Public

Name: Susan thompson

Date Submitted: 10/17/2023 11:50 PM

Council File No: 14-1635-S10

Comments for Public Posting: Hello, I am an artist and small business owner who is literally able to survive due to the Airbnb business. Given the strike for the entertainment industry, this income has been my saving grace. Without it I would be financially in deep trouble. Please keep the small business owners in business in LA. The hotel industry is corporate and not affected by other shifts in the same way as small businesses and artists. Please consider our contribution to the larger community in LA. Also, there are not many - not any really - affordable hotels where I have my Airbnb. Thank you, Susan

Communication from Public

Name: E.MF

Date Submitted: 10/18/2023 05:49 AM

Council File No: 14-1635-S10

Comments for Public Posting: Not only has this been a dream to host and give tourists a unique and non-hotel experience (which is often NOT a good experience for tourists and why AIRBNB is a great way to increase tourist revenues and taxes paid to the city by serving an unmet population who would never come here unless they could airbnb) I depend on airbnb as my sole platform to supplement my income and allow me to thrive in a way that also builds my property and neighborhood. it not only touches how I am able to give that money back into my local community by hiring local people to clean and repair and bring more beautifying upgrades to my neighborhood as I get more income, but also helps me make ends meet and stay afloat in this difficult time. Removing the 120 extension would be catastrohpic and I fear allow others who are technically savvy to rent illegally despite the changes and make it impossossible for the city to regulate and keep people safe, it would also increase scams and problems. AIRBNB is a fair and equitable way to serve an unmet need, keep tourists safe (as well as hosts) and allow for income to the city that would otherwise not get these patrons and they would go to other cities where these unique and cute expereinces were.

Communication from Public

Name: E.MF

Date Submitted: 10/18/2023 05:50 AM

Council File No: 14-1635-S10

Comments for Public Posting: Not only has this been a dream to host and give tourists a unique and non-hotel experience (which is often NOT a good experience for tourists and why AIRBNB is a great way to increase tourist revenues and taxes paid to the city by serving an unmet population who would never come here unless they could airbnb) I depend on airbnb as my sole platform to supplement my income and allow me to thrive in a way that also builds my property and neighborhood. it not only touches how I am able to give that money back into my local community by hiring local people to clean and repair and bring more beautifying upgrades to my neighborhood as I get more income, but also helps me make ends meet and stay afloat in this difficult time. Removing the 120 extension would be catastrohpic and I fear allow others who are technically savvy to rent illegally despite the changes and make it impossossible for the city to regulate and keep people safe, it would also increase scams and problems. AIRBNB is a fair and equitable way to serve an unmet need, keep tourists safe (as well as hosts) and allow for income to the city that would otherwise not get these patrons and they would go to other cities where these unique and cute expereinces were.

Communication from Public

Name: Kim

Date Submitted: 10/18/2023 06:13 AM

Council File No: 14-1635-S10

Comments for Public Posting: We have been hosting our home for 7 years and it is how we can afford to pay the mortgage. Our cleaner recently bought her first car (she's in her 40s) due to the extra income from STR cleanings. Please don't jeopardize this important source of income. We rent mostly to locals and their families visiting from out of state. Thanks for your consideration.

Communication from Public

Name: Mathew Teaney
Date Submitted: 10/18/2023 08:55 AM
Council File No: 14-1635-S10

Comments for Public Posting: The extended stay permit allows me to stay in my home. With inflation and continuing price jumps for everything the extended stay permit has been a God send to me and my family. If this permit is eliminated, I would be in trouble economically and would be in danger of foreclosing on my home, which would ironically enough make me homeless, which is what you (and this meeting) is trying to quell.

Communication from Public

Name: Cassandra Rodeiro

Date Submitted: 10/18/2023 08:58 AM

Council File No: 14-1635-S10

Comments for Public Posting: I am a strong advocate for the extended stay permit. This permit has allowed me to not have to sell my home and move into a more “creative” situation, my ch like the ones the city is battling right now with the unhoused and countless RV’s parked on the streets. Eliminating the extended stay program would increase the unhoused problems in LA.

Communication from Public

Name: Angel Perez

Date Submitted: 10/18/2023 10:00 AM

Council File No: 14-1635-S10

Comments for Public Posting: I do NOT support any changes to the short term rental regulations. The solution to homeless will be building more multi-unit properties, not adding new regulations to a very tiny percentage of private single-family homes that take away individuals' jobs and income. If you continue with this regulations, you will be adding more people without any job because me and my family actually depend of the cleanings of the short term houses rentals.

Communication from Public

Name: Charles Martinez

Date Submitted: 10/18/2023 10:18 AM

Council File No: 14-1635-S10

Comments for Public Posting: I would respectfully ask the City Council to continue legal and licensed extended year round home sharing with legitimate booking firms such as Airbnb and VRBO. Home sharing income has allowed us to keep our home in this ever increasing high inflation environment. Without home sharing, I would be forced to sell my home. We work very hard to ensure our guests are quiet and obey all city ordinances, and are respectful to our neighbors. Thank you for your kind consideration. Charles Martinez
Homeowner Los Angeles, CA

Communication from Public

Name: Jennie hyon

Date Submitted: 10/18/2023 11:02 AM

Council File No: 14-1635-S10

Comments for Public Posting: Dear City Council My name is Jenn, and I hope this letter finds you well. Unfortunately, due to my physical limitations, I am unable to attend the upcoming meeting in person, but I wish to express my sincere support for short-term extended home sharing, specifically Airbnb, and its positive impact on my life and that of my family. I am writing on behalf of myself, as a disabled individual, and my retired senior citizen parents, who rely on Airbnb as our primary source of income. In our pursuit of financial independence and a sustainable means of livelihood, we invested our last savings to construct a new home on our property exclusively for short-term extended rentals. This guest house has become our sole source of income, and it plays an indispensable role in our quest to maintain an independent and self-sufficient lifestyle. It is crucial to emphasize that we are not property magnates with multiple holdings, nor do we engage in short-term rentals as a supplementary endeavor. The single guest house we have created serves as our lifeline, enabling us to make ends meet, albeit modestly. To discontinue this service would have catastrophic consequences for our way of life, potentially stripping us of our financial autonomy and severely hampering our ability to support ourselves and our family. I kindly implore you and all relevant council members to earnestly consider the impact of short-term home sharing on individuals like myself and the many residents of Los Angeles County who depend on it for their economic well-being. It is not merely a means of generating income; it represents the hope for a better and more self-sufficient life, especially for those facing physical challenges or economic uncertainties. In closing, I would like to express my gratitude for your attention to this matter. I trust that you will give thoughtful consideration to the voices of citizens like me who rely on short-term home sharing as a lifeline. I hope that Los Angeles County continues to support this invaluable service, ensuring that people like us can strive for independence and a brighter future. Thank you for your time and understanding. Your citizen of LA county Jenn

Communication from Public

Name: Rosa Hernández
Date Submitted: 10/18/2023 11:19 AM
Council File No: 14-1635-S10
Comments for Public Posting: No estoy de acuerdo con cambios y regulaciones que quieren aplicar, por qué muchas familias dependen de éste trabajo

Communication from Public

Name: Chris Castro
Date Submitted: 10/18/2023 12:00 PM
Council File No: 14-1635-S10
Comments for Public Posting: PLEASE PLEASE PLEASE live Airbnb and STR regulations as there are! Without being able to rent out my place on an extended permit 365 I would lose my house!

Communication from Public

Name: Stephany Chen

Date Submitted: 10/18/2023 12:02 PM

Council File No: 14-1635-S10

Comments for Public Posting: Dear council member, My husband and I both work on a 1099 basis and rely on commission-based jobs, which can be challenging in the current economic climate. In 2021, we made the investment of purchasing our home in West Adams, Los Angeles. To cope with the high cost of our mortgage and utilities, we have been renting out a room on Airbnb. The income from short-term rentals has been crucial for us, as without it, we would struggle to cover our expenses. It's important to note that we are diligent in adhering to all city regulations and prioritize the safety and security of our guests. We ensure that all our guests are aware of and comply with the city's rules, and we take care to maintain a respectful environment for our neighbors. We kindly request your support in allowing us to continue home sharing so that we can afford to keep our home. Your consideration of our situation would be greatly appreciated. Sincerely, Stephany

Communication from Public

Name: Fred

Date Submitted: 10/18/2023 12:02 PM

Council File No: 14-1635-S10

Comments for Public Posting: The city was not transparent about their intentions when homeowners convert a space into an ADU. If I would have known the restrictions put in place for how I rent that space and the rent control put in place not to mention how I can rent my main residence, I wouldn't have moved forward. This does not make me inclined to rent but seek alternatives as the new rules tend to be draconian for homeowners just looking to earn additional income. It appears the new rules are creating a black market for rentals and this unregulated activity is sure to increase fraud for both the homeowners and the public looking for housing. I support Los Angeles regulating AirBNB but oppose a ban for any ADU properties that want to use that for short term rentals. We paid the permits and have done everything by the book- let us use OUR property the way we choose.

Communication from Public

Name: Steve Hirsh

Date Submitted: 10/18/2023 12:39 PM

Council File No: 14-1635-S10

Comments for Public Posting: My wife and I are both seniors who have lived in our Eagle Rock home for 38 years. Despite the excessive registration fees; particularly the extended registration, we absolutely depend on the income generated from our short-term rentals to keep our home. I refer to the extended registration fee as excessive because it's too high in comparison to other businesses and our understanding is this fee is for maintaining the City department that monitors the hosts. Our opinion is that the extended registration fees alone accounts for tens of millions of dollars for the operation of this department and so far, "customer service" has been horrible. We have an issue that's hopefully being resolved now, but communication (and results), have been slow and insufficient to fix our issue when it would have been simple but, now requiring us to start from scratch with a new registration. This "snag" has created an interruption in our business creating a great deal of stress and loss of income. One indicator that the department is underachieving is that their email's autoresponder states the department needs 20 days to approve new listings. Additional is that no one returns calls, callers can only leave voice mail (never getting through to anyone by phone), and emails responses are slow to none (other than autoreplys). Leaving us to wonder what are we getting for the high fees which just underwent a "cost of living" increase. We know that our Airbnb in particular has been a very good thing for the City of L.A. We pay high registration fees annually, we are responsible for a 14% transient occupancy tax and a \$3.10 junk fee (per day rental fee), above the business our guests bring to local businesses for meals, transportation, tourism and various shopping. My wife and I are not unique in this respect. Short-term rentals are a good, positive thing for hosts as well as the City in many ways and in our opinion should be appreciated as such. Which is to say, not being abusive. Examples of abuse are restricting extended registration in any way, increasing fees and maintaining the City department that monitors hosts insufficiently.

Communication from Public

Name: James Roncal

Date Submitted: 10/18/2023 12:45 PM

Council File No: 14-1635-S10

Comments for Public Posting: We are and have been in compliance with LA City's Homesharing Ordinance. As a native Angeleno, born and raised, I agree there has to be regulation of the short term rentals as I have seen whole apartment complexes bought up by outside investors and turned into Airbnb's. That was not the intent of Airbnb. We purchased our home here in Hollywood back in 2016. As inflation and cost of everything has gone up, we rely on Airbnb'ing our guesthouse (a granny flat on top of our garage) to pay the mortgage and keep afloat. We pay both annual Homesharing registration fees (regular and extended) which total over \$1,200 plus the per night Homesharing fee and the 14% occupancy tax. That's a lot of money going to the city from folk that are compliant that are just a trying to survive in this city that is our home. The answer is better enforcement of the regulations rather repealing it (in reference to the extended home sharing permit that allows us to share our home for more that 120 nights a year) because of some bad actors' noncompliance. The folks that don't care about the rules now probably won't care about the rules when they change but it would affect us that do comply with the rules and pay our fees and taxes. Do not adopt the recommendation in the recently released report by the LA City Planning Department to repeal the extended home sharing permit. Instead, enforce it. It will allow us homeowners (not corporations or investors) to continue to try and stay afloat and generate income via Occupancy taxes to the city.

Communication from Public

Name: ethan prochnik

Date Submitted: 10/18/2023 12:54 PM

Council File No: 14-1635-S10

Comments for Public Posting: Dear Council and council members, The ability to rent more than 120 days a year on airbnb is a life support for myself and my autistic child. I live in the home where I rent a granny flat. My employment options are limited due to the extra care and attention I need to give to my Autistic/ dyslexic child. I am not someone who runs multiple units. But I truly need to rent more than 120 nights a year. I am truly hoping you vote to allow me and others like me to continue to pay my fee to the city and rent year around. I only rent through airbnb. Thank you for taking the time to read this. Most Sincerely, Ethan Prochnik

Communication from Public

Name: Jennifer Bankston

Date Submitted: 10/18/2023 12:55 PM

Council File No: 14-1635-S10

Comments for Public Posting: Please allow responsible hosts like myself to continue to host via Airbnb with an extended permit. I am a teacher and single mother of two boys. Without the additional income, I would not be able to afford to stay in my home. I just have one listing and all of my permits are up to date. Please allow responsible hosts to continue. Thank you.

Communication from Public

Name: Jordan Crane

Date Submitted: 10/18/2023 02:26 PM

Council File No: 14-1635-S10

Comments for Public Posting: I am a homeowner in Silverlake, 90026. I am a freelance graphic designer, and my partner is a doctor. Even with our combined incomes we are barely able to service the debt that we incurred both purchasing our house and then repairing it over the course of 15 years. I use Airbnb to rent a portion of our house, and this additional income allows us to meet our financial burden. Especially important is the extended home share permit - without the ability to rent year round, the cost of owning a home in Los Angeles is too much - we work full time and it's still necessary to have the ability to rent our space year - round. Please keep ACTUAL homeowners in mind when setting policy - too much of Los Angeles has been sold to corporate owners. Thank you,
Jordan Crane

Communication from Public

Name: Gerald White

Date Submitted: 10/18/2023 03:25 PM

Council File No: 14-1635-S10

Comments for Public Posting: Renting part of my home for Airbnb has allowed me to stay in my home and support my family. I have adhered to all of the local and state rules as well as Airbnb guidelines. I have a 5 star rating and keep a quiet, safe and clean stay for my guests. Again, due to LA's prices both real estate and utilities, this helps to soften the load with the high expenses of CA. Please allow us to continue to rent to short term guests. This has been a life saver.

Communication from Public

Name: Laura

Date Submitted: 10/18/2023 04:21 PM

Council File No: 14-1635-S10

Comments for Public Posting: Short term renting has saved my life! I have only been able to work intermittently over the last several years and having the ability to monetize my home has been the only thing that kept me in it. LA is an expensive city and I need all the help I can get. If this goes away I fear I will as well. Not to mention the fact that Airbnb has been an incredible resource for me to meet all sorts of amazing people from all over the world. To penalize all of us in the name of further “solving” homelessness feels crazy. What about protecting the people who are doing everything possible to stay in the city they love?!

