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February 16, 2021

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

Dear Los Angeles City Council,

In our recent One-Year Review of the Los Angeles Home Sharing Ordinance (HSO), we described the prevalence of illegal listings and the ongoing egregious commercial activity that have resulted in lost residential housing. Based on our further review of historical data and our communications with staffers in the City Planning Department, we now have additional information regarding the widespread problem of bad actors exploiting the HSO and how the platforms are complicit. As addressed herein, one prominent issue is that platforms allow, if not encourage, hosts to claim fraudulent exemptions to the registration requirement.

In general, the HSO has reduced the number of short-term rental listings on the leading platform.<sup>1</sup> According to our analysis, since the implementation of the City's API in August 2020, the number of total listings in the City of Los Angeles dropped by 17 percent, compared to a three percent drop for Los Angeles County overall.<sup>2</sup> If we restrict our view to listings advertised for 30 days or less (in L.A. City), listings dropped 59 percent.<sup>3</sup>

#### Listings on Airbnb over Time

Date	L.A. County	L.A. City	L.A. City < 30 days
August 20, 2020	33,079	19,075	10,993
January 2, 2021	32,175	15,887	4,532

<sup>1</sup> According to the industry literature, raw numbers of listings are less meaningful than the revenue-adjusted listings which also indicate actual use. We expect a forthcoming revenue-based analysis to look less rosy. These numbers will of course change constantly, in part due to city efforts; in particular, the City Planning Department recently announced that it will no longer accept temporary registration numbers as of February 16, 2021, which we hope will have positive effects.

<sup>2</sup> Based on data from the Inside Airbnb website.

<sup>3</sup> A stay of more than 30 days is not regulated by the HSO, and thus is considered legal. However, we have found short-term rental activity does occur on some listings advertised only for long-term stays. This form of fraud will be the subject of a future update.



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While there are many things happening in the short-term rental market, and the single biggest driver of change is probably the well-documented turnover of hosts leaving the platform organically, we believe these numbers suggest three things:

1. **The problem was further out of control than anyone realized.** When a report sounded the alarm on housing loss in 2015, there were 11,401 L.A. listings. By the time of the API implementation, the number exceeded 19,000.<sup>4</sup> We are still struggling to get back to where we were when the problem was first identified, a level that had already cost thousands of people their homes and contributed to the rapidly rising cost of housing in our city.
2. **The HSO (and especially the API) is working—for some.** Those who are inclined to follow the law do seem to have shifted their behavior in the face of the API. This is a good thing, and many stakeholders deserve praise.
3. **Bad actors seek to exploit the system.** The financial incentives of improper commercial activity are strong, and it remains too easy to game the system.

One exploit utilized broadly by unscrupulous hosts and permitted by the platforms is the fraudulent use of exemptions. Under the HSO, some listings are exempted from the registration requirement. Depending on location and other factors, some hotels, motels, bed and breakfasts, and transient occupancy residential structures (TORS) may advertise short-term rentals without a registration number.

It appears that historically, claims of exemptions were simply assumed to be legitimate, and were not scrutinized. This changed beginning in early December 2020, but the loophole has not yet closed. There has been a dramatic increase in the number of allegedly exempt listings since implementation of the API. When implementation began, barely two percent of listings claimed an exemption.<sup>5</sup> Recently, the share exceeded one-third of all STRs, before a reported purge in late 2020 initiated a game of cat and mouse, with improper listings appearing to return to the market.

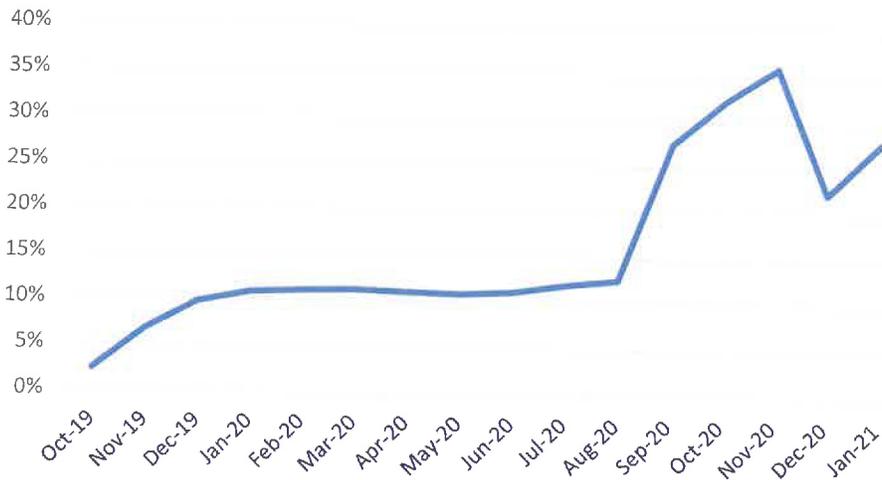
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<sup>4</sup> LAANE, [Airbnb, Rising Rent, and the Housing Crisis in Los Angeles](#), March 2015.

<sup>5</sup> For purposes of this analysis, we limit the universe to listings of less than 30 days. (However, see also note 3 above.)



STRs Claiming Exempt Status



It appears that an unscrupulous actor previously claiming an improper exemption can simply re-list the property again claiming another exemption. (If the host previously claimed an exemption for being a qualifying hotel or motel, the host might now claim the same listing is a bed and breakfast.) The problem is caused, in part, by Airbnb’s presentation to hosts, which highlights the option to “claim an exemption” to get out of having to register.<sup>6</sup>

<sup>6</sup> Airbnb also improperly suggests that *any* hotel, motel, B&B, or TORS would have an automatic exemption.



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### Register your listing in Los Angeles

As a host in Los Angeles, you need to register your listing to comply with local laws. Host a hotel, motel, bed & breakfast or transient occupancy residential structure? Claim an exemption instead.



#### Step 1: Apply for a home-sharing registration number

Apply on the City of Los Angeles' website and you'll receive a registration number immediately. Then, come back to this page and add your number to your listing in the next step.

[Apply](#)

#### Step 2: Add your home-sharing registration number to your listing

Once you have your registration number, just add it to your listing and you'll be done registering.

[Add your number](#)

[Learn more about hosting in Los Angeles](#)

[Don't want to register?](#)  
Host for more than 30 nights at a time.

The breadth of the problem and the City's failure to address it, are obvious. Indeed, the number of exemptions that are currently claimed exceed the number of existing bed & breakfasts, hotels and TORS licensed in the City. According to data provided by City Planning in December 2020, in the City of L.A. and for the purpose of the HSO there are exactly three (3) legitimate bed and breakfast addresses, 31 legitimate TORS addresses, and 495 legitimate hotel or motel addresses. Despite this, in January 2021, and after an initial purge, Airbnb advertised 257 STRs with bed and breakfast exemptions, 520 with TORS exemptions, and 484 with hotel/motel exemptions.



It is our understanding that the value of the API is its ability to automate enforcement (and indeed it is the case that once the API took effect, listings have declined significantly). We do not understand, therefore, how Airbnb continues to advertise literally thousands of listings the City seemingly knows to be illegal.<sup>7</sup> By claiming improper exemption after improper exemption, these hosts demonstrate their bad faith and clear intent to evade the HSO. Further, Airbnb has shown itself all too ready to aid and abet in this fraud.

The City has made some progress, but there is much work to be done. We stand ready to assist.

Sincerely,

Randy Renick  
Better Neighbors LA

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<sup>7</sup> Platform Agreements require the Hosting Platform to confirm that validity of each listing with the City at least once per day. See *Master Platform Agreement* at 7.2.