Communication from Public

Name: Anthony St. Martin

Date Submitted: 10/18/2023 04:33 PM

Council File No: 14-1635-S10

Comments for Public Posting: Dear City Council, I am a registered AirBnb host in Los Angeles. I discontinued hosting during the Covid crisis and started back up in August of 2023. The evolution of the AirBnb platform was apparent right from the start. Guests have several reviews to help determine their character, they know the ropes, and are much more communicative. I must say that the income we get from renting our lower portion of our home is essential to keeping our house. Costs are mounting it seems each month, and my salary as a Los Angeles Port driver combined with our social security comes up short. We are Super Hosts and are planning to apply for expanded permit for full years rental status - which we had previously. My request is that you not discontinued this expanded permit, which is an important part of our financial plan going forward. Regards, Anthony St. Martin

Communication from Public

Name: jackie adams

Date Submitted: 10/18/2023 04:39 PM

Council File No: 14-1635-S10

Comments for Public Posting: To Whom It May Concern, I am writing to express my support for Airbnb and short-term hosting in our community and to share the significant positive impact it has had, both on my personal financial situation and the welfare of our local city. As a homeowner in our community, I have found Airbnb and short-term hosting to be a valuable source of income that enables me to afford my mortgage and meet the demands of high property tax rates and cost of living. This additional source of revenue has not only relieved the financial burden of homeownership but has also contributed to the stability of the neighborhood, as I am able to maintain my property more effectively. Moreover, Airbnb and short-term hosting play a crucial role in supporting our local city. I have had the pleasure of hosting guests who come to our town for various reasons, including attending shows and events, business-related visits, family gatherings, and tourism. Their presence greatly benefits our local economy through increased patronage of our restaurants, shopping establishments, and tourism services. This additional revenue generated from visiting guests has a direct and positive impact on the livelihoods of countless individuals and businesses in our community. I would like to emphasize that the argument suggesting a connection between repealing Airbnb/ short term extended permits to rent and the issue of homelessness is unfounded in our case. Renting these homes mostly high valued or luxury homes on short-term platforms does not take away any low income housing for homeless people. The permit process alone which is a challenge in itself is another way to keep the properties regulated. The funds collected from occupancy taxes, imposed on short-term rentals, have significantly improved the financial resources of our local government. These additional funds have enabled the city to undertake various initiatives that have positively impacted our community, such as infrastructure improvements, cultural events, and support for local small businesses. In conclusion, Airbnb and short-term hosting have not only been a lifeline for homeowners like me but also a vital support system for our local city. The guests who stay in our community contribute to its vibrancy and economic health by attending events, supporting local businesses, and boosting tourism. I firmly believe that these accommodations provide substantial benefits to both homeowners and the city at

large. I kindly request that our local government continues to recognize and support this valuable industry. Thank you for your attention to this matter. I look forward to continued collaboration and understanding between homeowners, local businesses, and our local government. Sincerely, Jackie Adams

Communication from Public

Name: Robert Vecchio

Date Submitted: 10/18/2023 04:49 PM

Council File No: 14-1635-S10

Comments for Public Posting: Honorable Members of the LA City Council, I write to express my strong opposition to the proposed repeal of the extended home sharing permit, which allows homeowners to rent out their properties for more than 120 days per year. As a responsible homeowner and permit holder who adheres diligently to all city rules and regulations, this change would severely impact my family's financial stability. Many of us have come to rely on the income generated from these rentals to meet our financial obligations. It's not just about supplementary income; for some, it's a critical component of our livelihood. The existing regulations were established to ensure a balanced approach, respecting both the needs of homeowners and the broader interests of our community. It's essential to consider the broader economic implications of this repeal. Many upstanding permit holders like myself have made investments based on the existing regulations. A sudden change could lead not only to personal financial hardship but also to wider economic repercussions as homeowners may struggle to meet mortgage payments or other financial commitments. Furthermore, while I understand and respect the need to address housing concerns and maintain the character of our neighborhoods, penalizing rule-abiding homeowners is not the solution. Instead, I urge the council to consider more targeted measures to address any issues arising from short-term rentals without compromising the financial wellbeing of responsible homeowners. Thank you for your consideration. We rely on you to make decisions that uphold the interests of all residents in our great city. Sincerely, Robert Vecchio Resident in CD 1

Communication from Public

Name: Fred Sutton
Date Submitted: 10/18/2023 05:09 PM
Council File No: 14-1635-S10
Comments for Public Posting: CAA Letter attached



California Apartment Association
Los Angeles County
4401 Atlantic Ave. Suite 200
Long Beach, CA 90807

October 17, 2023

Honorable Chair Raman
City of Los Angeles
VIA Email

**RE: Agenda Item: 14 - 14-1635-S10
Short Term Rental Ordinance Enforcement**

Dear Chair Raman and Committee Members,

As part of the short-term rental program implementation in 2019, a housing provider “opt-out” portal was created. This mechanism was intended to prohibit Home-Sharing Registration issuance and block any future Home-Sharing Registration ability.

Although there has been progress, we continue to receive reports that housing providers are combating illegal short-term rentals in their communities despite submitting their properties to the prohibition list. Tenants in apartments who list with short-term rental websites can create safety issues for their neighbors and the community. Short-term guests have had no screening or background checks, and keys or gate codes are given out by the listing tenant to strangers.

As the city reviews its enforcement mechanisms, we respectfully request:

- The multi-family prohibition list and its correlating enforcement procedures be further reviewed for effectiveness. Registration should not be granted, and platforms should be held responsible for any illegal activity at these sites.
- Any monetary fine or other enforcement action for illegally engaging in a short-term rental on these properties or explicitly prohibited locations should be incurred by the aggrieving party and short-term rental platform. A property owner should not be fined in these circumstances as no platform should be listing at these locations.

We must protect the housing provider’s ability to operate their communities and prohibit the circumnavigation of a lease agreement. Although lease agreements are the primary protection for communities, they can be time consuming and expensive to enforce. Property owners should not be penalized for activities they are trying to stop and where a listing should already be prohibited.

Thank you for your consideration.

A handwritten signature in black ink, appearing to read 'Frederick Sutton', is written in a cursive style. The signature is positioned above the typed name and title of the sender.

Frederick Sutton
Vice President, Public Affairs
California Apartment Association
424.307.1378

Communication from Public

Name: Gadi
Date Submitted: 10/18/2023 05:20 PM
Council File No: 14-1635-S10
Comments for Public Posting: Please stop attempting to prohibit short term rentals and extended home sharing. People have a right to use their property and homes as they wish within reason and short term rentals have minimal impact on the housing shortage in LA or California. The public wants and demands having STRs available. The revenue to LA is very beneficial and banning STR is a mistake! Focus on something more critical please!!

Communication from Public

Name: Georgio

Date Submitted: 10/18/2023 05:40 PM

Council File No: 14-1635-S10

Comments for Public Posting: Hello I am writing this letter on behalf of myself and the people I employ doing short term renting. Since I've been able to rent my home out. I've been able to subsidize my income and help others at the same time. I definitely depend on the additional income to live and not worry about what bill I should pay. It's been a game changer for me and my friends that I employ. As you get older you still want to feel like your contributing not being a burden on society. Short term renting has given me that ability! Thanks for your time.

Communication from Public

Name: James Flynn

Date Submitted: 10/18/2023 05:51 PM

Council File No: 14-1635-S10

Comments for Public Posting: I am writing to express my strong support for Airbnb short-term rentals in our city. As a responsible homeowner and host, I have experienced firsthand the benefits of hosting guests through platforms like Airbnb, and I believe it is crucial for individuals like me to afford our mortgages and sustain our livelihoods. Los Angeles is currently burdened with some of the strictest regulations on short-term rentals in the country, and I kindly request that the LA City Planning Department reconsider the proposed limitations, specifically the maximum of 120 rental days per year. For many homeowners like myself, renting our property through platforms like Airbnb is not only an economic necessity but also a means of sharing the vibrant culture and experiences that Los Angeles has to offer. These rentals allow us to earn income that can be vital for covering mortgage payments, property taxes, and the ever-increasing costs of living in our city. They also enable us to continue contributing to the local economy by supporting small businesses, restaurants, and services that benefit from tourism. The proposed restriction of 120 days a year is, unfortunately, severely limiting for hosts and undermines the potential benefits of short-term rentals. In a city as dynamic and diverse as Los Angeles, visitors come year-round, making it challenging to maintain a stable income with such constraints. I strongly believe that a more flexible approach to the number of rental days would allow hosts like myself to continue contributing positively to our local community while preserving our economic stability. I understand that some concerns may arise regarding the impact of short-term rentals on housing availability and neighborhood dynamics. However, I believe that a thoughtful, balanced approach to regulation can address these concerns without stifling the economic opportunities that platforms like Airbnb provide. I kindly urge the Los Angeles City Planning Department to reevaluate the existing regulations and consider allowing hosts more flexibility. This would enable responsible hosts to continue sharing their homes with visitors while also ensuring that our city thrives economically. Thank you for your time and consideration. I am optimistic that, together, we can find a solution that benefits both the hosts and the broader Los Angeles community. I look forward to your response and any steps the council may take to address this matter.

Communication from Public

Name:

Date Submitted: 10/18/2023 10:39 PM

Council File No: 14-1635-S10

Comments for Public Posting: I am a senior and partially disabled. Like many seniors, I do not have a pension plan and most likely will not be able to collect social security in 7 years as the system may be bankruptcy. Airbnb rental income is my pension plan. Small mom and pop landlords like myself cannot afford to go through a costly eviction process in the extremely pro tenant city where tenants can squat after 30 days. Airbnb hosting is one way to avoid that risk. I would not be able to afford to stay in my home or this city without extended hosting revenue. Please do not take that right away from me and other hosts who need this income stream. If you do, you may be adding to the homelessness crisis.

Communication from Public

Name: Gladia Ricot

Date Submitted: 10/19/2023 12:36 AM

Council File No: 14-1635-S10

Comments for Public Posting: I'm in strong favor of home sharing and would like to request that we are allowed to share for an unlimited number of days per year. Sharing my home on air bnb allows me to keep up with the mortgage payment and annual taxes.

Communication from Public

Name: sharon leventhal

Date Submitted: 10/19/2023 02:45 AM

Council File No: 14-1635-S10

Comments for Public Posting: Please do not do anything to make it harder for homeowners to stay in their homes! The income from being able to offer our home as a short-term rental is essential for us to keep our home. We were hit very hard in the last decade, not only by covid, but by the terminal illnesses and deaths of 5 members of our immediate family. This took a huge toll on our businesses and being able to bring in some income from the shared use of our home makes it possible for us to stay there. We are in our mid-60s, and getting our businesses rolling again in the aftermath of all of this has been very difficult. We take great care in screening our guests to make sure that our guests are families who are respectful of the neighborhood. We take pride in offering a special experience to families visiting LA that enables them to have a closer, shared, experience that a hotel cannot offer. Please don't put the interests of hotels above the interests of long-time Angelenos, who just want to keep their homes. Thank you.

Communication from Public

Name: Arlene

Date Submitted: 10/19/2023 09:46 AM

Council File No: 14-1635-S10

Comments for Public Posting: As a small business owner -i urge the council to allow us to continue hosting The 14% tax Airbnb pay from my listing and all hosts listings , helps the Los Angeles economy What we are able to pay housekeepers for one clean is more than they make in a week at many 9-5 jobs. I have a whole list of local owned businesses that I encourage my guests to visit Many hosts are able to keep their home because of renting out a room. I do not understand why, as home owners, we are being told what we can and can't do with our homes. We pay property tax, the 14% transient tax and income tax and yet the council seeks to limit or eliminate our options. Unless we are operating illegally, or breaking the law-those of us which are following all the city guidelines should not be punished or limited in our capacity to maintain our business

Communication from Public

Name: LISA ANDREA TORRES

Date Submitted: 10/19/2023 09:48 AM

Council File No: 14-1635-S10

Comments for Public Posting: Dear City of LA. There are many dedicated hosts who not only enjoy but are financially dependent on the income we earn from sharing our homes with travelers. If there are those who are doing so without being fully compliant of the Home Sharing guidelines, let them suffer the consequences but please do not penalize those of us who are offering a service to travelers, who like myself are retired and have no other means of income. Thank you for your consideration Lisa A Torres



CITY OF LOS ANGELES

EXTENDED HOME-SHARING REGISTRATION CERTIFICATE

Extended Home-Sharing Registration Number: **HSR21-002241**

Date Issued: **Jan 31, 2023**

Expires On: **Jan 18, 2024**

Host Name(s): **LISA TORRES**

Host Phone: **510-449-7421**

Property Address: **5216 Don Pio Dr, Woodland Hills, CA 91364**

24/7 Local Contact: **LISA TORRES**

Contact Phone: **510-449-7421**

Maximum Occupancy: **10**

Very High Fire Hazard Zone: **Yes**

IMPORTANT: All Hosts are required to provide the Home-Sharing Guest Code of Conduct to all Home-Sharing Guests.

City of Los Angeles – Home-Sharing Unit
Department of City Planning – Development Services Center
201 N. Figueroa Street, 5th Floor
Los Angeles, CA 90012



Phone: (213) 202-5464
24/7 Hotline: (213) 267-7788
planning.home-sharing@lacity.org
planning.lacity.org/HomeSharingOrdinance

The Registered Host(s) have submitted a Home-Sharing Application and the Property Address above has been approved to participate in the Home-Sharing program as outlined in the Department of City Planning's Home-Sharing Ordinance (Ordinance No. 185,931) pursuant to Los Angeles Municipal Code (LAMC) Section 12.22 A.32.

Communication from Public

Name: Sixto Sicilia

Date Submitted: 10/19/2023 10:48 AM

Council File No: 14-1635-S10

Comments for Public Posting: Honorable City Council Members, RE: 14-1635-S10 Are you sitting there trying to tell me that by hosting the space in my house that I am contributing to the homelessness situation in this city? Really? LA City planning says that through something called the Housing Element, they want to OVERBUILD to have 1.4 million available units in Los Angeles (none of single-family, townhomes nor condos for sale). To whom are we catering here? Are we just being opportunists? You are still going to tell me that after you build all of those units and create a housing glut I am still responsible for the homelessness situation for hosting my space? Just stop the STR circus. When are you going to properly staff the Home Sharin Unit staff so we get appropriate responses within an appropriate time frame to make sure that everything in order when we are told to do so, IS in order. This whole circus is ridiculous. Now I find how the city is building a database for public policing. How about a database for us the income generators to access and know when, how, and we the hosts, and you the the City is processing all requirements that need to be met? We get scripted emails and no responses (certainly my experience as to where and IF “things” are in order. I do not care about the Party Houses, you the city, and the reinforcers (such as the police department) need to take care of that nuisance. Why I Airbnb? I spent a Summer in Europe when I was in college, studying overseas. Due to the benevolent nature of the people with whom I came in touch, I expanded. Simply put expanded. I could not afford hotels, so I stayed in people’s homes and learned the true richness of Community. I always swore that If I could do the same I would. AND NOW I AM, by hosting my space in my house to those who want to come to the City of Angels and convive in my love of people and our city. Stop meddling in our private rights, private lives, and individual rights. If you want to go after those that are non-compliant do so yet leave the rest of us alone. I depend on the income of my Airbnb, I love meeting people from all over, and no, due to the nightmares that my neighbor experienced renting one of her bedrooms long-term, I will never do that. She went through a living hell and the city did nothing to protect her. The renter stayed for almost a year and she could not evict them. Not right. I do not support ill behavior, lack of dignity and grace, and first and foremost my serenity. Again,

what and who are we catering to or trying to dismantle here?

Communication from Public

Name: Michael Shoel

Date Submitted: 10/19/2023 12:26 PM

Council File No: 14-1635-S10

Comments for Public Posting: The reference and apparant suggestion to disallowing "extended" home sharing on page 46 of the 57 page document in this file number is scary and would affect the survival of many small businesses and the Los Angeles citizens they employ. Not just people employed to do short term rental related work, but in many cases the independent small businesses that are able to make thier respective payrolls during lean times when the businesses owners are only able to keep the business afloat as a result of the personal income they generate from their homes through short term rental, I am one of many. I am a native Los Angelino. At 62, I am entering my working seniorhood. Homeowner. Self Employed entrepreneur for over 30 years, employ 1 full time and 1 half time person, and contract with several single los angeles based businesses and many more over the years. Over the last several years of economic upheaval affecting my overall income, having a short term rental has gone from being a possible source of retirement funds to insuring that I pay my current mortgage, stay in my home of the last 18 years AND insuring that I am able to keep my other Los Angeles based businesses afloat (Entertainment for over 30 years and Furniture Resale 10 years) and make payroll even if at times that I am unable to take a paycheck myself. While I see much emphasis on the belief that short term rentals affect the availability of long term rentals what isn't well noted is the amount of individuals that are able to maintain their homes and lifestyles and support others from the income generated by their short term rental, one of the few remaining small business opportunities available to individuals without the benefit of massive corporate level funds. I hope that the powers that are reviewing and considering changes will redirect any changes in policy to allocating the hundreds of thousands of dollars that are collected in short term rental taxes (several thousand dollars a year per license) and license fees (over 1K a year per extended license) to better support something that overall works as opposed to taking away one small piece of economic strength available to independent private businesspeople of the city. Currently there is so little staff afforded to the management of this policy that law abiding short term home rental operators cannot speak with or meet with a person to resolve simple questions that end up tying up approvals

and various issues for months without being fully processed. The very brief conversations I have had in the past have been pleasant, but there are not enough people employed to support the process. The lack of using the funds generated from the program to adequately staff the process should not be used as an opportunity to appear as if it is an action to increase long term housing when in reality it would be a false scapegoat action that predominantly would serve to reduce the incomes of a significant group of Los Angeles self-employed citizens and otherwise citizens with a healthy "side hustle", and will do nothing notable in dealing with more significant issues affecting the housing crisis. I'm just one example of someone who is able to continue to live and work in Los Angeles as a result of operating a short term rental that has had no complaints and is better taken care of than it could be without the income it generates.

Communication from Public

Name: Christina Koneazny

Date Submitted: 10/19/2023 01:49 PM

Council File No: 14-1635-S10

Comments for Public Posting: Hello - I am sharing my testimony in reference to the report found that the number of short-term rental listings in the city has significantly declined and notes Airbnb has been a great partner in supporting the City's compliance efforts. I can speak specifically to my own situation -- having just recently (not quite two years ago) purchasing a condo with intention to offer short-term rental listings, effectively and without incident doing so for about three months, and then being notified it is not allowed by my HOA. As stated, short-term rentals support LA's local economy, and enable many residents such as myself to afford to stay in their homes. Specific to my situation, I purchased my condo as a full-time employee of USC who works here in LA for most of the year but with aging parents in Wisconsin and now, post-pandemic, having the beautiful opportunity to do my work remotely for lengths of time, my plan was to have a home in LA but use rental payments to pay for my travel costs when taking care of family. Protocols were somewhat unclear, and I received mixed messages about home-sharing as I was pursuing purchase of my condo unit but was informed that many tenants at my condo complex take advantage of this option to supplement income, and I have spoken to fellow tenants about this. However, this past summer after having shared my home via Airbnb nearly all summer while caring for my parents, which also helped pay for my frequent and expensive flight costs across country several times a year, I was informed that rentals via Airbnb are not allowed, and I was to be fined if I continue to do so. Apparently, a fellow tenant reported me without speaking to me about this. To comply, I have since removed my Airbnb listing and am financially suffering from it, as I must continue to fly back and forth often over the course of the year to assist care of my aging parents as previously mentioned. Ultimately, the inability to share my unit on the secure Airbnb platform to help make ends meet as I was over the summer months has been a become great hardship to me. Additionally, were you to review the Airbnb comments I had from tenants, all had positive experiences and spoke of the convenience of having a "home away from home" in DTLA when here for work or conferences (my condo complex is within a half mile of LA Live)/Crypto/LA Convention Center. I believe we - through Airbnb and other home-sharing can continue to bring commerce

to our city to support our LA economy and the face of DTLA. I humbly urge that there be reconsideration of the policies in the near future to help me, and other LA residents in similar or other even more challenging circumstances. Thanks much for your kind consideration of this request. I would be happy to attend any future board meetings to speak on this matter.

Communication from Public

Name: Samantha Jacober

Date Submitted: 10/17/2023 06:28 PM

Council File No: 14-1635-S10

Comments for Public Posting: We are asking the City of Los Angeles and Unincorporated Los Angeles to DRAW A DISTINCTION between absentee investors, speculators and corporations who are taking advantage of the system, destroying neighborhoods and eating up the housing stock and HONEST, LAW ABIDING HOMEOWNERS who are trying to make ends meet with a short term rental on their property. Do not knock the knees out of young families, new homeowners, the elderly and minorities by prohibiting a legitimate source of income in a time when costs are ever rising. In an age when both parents in a household have to have a source of income, short term rentals are a legitimate way to support and nurture the family unit! Do NOT tear our families apart!!! WE ARE YOUR CONSTITUENTS AND WE DO NOT DESERVE TO BE THREATENED WITH A LOSS OF INCOME IN THE NAME OF AFFORDABLE HOUSING!!!!



OXFORD
ECONOMICS



THE DRIVERS OF HOUSING AFFORDABILITY

An assessment of the role
of short-term rentals

NOVEMBER 2019

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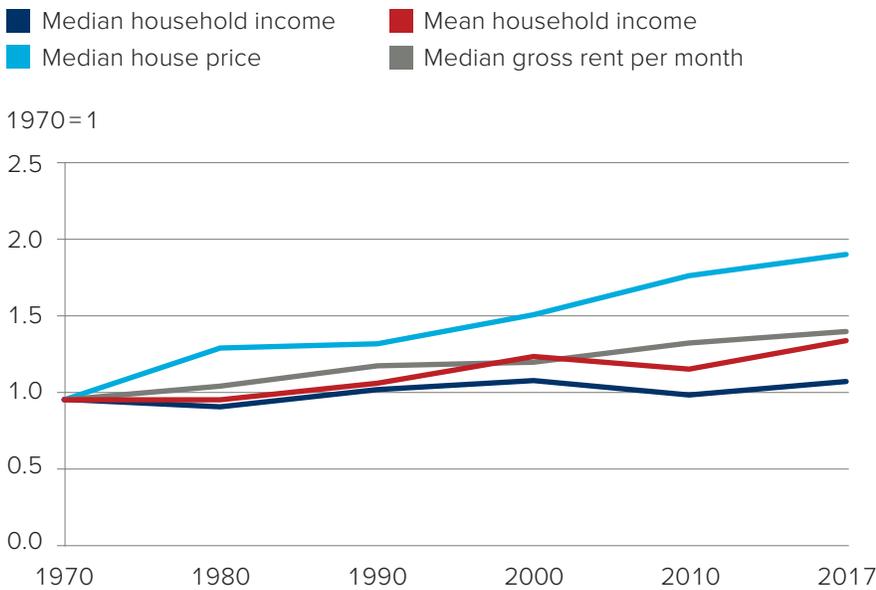
EXECUTIVE SUMMARY

In the past year, **the US-wide affordable housing crisis has consistently made headlines**. Today, some 18 million US households spend more than half their gross income to pay basic accommodation costs.¹

The root causes of the housing crisis can be traced back to changes that significantly pre-date the growth of the short-term rental (STR) market. The rising unaffordability of housing is a long-term trend reflecting four decades during which rental and house prices have grown consistently faster than incomes (Fig. 1). Indeed, Fig. 1 also provides a strong indication of the underlying causes of the problem. While the income of a typical (median) household stagnated between 1970 and 2010, average US household incomes grew strongly, supporting sustained growth in house prices. These trends were the manifestation of the significant increase in income inequality that occurred in the US during this period.

18.2 million
 Number of US households who now spend more than half their income paying basic housing costs.

Fig. 1. Growth rate of median and mean household incomes, median house prices and median gross rent per month, 1970–2017²



Source: 1970–2000 Decennial Censuses, 2010 and 2017 ACS

¹ Joint Center for Housing Studies of Harvard University, “The State of the Nation’s Housing 2019”, 2019.

² It is important to note that rents have been growing faster than incomes over the past decades, as illustrated in Fig. 1. However, over the past few years, incomes have picked up and therefore, during our study period, the real growth in income was greater than that in rents.

“*The shortfall in new homes is keeping the pressure on house prices and rents—eroding affordability, particularly for modest-income households in high-cost markets.*”

—Joint Center for Housing Studies

Recently, public attention has increasingly focused on supply side issues in the market, which have been argued to have exacerbated the current crisis. For example, in a recent study, the Joint Center for Housing Studies concluded that the core of this crisis is a supply issue, with net new housing supply held back mainly by high building costs, zoning restrictions, and labor shortages in the construction sector. On the other hand, other commentators have focused on the role of STRs, as they allegedly reduce the supply of affordable housing by removing properties from the rental market, displacing long-term tenants, and raising the cost of living.

Given this context, Oxford Economics was commissioned by Vrbo to carry out a study to:

- 1) learn the key drivers of increasing house prices and rents; and
- 2) analyze the role played by STRs with regard to housing affordability.

The dynamics of housing markets have been the subject of academic literature for decades, with the general consensus concluding that:

- **rent** is mainly determined by the number of housing units, the number of households, and income levels; while
- **house prices** depend positively on disposable income and demographic growth, and negatively on housing stock and the “user cost of capital”.³

Our study borrows the backbone of its modeling framework from this literature. We also included STR density and a mix of other explanatory variables to answer our second research question.

MODEL FINDINGS

For this study we constructed a comprehensive dataset of all US counties over the period 2014–2018.⁴ The dataset included over 70 variables, ranging from average household income to the number of residential building permits in each county.⁵ We then used this database to build two econometric models, one aimed at determining the drivers of rents, and

³ The user cost of capital includes the mortgage interest payments that an owner has to make, but also annual property taxes, depreciation costs, and any expected capital gain.

⁴ 2014 was the first year covered in the AirDNA database, our data source for STR listings. Listing data were missing for some US counties, so we had to exclude those from our study.

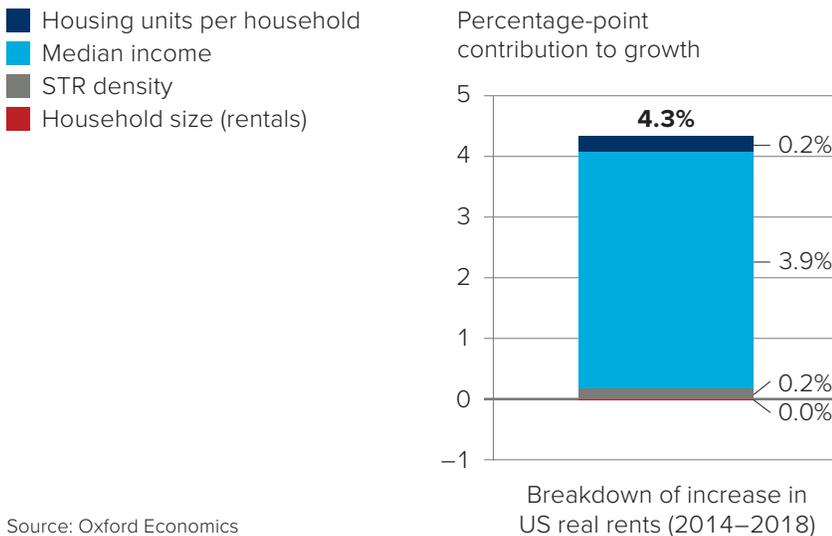
⁵ Building permits represent the number of new privately-owned housing units authorized by building permits in the United States. As shown later in this document, we derive our “permits per household” variable by dividing the number of building permits by the number of households.

the second focusing on house prices. In both models, all variables have the expected effect and are statistically significant—for example:

- Household income is found to have a *positive* impact on both rents and house prices—the greater purchasing power afforded by higher incomes enables households to increase expenditure on housing.
- On the other hand, housing supply is found to have a *negative* impact on rents and house prices—more abundant supply, as defined as a higher number of housing units per household, allows house buyers to shop around more, helping to keep a lid on price growth.⁶

The findings of our rental model, combined with changes in the explanatory variables over the study period, show that the **overwhelming driver of the observed increase in real rental prices during the 2014–18 period was household earnings**. Median income increased by 10.4% in real terms over our study period. We estimate that this growth alone was responsible for around 3.9 percentage points (or 91%) of the overall 4.3% increase in median real rents in this period (see Fig. 2).

Fig. 2. Drivers of the growth in real rents between 2014 and 2018



Source: Oxford Economics

⁶ Housing supply is measured as the number of housing units divided by the number of households in each county. As a result, our housing supply variable is independent of the STR density. For example, if one unit is subtracted from the STR market and added back to the long-term rental market, this will not have any impact on housing stock per household. In other words, the effect of this change would be fully captured by the impact of STR density and would not “double up” as a boost in housing stock.

3.9 percentage points

Estimated increase in real rents attributed to rising household earnings between 2014 and 2018.

The overall increase was 4.3%.

6.8 percentage points

Estimated increase in real house prices attributed to dropping unemployment over the study period.

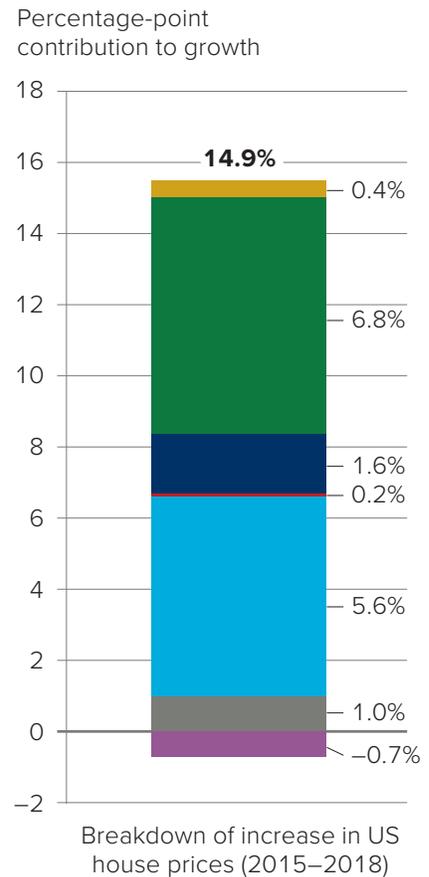


The overall increase was 14.9% between 2015 and 2018.

In our house price model, we found that **the biggest contribution to the growth in house prices came from labor market improvements.** Specifically, the drop in US unemployment over the study period is estimated to have added 6.8 percentage points to US house prices growth (see Fig. 3). Income was another major contributor, adding 5.6 percentage points to house price growth over the study period. We also find that housing supply and building permits had an impact on house prices growth during the period.

Fig. 3. Drivers of growth in US house prices between 2015 and 2018⁷

- Tourism GDP per household
- Unemployment rate
- Housing units per household
- User cost of capital
- Mean income
- STR density
- Permits per household



Source: Oxford Economics

⁷ The inclusion of lagged variables in the house price model implies that their growth between 2014 and 2015 starts affecting prices in 2015–16. For this reason, the contribution analysis for house prices only covers the period 2015–18 and not 2014–18.

THE IMPACT OF SHORT-TERM RENTALS

Our modeling indicates that **the presence of STRs has not substantially driven the US house price and rent increases over the past few years.**

For the period 2014–18, we find that, in the absence of any growth in the number of STRs, real rents would still have grown by 4.1%, as opposed to the actual growth rate of 4.3%. Put another way, **median monthly rents would have been only \$2 lower in 2018** if STRs had remained at their 2014 levels. In the homeowners’ market, the impact attributable to the growth in STR density represents less than a one-percentage-point difference in house prices growth. In other words, we estimate the **average annual mortgage payment would have been \$105 cheaper** if STRs had remained at their 2014 levels.

What do these findings tell us about affordability? To answer this question, we estimated the 2018 median price of a property in the US in a counterfactual scenario where STRs did not grow over the study period. When considering these counterfactual house prices in relation to average household incomes, we found that **the price-to-income ratio would have increased to 2.39 in 2018 in a scenario with no STR growth, as opposed to the actual value of 2.41.**

Interestingly, an extension of our baseline models suggests that, in the long run, **the effect of STRs on both house prices and rents is weaker in highly seasonal areas.**⁸ One explanation for this is that, in vacation markets, homes are less likely to be rented on a long-term basis. In addition, home owners of properties in seasonal destinations have been renting out their properties long before the advent of internet platforms offering STRs (through agencies and brokers) and therefore the value from such rental revenue has long been priced in the value of homes in these localities.

Our findings suggest that adopting stricter regulations on STRs is unlikely to solve the housing affordability crisis faced by many American households, in both the rental and homeowners’ market.

Moreover, it is important to weigh these potentially modest affordability benefits against the associated negative consequences for the local economy, e.g. lower levels of tourist expenditure and tax receipts.

⁸ Short-run effects look at the immediate impact of a variable X over Y. Over time, given the dynamic nature of the housing market, there will be several equilibrating adjustments to the short-run effects, as the economy and people readjust. As a result, the long-run effect of a given variable X over Y is different.

\$2

Estimated reduction in median monthly rent for 2018 if STR density remained at its 2014 level.

\$105

Estimated increase in average annual mortgage payment attributed to growing STR density over the study period.

“ Adopting stricter regulations on STRs is unlikely to solve the housing affordability crisis faced by many American households. ”

1. SCOPE AND STRUCTURE OF THIS REPORT

Oxford Economics was commissioned by Vrbo to carry out a study of housing affordability and short-term rentals. Specifically, our analysis sought to:

- learn the key drivers of house prices and rents;
- analyze the role played by short-term rentals on affordability; and
- establish whether relationships vary across housing market types.

The resulting report begins by introducing the US affordability

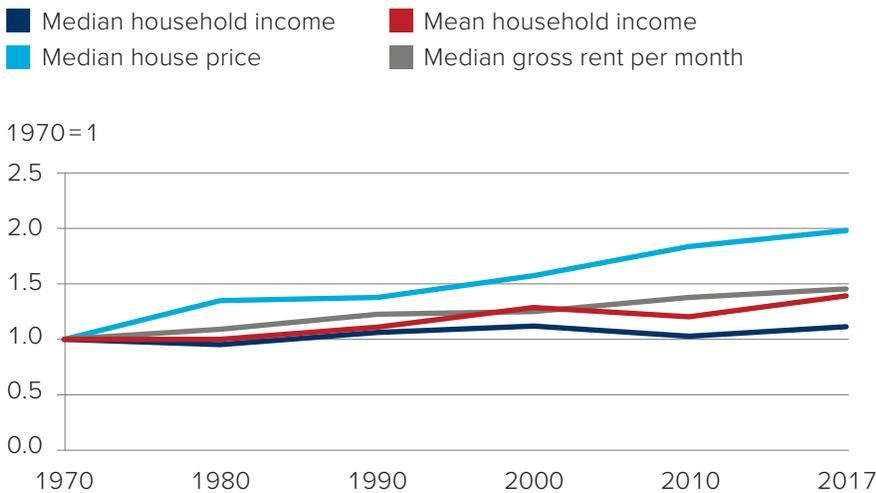
crisis (Chapter 2), before reviewing existing literature on housing and short-term rentals (Chapter 3). First and foremost, this study aims to contribute to the literature on housing market dynamics, as well as adding to the still limited literature studying the effect of short-term rentals on housing markets.

In Chapter 4, we set out a new approach to modeling house prices and rents, based on a panel dataset covering the period 2014–18, with the objective of identifying which variables are statistically significant drivers of prices and rents.

Our results from this approach, set out in Chapter 5, illustrate the sensitivity of house prices and rents to different macroeconomic drivers, including the supply of housing, cost of capital, and household earnings, as well as STR density. Armed with these results, we then calculated the contribution that each macroeconomic driver made to the housing market variable. We find that economic and labor market conditions explain the lion's share of housing market developments during our study period.

2. AMERICA'S AFFORDABLE HOUSING CRISIS

Fig. 4. Growth rate of median and mean household incomes, median house prices and median gross rent per month, 1970–2017⁹



Source: 1970–2000 Decennial Censuses, 2010 and 2017 ACS

Housing is increasingly an issue of public policy concern, as the US faces an affordable housing crisis. For decades, rents have been growing faster than incomes (Fig. 4), and nearly 200 US cities had a median home value of at least \$1 million as of June 2018.¹⁰ After a few years of decline, the

number of people experiencing homelessness has grown again over the past couple of years.¹¹

Theoretical models and the empirical literature on the housing market suggest that, over the long run, house prices depend positively on disposable income

and demographic needs, and negatively on user costs and the housing stock.¹² This last factor in particular has been thoroughly discussed in the policy debate.

Many experts have argued that, at its core, the US housing crisis is a supply issue.¹³ Between 2014 and 2018 (the period covered in our study), 5.1 million new households are estimated to have formed in the US, while net new housing supply was up only 4.1 million.¹⁴ This implies the ratio of housing units-to-households declined between 2014 and 2018.

In the remainder of this chapter, we present snapshots of the affordability issue for renters and homeowners in turn. We then introduce the short-term rental market, the growth of which has created debate among local governments, housing activists, and residents about its impact on the availability of affordable long-term housing.

⁹ It is important to note that rents have been growing faster than incomes over the past decades, as illustrated in Fig. 4. However, over the past few years, incomes have picked up and therefore, during our study period, the real growth in income was greater than that in rents.

¹⁰ Zillow, “List of \$1M (Home Value) Cities Could Grow by 23 in the Next Year”, 9 August 2018.

¹¹ HUD Exchange, “2018 AHAR: Part 1 – PIT Estimates of Homelessness in the U.S.”, December 2018.

¹² A variable X is said to have a positive impact on variable Y when an increase in X is associated with an increase in Y. A variable X is said to have a negative impact on variable Y when an increase in X is associated with a drop in Y. IMF, “Fundamental Drivers of House Prices in Advanced Economies”, *IMF Working Paper*, July 2018.

¹³ Joint Center for Housing Studies of Harvard University, “The State of the Nation’s Housing 2019”, 2019.

¹⁴ These numbers represent the net growth in the two variables. In other words, more than 5.1 million households may have formed over the study period, but at the same time some households may have dissolved. The net household formation was 5.1 million between 2014 and 2018.

WHY CAN'T THE US BUILD ENOUGH HOUSES TO MEET THE DEMAND?

Since 2011, residential housing construction has increased, but not enough to meet demand, according to Freddie Mac. There are various reasons for this.

First, the **housing boom in the early 2000s** produced an excess stock of houses, making builders and creditors more cautious of speculative construction projects that would inflate the housing stock too fast. Another contributing factor is **home building cost**, which encompasses the cost of land and raw materials. The price of raw materials has risen by over 20% since the recession, according to Bureau of Labor Statistics' data.

Laws and regulations such as local **zoning restrictions** on lot sizes, building height, and minimum number of parking spots also increase the cost of building a home, in turn reducing the supply of new houses. The National Association of Home Builders (NAHB) estimates that regulatory costs increased by 29% between 2011 and 2016.

Another reason for the lower level of housing production, relative to the population, is said to be the **shortage of skilled labor** currently faced by the construction industry. The NAHB reports that the number of unfilled jobs in the construction sector reached post-crisis highs in 2018.

2.1. THE RENTAL MARKET

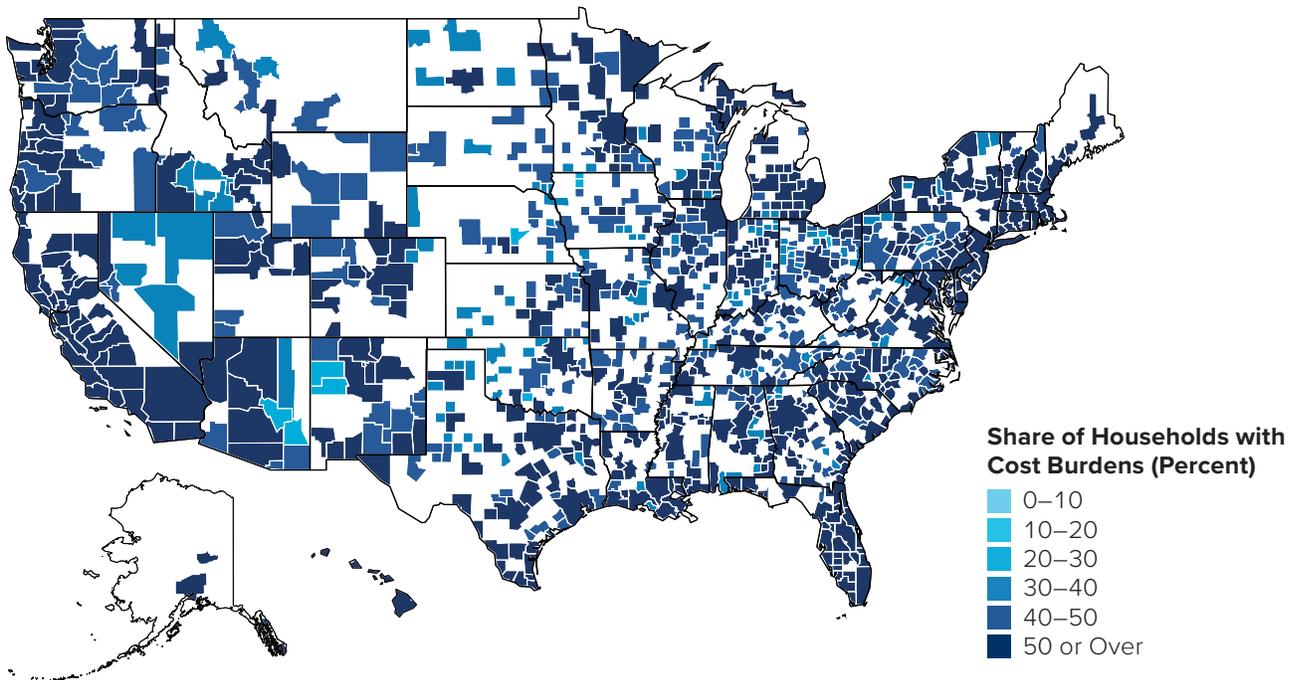
A study by the Joint Center for Housing Studies of Harvard University found that renters appear to be more burdened by housing costs than homeowners, with cost-burdened renters outnumbering cost-burdened homeowners by more than 3.0 million (where cost-burdened is a household paying more than 30% of its gross income for housing).¹⁵ In addition, renters

make up 10.8 million of the 18.2 million severely burdened households that pay more than half of their incomes for housing.

The spread of renter cost burdens is most evident in expensive metropolitan areas such as Los Angeles, New York, San Francisco, and Seattle (see Fig. 5). Not surprisingly, households with the lowest incomes have

the highest cost-burden rates, although such rates are rising rapidly among renters higher up the income scale. The cost-burdened share is highest among African American and Latinx American renters, suggesting minorities are heavily hit by America's housing affordability crisis.

Fig. 5. Share of cost-burdened households, renters



Source: Joint Center for Housing Studies of Harvard University

¹⁵ Joint Center for Housing Studies of Harvard University, "The State of the Nation's Housing 2019", 2019.

2.2. THE HOME-OWNER MARKET

In the owners' market, much lower proportions of households appear cost-burdened.¹⁶ After falling for over a decade, US homeownership rates edged up in both 2017 and 2018, reaching 64.4%. This rebound in homeownership comes amid worsening affordability, with house prices having climbed steadily since the recession. Nationwide, the ratio of median

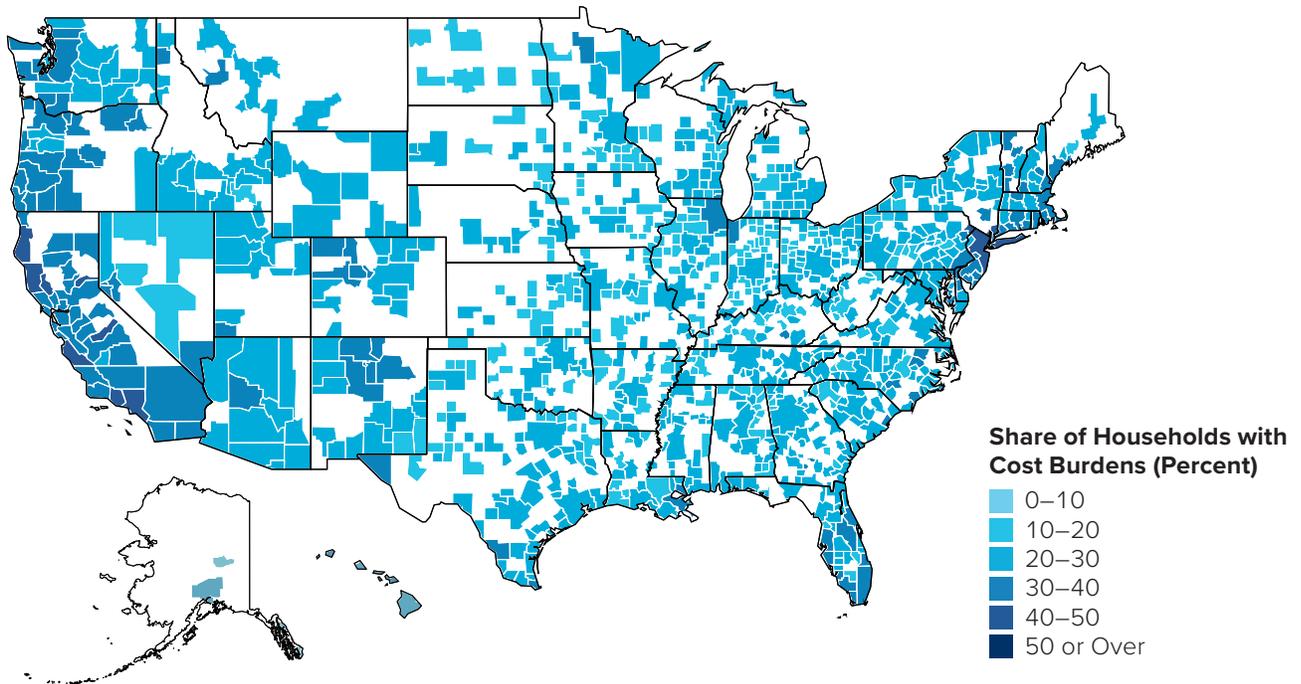
house price to median household income rose sharply from a low of 3.3 in 2011 to 4.1 in 2018, having reached its peak at 4.7 in 2005.

Interestingly, however, cost burdens are improving for homeowners, with the latest American Community Survey reporting the share of cost-burdened households inched down 0.5 percentage point. Much of this progress was among

homeowners, whose overall cost-burden rate declined by nearly 8.0 percentage points in 2010–2017. Its 2017 value was the lowest level since 2000. Among the metropolitan areas characterized by the highest cost-burden shares among owners are Los Angeles, New York, and Miami (Fig. 6).

Even if house prices have made homeownership less accessible

Fig. 6. Share of cost-burdened households, owners



Source: Joint Center for Housing Studies of Harvard University

¹⁶ For homeowners, housing costs include mortgage payments (including interest), taxes and insurance.

for the median US resident, those who are able to move up the housing ladder are less burdened than they used to be a decade ago.

2.3. THE SHORT-TERM RENTAL MARKET

Short-term rentals (STRs) are often cited as intensifiers of the affordability crisis. Increasingly, affordable housing advocates have argued that STRs are displacing long-term tenants and raising their cost of living. Therefore, in the name of protecting affordable long-term housing, several cities are reducing the number and type of housing units that can be offered as short-term rentals.¹⁷ These

include Washington, D.C., New York, Chicago, and San Francisco.

On the other hand, short-term rental advocates argue that the presence of STRs lowers travel costs by increasing the supply of travel accommodation. This in turn attracts a wider pool of visitors, whose spending benefits the local economy, supporting jobs and business creation in the area. In addition, the earnings from renting out their properties are likely to be spent locally, further contributing to the economy. Lastly, tax revenues raised on short-term rental income can be used to fund housing services, as demonstrated by the city of Seattle, which earmarked such revenues to support affordable housing.

¹⁷ The Pew Charitable Trusts, “Cities Tell Airbnb to Make Room for Affordable Housing”, 18 October 2018.

3. THE HOUSING MARKET: AN ANALYSIS OF EXISTING STUDIES

Our study contributes to two key research questions: (i) what are the key drivers of house prices and rents? and (ii) what is the impact of short-term rentals on these variables? Before we introduce our modeling, this chapter presents a review of some of the existing academic literature addressing these questions.

3.1. EXISTING LITERATURE ON HOUSING MARKET DYNAMICS

Housing market dynamics have been widely studied in academic literature for decades. Because this literature is well established, this section does not point to individual studies, but rather takes a meta-analysis approach by reviewing the key drivers of housing market dynamics.

Academic studies of the rental market show that rent is determined by the **number of housing units, the number of households, and income levels.**¹⁸ Similarly, theoretical models and empirical literature on house prices suggest that, over the

long run, house prices depend positively on **disposable income** and **demographic needs**, and negatively on the **housing stock** (undersupply conditions can contribute to housing price gains) and **user cost.**¹⁹

This last factor—user cost—requires further explanation, as it comprises many elements. These include not just the mortgage interest payments that an owner has to make, but also annual property taxes, depreciation costs, and any expected capital gain. Taken all together, and adjusted for expected inflation, these costs are referred to as the real user cost of capital. Multiplying this by the house price gives us the annual user cost of owning and can be understood as the rent equivalent for homeowners.

Housing market equilibrium is described in Fig. 7. When rents and annual user costs of owning are not aligned, markets automatically move toward equilibrium conditions through adjusting demand for housing investments.

Fig. 7. Housing market equilibrium conditions



¹⁸ For example, C. Swan, “Model of Rental and Owner-Occupied Housing”, *Journal of Urban Economics*, 16(2) (1984): 297–316.

¹⁹ For example, IMF, “Fundamental Drivers of House Prices in Advanced Economies”, *IMF Working Paper*, July 2018.

3.1.1. Applications for our study

We borrow the backbone of our modeling framework from the studies referenced above. In particular, we exploit the fact that rents are found to have an impact on house prices and, following the example of other studies, in our house price equation we replace real rent with its main determinants—real income, housing stock, and household numbers.

In addition, a recent Oxford Economics (2016) study of the UK housing market found rising employment was among the main drivers of the boom; we therefore also include labor market conditions as an additional driver.²⁰ Moreover, our price model takes into account the hedonic characteristics of the area, measured by tourism GDP, and supply constraints, measured by building permits per household.

3.2. EXISTING LITERATURE ON SHORT-TERM RENTALS

We are aware of only a handful of academic papers that directly study the effect of short-term rentals on housing costs. There are two main reasons for the dearth of literature. First, the STR phenomenon is relatively recent and therefore a limited amount of data exists. Second, the research question is methodologically challenging, since many cities have become increasingly popular among both locals and tourists in recent years, leading to higher housing prices and a higher number of STR listings. In other words, “popularity” affects both prices and listings positively, as locals and tourists have a preference for living and staying in neighborhoods with high-quality amenities. This “popularity” variable, however, is unobservable, and its omission in the model implies that the impact of STR on prices is biased upwards, as part of the popularity impact gets erroneously captured by STRs.

The study whose methodology most closely aligns with our approach is that of Barron et al. (2018), which assesses the impact of STRs on residential house prices and rents.²¹ The authors, however, fail to control for a number of explanatory variables included in our models. Using a dataset of Airbnb listings from the entire United States and an instrumental variables estimation strategy, they find that a 10% increase in the number of Airbnb listings leads to a 0.39% increase in rents and a 0.65% increase in home values. In Section 5.3.3, we show how our results compare to this study and conclude that our findings show a much smaller impact over our study period.

Most other studies, however, differ from ours (and Barron’s) in two key respects. First, they focus on specific housing markets, rather than looking at US-wide relationships. Secondly, they use sales-level data to determine whether the proximity to STR-intensive areas affects sale prices.

²⁰ Oxford Economics, “Forecasting UK house prices and home ownership”, November 2016.

²¹ Barron, Kyle and Kung, Edward and Proserpio, Davide, “The Effect of Home-Sharing on House Prices and Rents: Evidence from Airbnb”, 29 March 2018. More detail on the instruments used can be found in Fig. 18.

Among these studies, Horn and Merante (2017) use Airbnb listings data from Boston in 2015 and 2016 to study the effect of Airbnb on rental rates.²² Similarly, Sheppard and Udell (2018) present an evaluation of the impacts of Airbnb on residential property values in New York City.²³ A third example is the article by Koster et al. (2019), which studies the effects of STRs in Los Angeles County using a quasi-experimental research design.²⁴ The main findings of these studies, and their main limitations, are summarized in the Appendix.

Another strand of literature provides descriptive analysis of STRs in specific markets. For example, Lee (2016) focuses on the Los Angeles housing market and makes recommendations

on how municipal policymakers can best regulate Airbnb.²⁵ Other articles simply apply coefficients from other authors' analyses to their specific markets to derive estimates of local STR impacts (for example, Wachsmuth et al., 2018).²⁶

3.2.1. Applications for our study

We build upon the studies referenced above to produce a nation-wide estimate of the impact of STRs on the housing market. In particular, this work presents the first econometric estimate that uses comprehensive data from across the US, as well as covering more STR platforms than only Airbnb. This means that we are able to include both owner-occupied home sharing and whole-property STRs. Our

study does not have the objective of challenging existing literature, but rather to provide context for the findings and contribute to the body of work on housing dynamics.

As discussed earlier, one of the challenges in determining the impact of STRs on prices (and rents) relates to the fact that neighborhoods (and cities) tend to become popular with residents and tourists at the same time. In order to try to control for the so-called hedonic features of an area, we have used tourism GDP as a proxy. As an area becomes more popular for residents, bars and restaurants will start to appear, and at the same time hotels will start attracting tourists. Astoria in New York City or Corktown in Detroit are great examples of these popularity bursts.

²² Keren Horn and Mark Merante, "Is home sharing driving up rents? Evidence from Airbnb in Boston", *Journal of Housing Economics*, 38 (2017): 14–24.

²³ Stephen Sheppard and Andrew Udell, "Do Airbnb properties affect house prices?", 1 January 2018.

²⁴ Hans R.A. Koster and Jos van Ommeren and Nicolas Volkhausen, "Short-term rentals and the housing market: Quasi-experimental evidence from Airbnb in Los Angeles", 8 March 2019.

²⁵ Dayne Lee, "How Airbnb Short-Term Rentals Exacerbate Los Angeles's Affordable Housing Crisis: Analysis and Policy Recommendations", 2 February 2016.

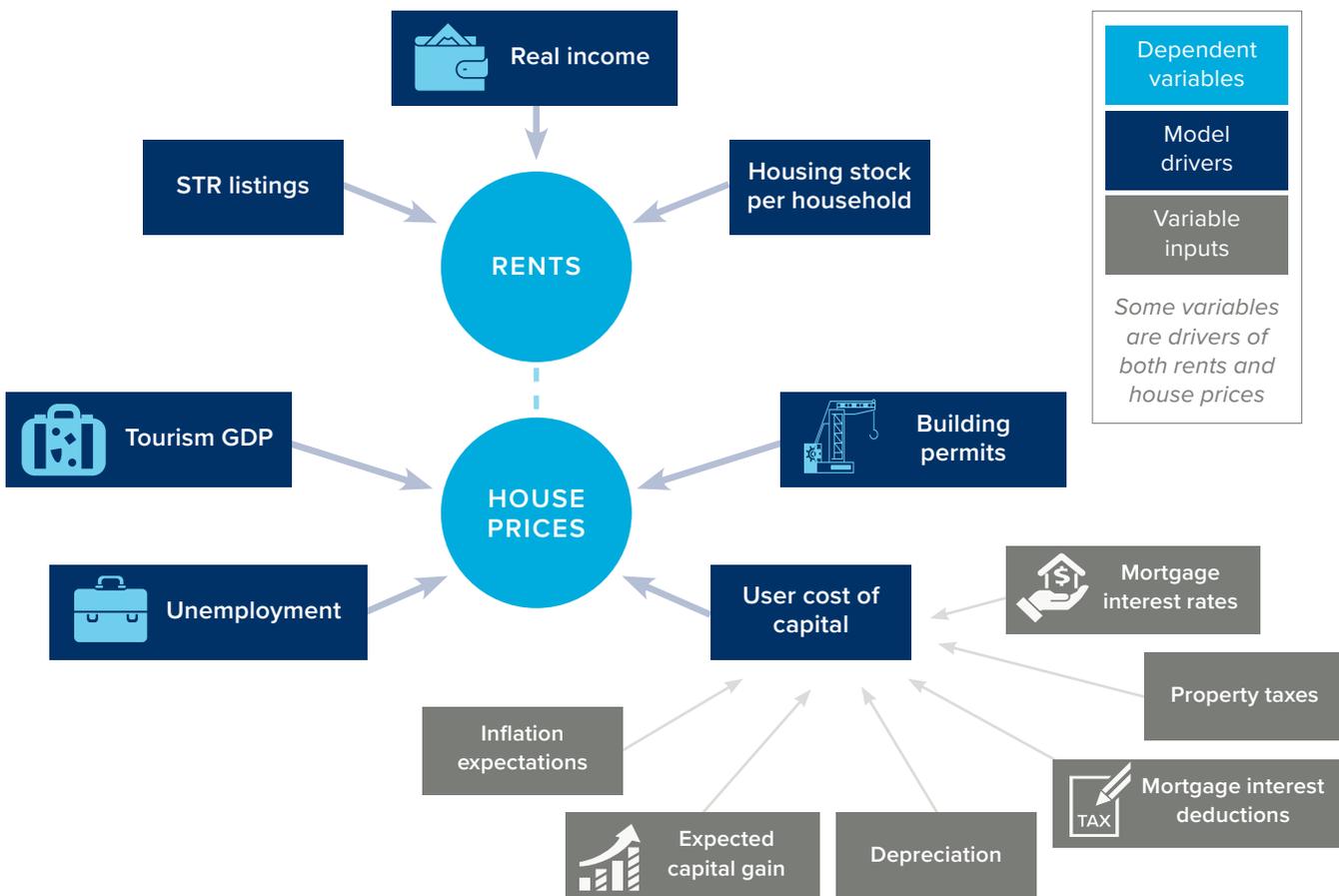
²⁶ Urban Politics and Governance research group - School of Urban Planning - McGill University, "The High Cost of Short-Term Rentals in New York City", 30 January 2018.

4. MODELING APPROACH AND DATA

This chapter sets out our approach to modeling rents and house prices, in the context of the housing market relationships explained in the previous chapter. For this study we constructed a comprehensive dataset of all US counties over the period 2014–2018. The dataset included

over 70 variables, ranging from average household income to the number of residential building permits in each county. This chapter begins by considering how best to model rents, and then moves on to house prices. All the relationships analyzed in this work are illustrated in Fig. 8.

Fig. 8. Drivers of rents and house prices



4.1. THE RENTAL MODEL

In this chapter, we argue that household income, housing stock, and the number of households are the main determinants of residential rent. We do so by analyzing rental prices, STRs and several socio-economic features of over 2,500 counties between 2014 and 2018.²⁷ Each variable is described below in turn.

4.1.1. Median rents

The dependent variable of this first model is real median rent (in logarithmic form, to be more specific). Real rents increased by just over 1% per year over the study period, but they had been flat in the years just before that (Fig. 9). The data were sourced from the American Community Survey (ACS), and the 2018 data point was estimated using historical growth rates.

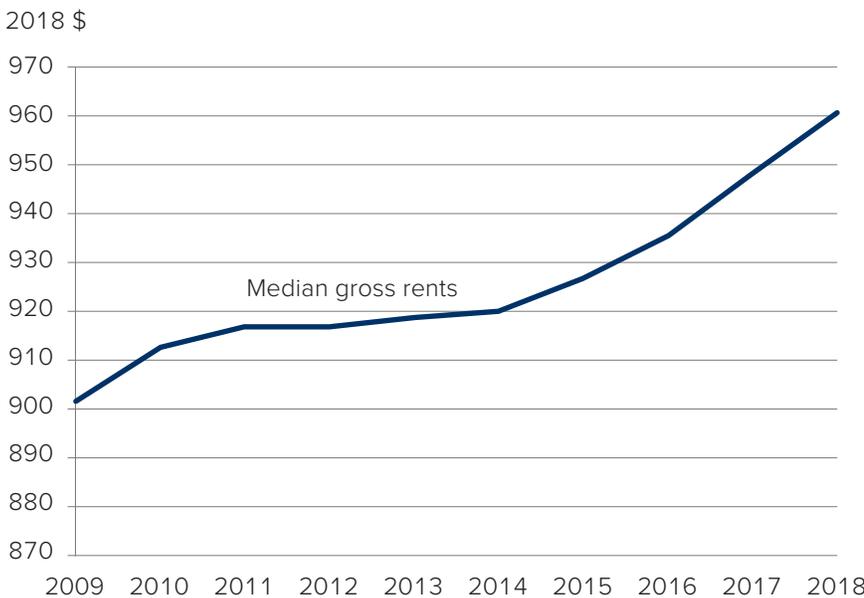
4.1.2. The STR density variable

The advent and fast growth of the sharing economy have impacted the accommodation sector. While vacation rentals have been a critical component of communities across the globe for well over a hundred years, the technology revolution in flexible accommodations brought about by platforms like Vrbo and Airbnb has not only opened up millions of unique rental options for travelers but also changed the foundation of the travel ecosystem.

Data provider AirDNA suggests there were over 1.3 million active listings across the US as of June 2019, rising from just over 70,000 five years earlier.²⁸ Back in 2014, for every 1,000 housing units there was just over one STR listing, while in 2018 this ratio grew to 8 listings per 1,000 housing units.²⁹

Fig. 10 shows the geographic distribution of STR density in 2014 and 2018. It shows there is significant geographic heterogeneity in STR density, with most listings occurring in states with large cities and along the coasts. Moreover, there exists significant geographic heterogeneity in the growth of STR density over time. The

Fig. 9. Median gross rents



Source: ACS

²⁷ Listing data were missing for some US counties, so we had to exclude those from our study.

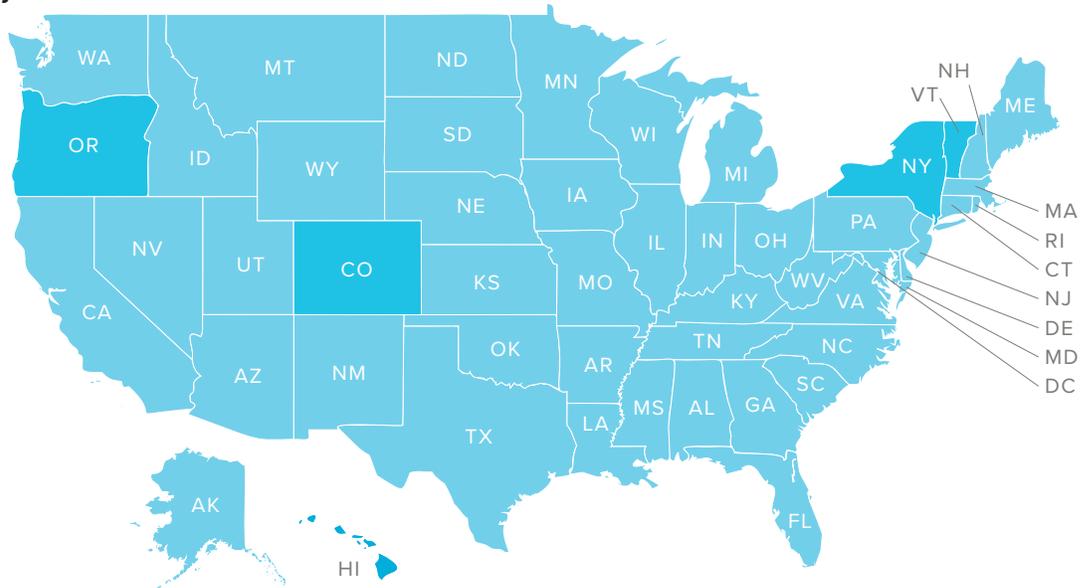
²⁸ This study does not distinguish between whole-home rentals and owner-occupied units and includes both types of STRs.

²⁹ This is how we define STR density, i.e. as the number of STR listings per 1,000 housing units.

Fig. 10. STR density in 2014 and 2018, by state

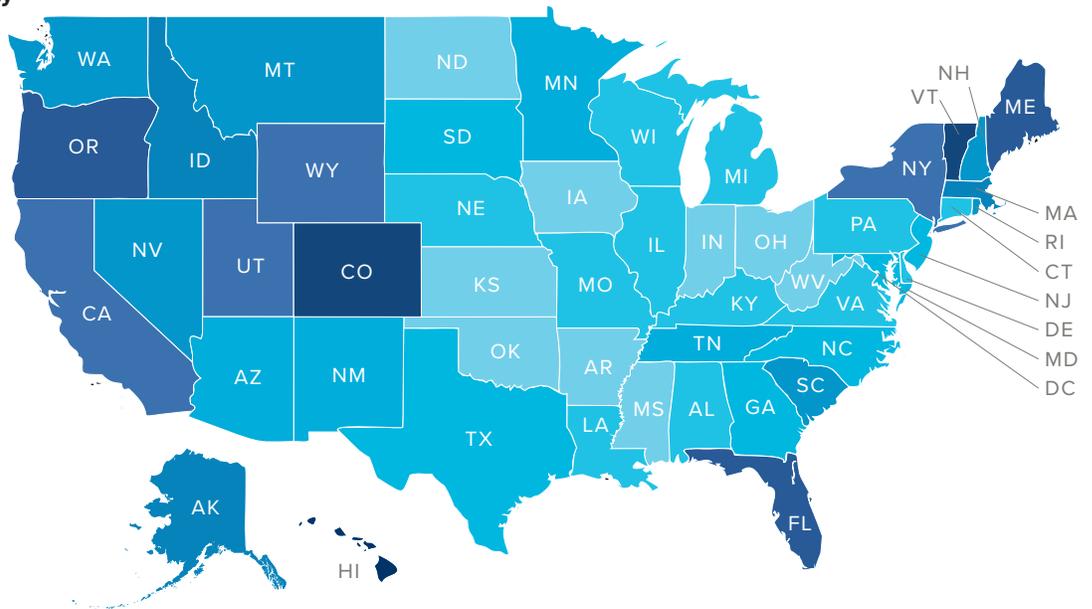
Short term rental density by US State 2014

- 0.0000–0.0017
- 0.0017–0.0030
- 0.0030–0.0039
- 0.0039–0.0051



Short term rental density by US State 2018

- 0.0000–0.0017
- 0.0017–0.0030
- 0.0030–0.0039
- 0.0039–0.0051
- 0.0051–0.0067
- 0.0067–0.0077
- 0.0077–0.0093
- 0.0093–0.0105
- 0.0105–0.0143
- 0.0143–0.0266



Source: AirDNA, ACS, Oxford Economics

number of listings per housing unit grew exponentially in some states, while in others there was no growth at all.

4.1.3. Real incomes

Real mean household income data from the Census Bureau show a marked slowdown in growth in 2018 relative to previous years (Fig. 11). Median household incomes also only rose slightly in 2018 and 2017, after registering more impressive gains in the two years prior: a 5.2% gain in 2015 and a 3.2% gain in 2016.

Income data by county and over time were obtained from the American Community Survey and complemented with Oxford Economics' North American Cities and Regions databank to fill the gaps left in 2018 by the ACS (the latest available edition was 2017).

4.1.4. Housing supply

Since reaching their lowest point in 2011 at just 633,000 new housing units that year, additions to the housing stock have grown at a fairly slow pace, partly in response to persistently weak growth in the number of households after

the recession. With the economy finally back on track, household growth picked up in 2016–2018, but new construction was still depressed relative to demand, with additions to supply barely keeping pace with the number of new households.

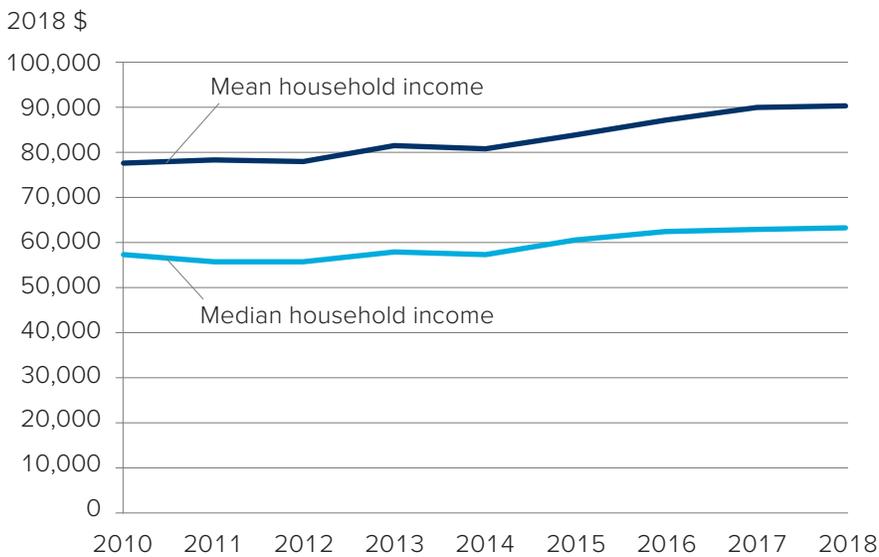
In our dataset, the number of housing units was drawn from the Census' Population Estimates, while the number of households was drawn from the ACS and carried forward to 2018 using Oxford Economics' North American Cities and Regions databank.

4.1.5. Household size

As one might expect, median rents are also related to the size of the average household (average number of people in one household). As this grows, households will require bigger properties, resulting in higher median rents. In particular, we restrict our analysis to households that occupy rented accommodations (i.e., in our rental model, we disregard the size of owner-occupier households as this should not affect rents; only the size of renter households is expected to impact rents).

Generally speaking, household size has been on a declining trend for centuries, with an

Fig. 11. Average and median household income, constant prices, 2010–18



Source: Oxford Economics

average of 5.79 people per household in 1790 to 2.58 in 2010.³⁰ However, Census Bureau data suggests this might be the decade when this long-term trend is reverted, with 2018 size ticking up to 2.63. Going forward, this might have impacts on housing demand, and therefore housing costs (provided it does not immediately translate into weaker residential construction).

4.2. THE HOUSE PRICE MODEL

As discussed in Section 3.1, rents are likely to affect home

buying decisions, and therefore most of the drivers of rents are also included in the house price model. Above and beyond these, we also included labor market outcomes, the user cost of capital, the availability of building permits, and the size of the tourism sector as additional explanatory variables. The rest of this chapter describes each variable in turn and provides a rationale for inclusion in the model.

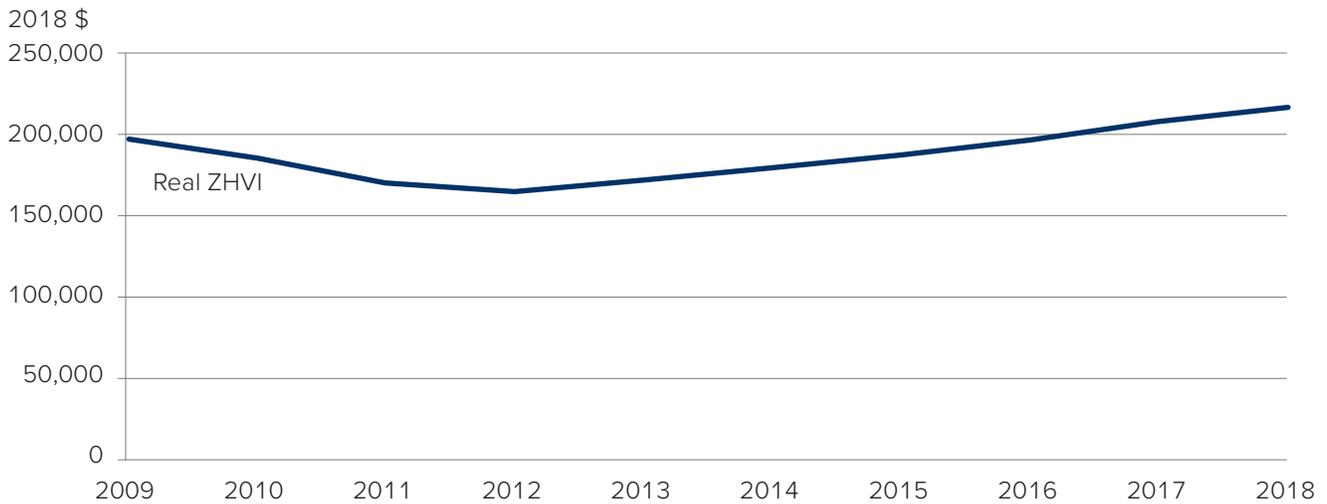
4.2.1. House price index

As a dependent variable for our second econometric model, we

used the Zillow Home Value Index (ZHVI), a smoothed measure of the median home value across all US counties. This is a dollar-denominated figure, which we then adjusted for inflation using the Consumer Price Index (CPI). This variable was available on a monthly basis for all counties in the US.

Since the recession, house prices have climbed steadily, boosted by low interest rates and the recovering economy (Fig. 12). This study aims at identifying the key drivers of house prices during the period between 2015 and 2018.

Fig. 12. Real US Zillow Home Value Index, 2008–2019



Source: Zillow, Oxford Economics

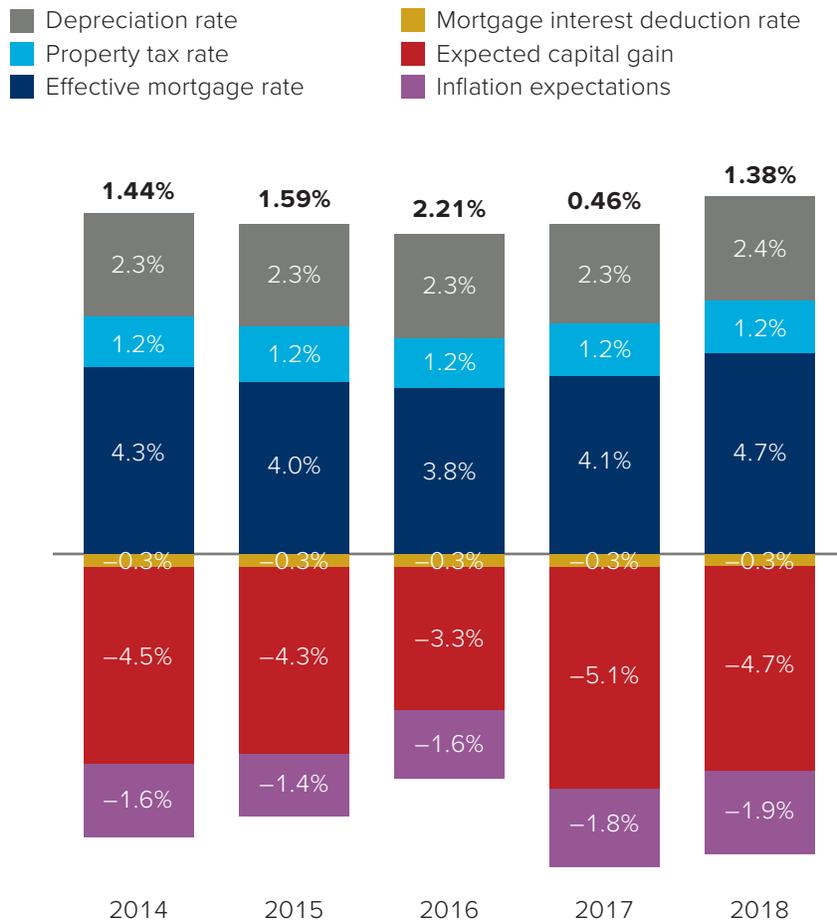
³⁰ Pew Research Center, “The number of people in the average U.S. household is going up for the first time in over 160 years” <<https://www.pewresearch.org/fact-tank/2019/10/01/the-number-of-people-in-the-average-u-s-household-is-going-up-for-the-first-time-in-over-160-years/>> [accessed 22 October 2019]

4.2.2. User cost of capital

As discussed in Chapter 3.1, the so-called “user cost of capital” is determined most obviously by the mortgage interest rate (Fig. 13); if this rises so does the cost of owning a property at any given price level. In addition to this, property taxes (minus mortgage interest deductions), expectations of inflation and capital gains, and depreciation rates all affect how costly it is to own a house of any given price.

Not all components of this variable could be gathered at the county level; for example, effective interest rates paid by mortgage holders were obtained from the Federal Housing Finance Agency by state. Expected inflation, capital gains, depreciation and mortgage interest deductions were estimated for the US as a whole. Average property tax rates, however, were estimated using ACS data at the county level, dividing the median tax value by the median property value.

Fig. 13. Estimated user cost of capital, 2014–18



Source: Oxford Economics

4.2.3. Unemployment rate

Existing academic research provides an analysis of the extent to which unemployment influences housing market outcomes (see for example Gan and Zhang, 2018, among others).³¹ Intuitively, a stronger local labor market makes an area more desirable to potential migrants and increases willingness to pay for housing in the area, and vice versa.

This channel is particularly relevant in light of the recent positive developments of the US labor market. September's unemployment rate hit a 50-year low, reaching 3.5% (Fig. 14). These labor market improvements are found to have had an impact on house prices, as we will discuss in Chapter 5.

Fig. 14. US unemployment rate



Source: BLS

³¹ Li Gan and Qinghua Zhang, "Market Thickness and the Impact of Unemployment on Housing Market Outcomes", *Journal of Monetary Economics*, 98 (2018): 27–49.

4.2.4. Building permits

As described in Section 4.1.4, housing supply is a key determinant of housing market dynamics. However, the actual number of housing units is not the only supply-related factor that is likely to affect house prices. Projected housing supply is also potentially relevant for today's house prices. In our model, building permits are used as a proxy for this. This variable was obtained from the Building Permits Survey, produced by the Census Bureau.

The latest national level data released in September show that permits for future home construction rose to levels last seen in 2007. The recent surge in

both housing starts and permits relieved some of the pressure on house prices over our study period, as we will describe in Chapter 5.

4.2.5. Tourism

As discussed earlier, one of the challenges in determining the impact of STRs on prices (and rents) relates to the fact that neighborhoods (and cities) tend to become popular with residents and tourists at the same time. In order to try to control for the so-called hedonic features of an area, we propose using tourism GDP as a proxy.

This work controls for growth in the tourism sector (food and

beverage and accommodation services), as we believe **it is important to break down the impact of tourist attractiveness of a locality from the pure impact of STRs**. We measure tourism as the average GDP produced by the hospitality sector for each resident household. Therefore, areas where hospitality GDP has grown at a faster pace than household formation will see a growth in their tourism variable, and vice versa.

In the US as a whole, tourism GDP has grown at a slightly faster pace than households during our study period, thus exerting a slight positive pressure on house prices, as shown in Chapter 5.

5. RESULTS AND DISCUSSION

In this chapter, we set out the results of our models of rents and house prices and explain their interpretation. We also compare our results with those of past studies where comparable analysis has been carried out.

5.1. THE RENTAL MODEL

In the rental model, all variables have the expected impact and are statistically significant. The effect of income is positive and significant, while that of housing stock per household is negative and significant, as expected.

The long-run impact of STR listings is equivalent to 0.0007, or in other words, an increase of one listings per 1,000 housing units is associated with a 0.07% increase in median rents.³² In a hypothetical county with a \$1,000 median rent, if STR density increased by one listing per 1,000 units, the associated long-run increase in median rents is equivalent to \$0.7 per month.

The long run coefficients from the model for the other explanatory variables can be interpreted as follows:

- a 10% increase in real median income is associated with an 8.8% increase in median rents.
- a 10% fall in the housing units-to-household ratio is associated with a 4.9% increase in median rents.
- a 10% increase in the average household size is associated with a 2.6% increase in median rents.

How well does this model reflect the reality of how rent is determined? We can calculate a MAPE (Mean Absolute Percentage Error) to assess our model accuracy.³³ We calculated this to be 2%; in other words, considering the average rent across the counties used in our dataset, the margin of error in our model prediction will be around \$14.

5.2. THE HOUSE PRICE MODEL

In the house price model, all variables have the expected impact and are statistically significant. The effect of income is positive and significant, while that of housing stock per household

is negative and significant, as expected.

Focusing on some of the long-run effects, the coefficient for the variables can be interpreted as follows:

- an increase of one STR listing per 1,000 housing units is associated with a 0.13% increase in the real house price index. In other words, in a hypothetical county with a \$100,000 house price index, if STR density increased by one listing per 1,000 units, the associated long-run increase in the price index is equivalent to \$130.
- a 10% increase in mean income is associated with a 3.2% increase in the real house price index.
- a 10% fall in the housing units-to-household ratio is associated with approximately a 18.9% increase in the real house price index.
- a 1-percentage-point increase in the unemployment rate is associated with a 2.4% fall in the real house price index.

³² Short-run effects look at the immediate impact of a variable X over Y. Over time, given the dynamic nature of the housing market, there will be several equilibrating adjustments to the short-run effects, as the economy and people readjust. As a result, the long-run effect of a given variable X over Y is different. Our econometric methodology can distinguish between the long-run and short-run effects. The estimated coefficients presented in Fig. 19 represent the short-run effects, and the long-run effects are estimated using the Delta method, whereby the short-run effects are discounted by one minus the coefficient on the lagged dependent variable.

³³ The mean absolute percentage error (MAPE) is the mean or average of the absolute percentage errors of forecasts. Error is defined as actual or observed value minus the forecasted value (in our case, the model predicted value). This measure is easy to understand because it provides the error in percentage terms.

- a 1-unit increase in the number of building permits per household is associated with a 6.9% fall in the real house price index.

Here too, the house price model fits the actual data well, as illustrated by the MAPE. We calculated this to be 1.7%. In other words, considering the average house price across the counties used in our dataset, the margin of error in our model prediction will be around \$2,600.

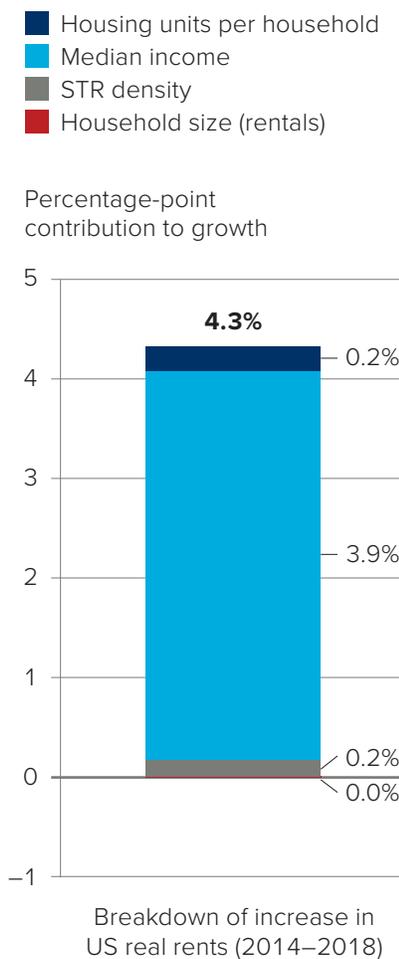
5.3. CONTRIBUTION ANALYSIS

5.3.1. Rent growth between 2014 and 2018

In the four years between 2014 and 2018, US median rental prices rose by 4.3% in real terms. The findings of our rental model, combined with changes in the explanatory variables over the study period, show that the **overwhelming driver of the observed increase in real rental prices during the 2014–18 period was household earnings.** Median income increased by 10.4% in real terms between 2014 and 2018 and we estimate that this growth alone was responsible

for around 3.9 percentage points of the 4.3% increase (Fig. 15).

Fig. 15. Drivers of the growth in real rents between 2014 and 2018³⁴



Source: Oxford Economics

Between 2014 and 2018, 5.1 million new households are estimated to have formed in the US, while net new supply was 4.1 million in the same period. This implies the ratio of housing units-to-households has declined between 2014 and 2018, pushing up rents. We estimate this drop contributed about 0.2 percentage point of the 4.3% increase in real rents.

The ratio of STR listings to housing units has grown by a factor of 6 during the study period. This increase, however, contributed to 0.2 percentage point of the increase in rents. Putting it all together, Fig. 15 reveals the contributions of various factors to the 4.3% increase in rents in the four years from 2014 to 2018.

5.3.2. House price growth between 2015 and 2018

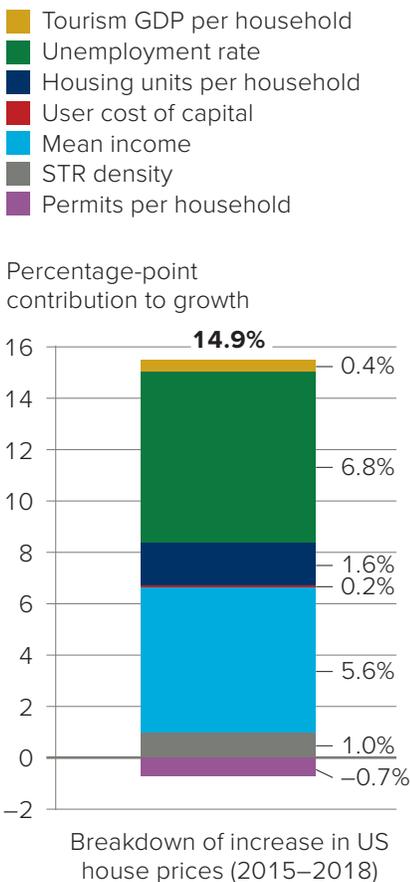
House prices have increased steadily during our study period, with real US median price index estimated to have increased by 14.9% during the period 2015–18.³⁵ Using the model to break down the causes of this rapid growth, we see that **the biggest contribution to the increase came from labor market improvements.**

³⁴ This section and chart assume that 100% of the growth in median rents can be explained through the model’s explanatory variables. This is a simplifying assumption, and we are aware that our model’s variables do not explain the totality of the change.

³⁵ As the house price model contains some lagged variables, the focus of this contribution analysis will be limited to the period 2015–18. The inclusion of lagged STR in the model implies that STR growth between 2014 and 2015 (the first available year-on-year growth rate) only starts affecting house prices in 2015–16. For this reason, the contribution analysis presented here only covers the period 2015–18 and not 2014–18.

More specifically, the drop in unemployment rate is estimated to have contributed 6.8 percentage points to US house price growth by the end of 2018 (Fig. 16).

Fig. 16. Drivers of the growth in house prices between 2015 and 2018³⁶



Source: Oxford Economics

The second-largest contributor to the house price growth was the increase in average incomes. Over the whole period, higher real incomes are estimated to have boosted house prices growth by 5.6 percentage points.

The drop in housing stock-per-household has also contributed to house price growth. This reduction contributed to an increase in house price growth over the period of around 1.6 percentage points. The ratio of STR listings to housing units has grown by a factor of 3 during 2015–18. This increase contributed 1.0 percentage point to the house price increase based on our econometric model. The number of building permits per household has grown over this period, which offset some of the increase driven by other factors. Lastly, tourism GDP growth and the drop in user cost of capital contributed around 0.4 and 0.2 percentage points to price growth, respectively.

5.3.3. Discussion

Summing up the findings presented in Fig. 15 and Fig. 16,

we estimate the growth in STR density only contributed to 0.2 percentage point of the 4.3% increase in rents (or 6%) and 1.0 percentage point of the 14.9% increase in house prices (or 5%) over our study period.³⁷

This result is more modest than than the conclusions drawn by Barron et al., who found that the growth in Airbnb listings contributed to about one-fifth of the average annual increase in US rents and about one-seventh of the average annual increase in US housing prices. Our model includes a number of explanatory variables not considered by Barron et al., suggesting their results are likely to suffer from omitted variable bias.

5.3.4. What does this tell us about affordability?

When interpreting the house price model, it is important to note that, while house prices are interesting per se, housing affordability is a more relevant metric for policy makers. In this work, we measure affordability as the median house price divided by the mean household income.

³⁶ This section and chart assume that 100% of the growth in median house prices is explained through the model's explanatory variables. This is a simplifying assumption, and we are aware that our model's variables do not explain the totality of the change.

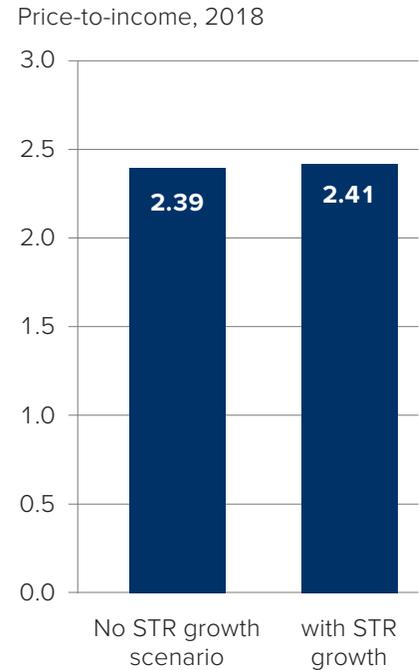
³⁷ Adding up all the individual explanatory variables' contributions (measured in percentage points) results in the total growth rate in the dependent variable (measured as a percent increase).

In this study, we found that house prices have increased by 14.9% during the period 2015–18, and that only 1.0 percentage point of this growth can be attributed to increased STRs. We are therefore able to estimate the 2018 median price of a property in the US in a counterfactual scenario where STR numbers did not grow. We do so by subtracting from the current house price value the amount that was due to STR growth. By dividing this estimated counterfactual house price by the average household income in

2018, we obtained the price-to-income ratio for the scenario where STR did not grow.³⁸

We find that the price-to-income ratio would have increased to 2.39 in 2018 (from 2.23 in 2015) in a scenario with no STR growth (Fig. 17). In the current baseline scenario (with STR growth), the price-to-income ratio was at 2.41 in 2018. This suggests that STRs are estimated to be responsible for a 0.02-point fall in affordability (or increase in the price-to-income ratio).

Fig. 17. Price-to-income ratio in 2018, with and without STR growth



Source: Oxford Economics

³⁸ The underlying assumption here is that the lack of STR growth would have no impact on average incomes.

MODEL EXTENSION 1: THE IMPACT OF STRS IN VACATION DESTINATIONS

Is the impact of STRs on prices and rents different in traditional vacation markets? In both the house prices and the rental model, we find that, in the long run, the effect of STRs on the dependent variable is weaker in these highly seasonal areas.

This result is in line with expectations. As far as the **rental market** is concerned, in vacation markets, homes are less likely to be rented on a long-term basis. That means that STRs have an even smaller effect on rents in these markets. For example, **Tillamook County, OR**, popular for its scenic coastline and rivers, has seen its STR density grow by a factor of 10 between 2014 and 2018, but its median rents have actually fallen in real terms. Some 88% of its vacant housing is for seasonal use in the area.

In the **homeowners' market**, by their very definition, vacation-destination housing markets

have higher vacancy rates that reflect more volatile seasonal housing demand. The impact of STRs on house prices is found to be weaker in these areas, as home owners have been renting out their properties long before the advent of internet platforms offering STRs (through agencies and brokers) and therefore the value from such rental revenue has long been priced in the value of homes in these localities. An example of this is **Barnstable County, MA**, home to popular New England beach destination Cape Cod. In this county, over 91% of vacant properties are for seasonal use, and STR density has increased by a factor of four between 2015 and 2018, which was faster than the national average. Real house prices, however, have increased by 11.2% over the same period, a slower pace than the US as a whole.

MODEL EXTENSION 2: THE IMPACT OF STRS IN URBAN AREAS

Does the impact of STRs on prices and rents vary across urban and rural counties? In both the house prices and the rental model, we find that the effect of STRs on the dependent variable does not depend on the level of urbanization. In other words, we do not see a significant difference in the long-run impact of STRs on prices and rents between urbanized and rural areas.

San Diego is an example of how the US-wide results apply to highly urbanized areas. Its house prices have grown by an estimated 15.0% between 2015 and 2018, and its STR density has grown by a factor of 3 within the same period. This compares to a very similar US-wide house price growth of 14.9% and an STR density growth of a factor of 3.

6. CONCLUSION

The aim of this study was to assess the contribution of STR growth on the growth in house price, rental price, and affordability. We have found that **the rapid US house price and rent increases of the past few years have not been substantially driven by STRs**. We estimate the growth in STR density only contributed to 0.2 percentage point of the 4.3% increase in rents and 1.0 percentage point of the 14.9% increase in house prices over our study period. This compares to a 3.9 percentage points impact of median incomes to rental growth and a 6.8 percentage points effect on house price growth stemming from the drop in US unemployment over the study period.

This has important implications for a policy debate that has focused heavily on short-term rentals as both the cause of the problem of high house prices and its solution. It suggests instead that **the major sources of volatility in rental and**

house prices lie in economic and labor market outcomes.

Second, this study has found that **additional housing supply and more abundant building permits are likely to have a meaningful impact on house prices**. It is estimated that in the long run, a 10% increase in the housing units-to-household ratio is associated with approximately a 18.9% fall in the house price index, and a one-unit increase in the number of building permits per household is associated with a 6.9% fall in the house price index.

Finally, our analysis has pointed to the fact that **adopting strict regulations on STRs is unlikely to solve the housing affordability crisis faced by many US households**. During the period 2014–18, in the absence of STR growth, real rent would have grown by 4.1%, rather than 4.3%. In other words, monthly rents would have been \$2 lower in 2018 if STRs had not increased from their 2014 levels.

Similarly, in the homeowners' market, prices would have been only \$1,800 lower in 2018 if STR density had not gone up from its 2014 level. Considering that most households do not pay the full price of a house upfront, but rather apply for long-term mortgages, the expected annual impact attributable to the STR sector is \$105.³⁹

Interestingly, a model extension suggests that the effect of STRs on both house prices and rents is weaker in vacation destinations. Possible explanations for this are that, in vacation markets, homes are less likely to be rented on a long-term basis and home owners in these destinations have been renting out their properties long before the advent of internet platforms offering STRs. On the other hand, the effect of STRs on both variables does not appear to depend on the level of urbanization.

³⁹ Mortgage maturity and effective interest rate are assumed to be as reported in the latest Federal Housing Finance Agency's Monthly Interest Rate Survey.

STR LITERATURE FINDINGS

Fig. 18 summarizes the main findings of the studies presented in Chapter 3.2, and their main limitations.

Fig. 18. Summary of existing STR literature

Author	City of interest	Main findings	Main limitation
Barron et al. (2017)	US-wide	A 10% increase in Airbnb listings leads to a 0.39% increase in rents and a 0.65% increase in home values.	The authors construct an instrument based on Google Trends searches for Airbnb. Unfortunately, these are not accurately available at the zip code level, so to obtain an instrument that varies at the zip code level they interact these searches with a measure based on the number of hospitality establishments in the zip code area. The validity of this instruments can therefore be disputed.
Horn and Merante (2017)	Boston	0.4% increase in asking rents associated with a one-standard-deviation increase in Airbnb listings	The authors rely on weekly rent data from September 2015 through January 2016 and Airbnb data from September 2014 to January 2016. Thus their time dimension is fairly limited. We believe this hinders their ability to establish meaningful relationships between the various variables.
Sheppard and Udell (2018)	New York	6.46% increase in NYC property values associated with a doubling in the number of total Airbnb accommodations	The authors do not convincingly account for the fact that neighborhoods tend to become more attractive to residents and tourists at the same time.
Koster et al. (2019)	Los Angeles	3% fall in house prices as a result of Home Sharing Ordinances in Los Angeles	The authors use Airbnb listings as a proxy for tourism demand, which means that they do not control for other tourism variables. That runs the risk of overestimating the impact of Airbnb and attributing the entire “touristic location” effect to the fact that STRs are present. In contrast, this work controls for tourism GDP unrelated to STR activity.

METHODOLOGICAL APPENDIX

INTRODUCTION TO DYNAMIC PANEL MODELS

House prices (or rents) in the current period might be affected by past trends in house prices (or rents), as well as housing supply and general economic conditions. In such cases, dynamic panel methods, such as the Arellano Bond estimator (also known as Difference GMM) and Blundell Bond estimator (System GMM), would allow us to account for the presence of such “dynamic effects.” Difference GMM estimation starts by transforming all regressors, usually by differencing, and uses the generalized method of moments (GMM). This work employs Difference GMM.

Dynamic panel models have become increasingly popular in

many areas of economic research, and their use has provided new insights. Using dynamic panel models allows us to find overall (long-run) coefficients for the explanatory variables as well as the contemporaneous (or short-run) ones.

The advantages of dynamic models include:

- controlling for the impact of past values of house prices (or rents) on current values;
- estimation of overall (long-run) and contemporaneous (short-run) effects; and
- use of past values of explanatory variables as instrumental variables to mitigate the bias due to: two-way causality between economic conditions

and the housing market, omitted variable bias and measurement error.

The need for a dynamic model: Wooldridge test for serial correlation

The Wooldridge test allows us to test whether the errors are serially correlated; if these are found to be autocorrelated, we may infer that there is a need for a dynamic model.⁴⁰ The disadvantage of a dynamic panel model, however, is that it can add considerable complexity to the modeling process. A simpler static model might therefore be a preferable approach if the Wooldridge test does not suggest a dynamic panel is necessary.

⁴⁰ Strictly speaking, the Wooldridge test is a test for autocorrelation and not a definitive test to choose between static and dynamic panel methods. However, it is commonly applied to inform choices between static and dynamic panels.

Use of instruments

Instruments are used to control for potential endogeneity in a regression. We have found median incomes (rent model), permits per household, housing supply per household and STR density (house prices model) to be endogenous variables, and therefore the instrumental variable method was used to estimate their impact.

MODEL RESULTS

As explained, our model specification is known as Difference GMM; such approach, by virtue of being a dynamic model, has both a short- and long-run impact. The short-run results from the rent and house price models are given in Fig. 19. To obtain the long-run impact, we used the Delta method and discounted the short-run impact by one minus the coefficient on the lagged dependent variable.

Contribution analysis

The modeling results shown in Fig. 19 tell us about the sensitivity of rents and prices to changes in their macroeconomic determinants. But these results can also be used to find out which of the determinants were responsible for past changes in the dependent variables. For instance, Fig. 19 shows that the user cost of capital has a significant negative effect on house prices. But while house prices may be sensitive to changes in the user cost of capital, if there was no (or little) change in the user cost over the study period, then this variable will not have influenced house prices during that period.

The “contribution” of a given variable in explaining changes in house prices or rents is therefore a combination of both the estimated sensitivities and the change in that variable over the period under analysis.

Fig. 19. Models results

Rental price model <i>Dep var: Log real median rents</i>	Short-run coefficients
Lagged log real median rents	0.706***
STR density	0.0002**
Log median income	0.259***
Log housing units per household	-0.144*
Log household size (rental)	0.076*

House price model <i>Dep var: Log real median house prices</i>	Short-run coefficients
Lagged log real median house prices	0.719***
Lagged STR density	0.0004*
Lagged log mean income	0.091***
Lagged user cost of capital	-0.161***
Log housing units per household	-0.531***
Lagged unemployment rate	-0.663***
Lagged tourism GDP per household	6.345**
Permits per household	-1.929***

legend: * p < 0.1; ** p < 0.05; *** p < 0.01

Models with interactions

Is the impact of STRs on prices and rents different in traditional vacation markets? The model coefficients described so far measure the average impact of STRs on the dependent variables (prices and rents). Our baseline model looks as follows (in the example of prices):

$$house\ prices_{it} = a \times STR_{it} + \beta X_{it} + \gamma house\ prices_{it-1}$$

However, in order to isolate vacation markets, we added an interaction term to our models, using the percentage of seasonal housing as a proxy to define these areas.⁴¹ The model is now specified as follows:

$$house\ prices_{it} = a1 \times STR_{it} + a2 \times STR_{it} \times vacation_i + \beta X_{it} + \gamma house\ prices_{it-1}$$

Without the interaction term, a would be interpreted as the total effect of STRs on prices. But the interaction means that the effect of STRs on prices is different for vacation markets and less touristic areas. The effect of STRs on prices in non-touristic counties is equal to $a1$. However, in vacation markets the effect is equal to $a1 + a2$.

In both the house prices and the rental model, the interaction term for vacation markets is negative and statistically significant, suggesting that the effect of STRs on the dependent variable is weaker in these highly seasonal areas.

We run a similar model replacing the vacation dummy variable with an urban dummy variable.⁴² In this case, however, the interaction term for urban centers is not statistically significant, suggesting that the long run effect of STRs on the dependent variable (either house prices or rents) does not depend on the level of urbanization.

⁴¹ The vacation variable is a dummy taking value 1 if the county's % of seasonal housing is above average, and 0 otherwise.

⁴² The urban variable is a dummy taking value 1 if the county's % of urban population is above average, and 0 otherwise.

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Communication from Public

Name: Samantha Jacober

Date Submitted: 10/17/2023 06:39 PM

Council File No: 14-1635-S10

Comments for Public Posting: STUDIES THAT DISPUTE YOUR STUDIES 1. ANALYSIS OF POLICY RESTRICTIONS ON SHORT TERM RENTALS (2022) By Tourism Economics an affiliate of Oxford Economics This is a study on the possible effects of a STR-ban in greater Palm Springs. It focuses on the negative effects the STR ban will have on the local economy mainly from a tourism perspective. 2. The Drivers of Housing Affordability By Oxford Economics This study concludes that nationwide STR's do not have a significant negative impact on housing affordability. Housing has become less affordable but it points to a lack of new Single Family housing supply and higher demand as the drivers. They estimate STR's have about a 0.2% increase on rents and 1% on house prices from 2014 – 2018. 3. Regulating short-term rental housing: Evidence from New Orleans By Maxence Valentin A really interesting study on the effects of a STR ordinance in New Orleans. The main findings are that STR's moved to areas where there were no restrictions. That is a very likely outcome given LA's geography. Secondly property values dropped by 30% after the STR ban, this is area specific but yet another instance where STR bans have a negative impact on home values. What is interesting is that Airbnb and the city of New Orleans worked out a more flexible approach, with different restrictions in different areas. 4. The Tragedy of Your Upstairs Neighbors: Externalities of Home-Sharing By Apostolos Filippas & John J. Horton A very technical study about externalities (neighborhood nuisances, lack of available rental stock) of STR's in a NYC context. What is interesting in this study is that they point out that giving home-owners the possibility to have an STR gives them access to two different rental markets namely short and long term. This enhances the financial benefit of the homeowners and their property values because there are more ways to generate income from the property. On the other hand, the over-usage of STR's can put pressure on it's neighbors. The paper argues for a balanced approach to allow STR's to a point where it benefits homeowners but does not negatively affect other residents. 5. The Effects of Short-Term Rental Regulations: Evidence from the city of Santa Monica By Cayruã Chaves Fonseca This study hits closer to home. It takes a look at the Home Sharing Ordinance passed in Santa Monica in 2015. The study finds no evidence that the

ordinance had any effect on LTR prices even with a 61% decline in entire home listings. One of the reasons the author states is that the owners of these houses were likely never to put their property up for long term rent. This echoes many other studies findings in STR restrictions effects on LTR prices. Overall, I see a couple of recurring themes: -STR's allow property owners to utilize idle space and generate extra income. This option allows the property owners to have access to both Long Term and Short Term rental markets enhancing the profitability of properties. In return this increases a property's value. We see that STR bans have a negative effect on property values because they restrict a potential revenue stream. -There is no substantial evidence that STR's fulfill their main goal, that is, to make long term rentals more affordable or abundant. A variety of studies show that STR ordinances have about a 2-4% reduction in LTR prices but do not significantly add to the housing stock. One of the reasons for this is that housing units being prevented from STR are not intended for the rental market. -Once STR ordinances are in place there can be a significant reallocation effect where STR's move to areas where there aren't any STR rules. This effect could be further enhanced given the fractured geography of LA. -The concept of externalities and optimal use of space can be used to show that instead of severely restricting STR's the aim should be to strike a balance between owners being allowed to have an STR and a rampant development of STR's by investors with little or no oversight.

Communication from Public

Name: Edawrd Fu

Date Submitted: 10/17/2023 09:02 PM

Council File No: 14-1635-S10

Comments for Public Posting: I strongly oppose any changes to the legislation. We work out of the country and frequently need to visit family overseas. Stopping us from being able to host our home will not in any way solve homeless. It will only reduce your personal income as well as income that goes to the city through TOT.

Communication from Public

Name:

Date Submitted: 10/17/2023 10:22 PM

Council File No: 14-1635-S10

Comments for Public Posting: short-term rentals support LA's local economy, and enable many residents to afford to stay in their homes. I am a single dad with two kids, one is 6, one is 2. Airbnb is the main income for us, everyday I work so hard to make a living for my kids, we also respected the neighborhood, never have any incident happen or inconvenience to our neighbor. We live on site, we take care of our community, paid the tax. Why city is become more and more unfriendly to us, we are just another ordinary people, working hard for life. Why the city have spend time and money on this, instead of taking care more urgent thing happen around the city. People work hard make a life, should not be punished. Please reconsider repeal the extend host permit and any other unfriendly code to LA host community. Really appreciate.