

HOME SHARING ORDINANCE

Quick Guide – April 15, 2016



How did the Home-Sharing Ordinance Develop?

On June 2, 2015 Councilmember Bonin introduced a motion directing the Department of City Planning Department (DCP), with the assistance of the City Attorney and other City departments, to prepare an ordinance governing short-term rentals in Los Angeles. The motion specified the manner in which the ordinance was to be structured, including authorizing a host to rent all or part of their primary residence to short-term visitors, prohibiting hosts from renting units that are subject to the Rent Stabilization Ordinance and requiring the collection of the Transient Occupancy Tax (TOT) from all hosts. The motion was subsequently heard, with public input, at the relevant City Council committees. In addition, the DCP held three community listening sessions across the City in September and October 2015. The DCP used feedback from these sessions, as well as a review of national best practices, to create the Home-Sharing Ordinance.

Why do we need a Home-Sharing Ordinance?

Renting out a room for less than 30 days at a time (i.e. short term rental) is not currently permitted in the vast majority of Los Angeles. Despite this, the activity has grown significantly in recent years through the use of internet companies like Airbnb and VRBO. The practice has brought both positive and negative impacts to the City's citizens and neighborhoods. However, a lack of regulatory structure has meant that someone renting out a spare bedroom a few times a year is effectively viewed the same by the zoning code as a corporation leasing a conglomerate of vacant units on a short-term basis. This ordinance provides an opportunity for the City to enact sensible regulations to define what types of Home-Sharing are permitted and which are not.

What Would the Home-Sharing Ordinance Do?

The ordinance would effectively legalize short term rentals of one's primary residence (called Home-Sharing) when registered with the City and in compliance with ordinance's requirements. At the same time, it would establish enhanced regulatory and enforcement policies against illegal short-term rental uses.

When Would Home-Sharing Be Permitted

Home-Sharing would be allowed through the issuance of a Home-Sharing registration number along with a Transient Occupancy Registration Certificate (an agreement to pay the Transient Occupancy Tax a.k.a. "hotel tax"). Home-Sharing registration would only be allowed when a home can be shown to be the Host's primary residence. Home-Sharing would also be limited to 90 days a year, be restricted in units subject to the Rent Stabilization Ordinance, and renters could only participate with approval from their landlords.

Why Allow Home-Sharing?

The City's regulations currently pertaining to short-term rentals are ill-suited to the current sharing economy. Benefits of home-sharing include more neighborhood tourism and the ability of residents to manage fluctuations in income or better afford their housing. The ordinance aims to accommodate the true sharing of one's extra space, which otherwise would go unused, to the extent it does not interfere with the welfare of the surrounding community. An ordinance will also assist the City in collecting revenues to assist with enforcement efforts to better differentiate "good" from "bad" hosts.

Why Restrict Home-Sharing to Primary Residences?

The City is experiencing a severe housing crisis, exacerbated in 2016 by an extremely low vacancy rate and the most unaffordable housing stock in the country. The loss of housing units

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to short-term rentals has further tightened housing supply, particularly in certain neighborhoods, which leads to increased housing costs. In addition, vacant properties being rented out by those not living on site are more likely to see nuisances and be unreceptive to community concerns. The concentration of short term rentals in neighborhoods, particularly when they are not a primary residence, amplifies concerns about the loss of neighborhood character and cohesion. Therefore, the inclusion of the primary residence requirement is fundamental to helping minimize potential negative outcomes.

How Does the Home-Sharing Ordinance Plan to Reduce Problems Associated with Short Term Rentals?

Problems associated with short-term rentals include the loss of valuable housing stock, eviction of tenants, neighborhood nuisance and over-concentration. Restricting Home-Sharing to primary residences and non-rent stabilized units will address many of these concerns. However, the regulations will only be as effective as the enforcement of these provisions. Therefore, the ordinance describes in detail the responsibilities of hosts and hosting platforms, outlines the array of fines that may be applied in certain instances and identifies internet advertising without Home-Sharing registration as an illegal activity.

How Will Enforcement of the Ordinance Work?

Many cities have had success pro-actively enforcing the advertisement of short-term rentals when a valid registration number has not been obtained. The ordinance would prohibit any listing of a short-term rental without a valid Home-Sharing registration number. In situations where a listing without a registration number is identified, an initial notice of violation would be issued. The non-permitted activity must cease within a specified time (and any penalties paid) or escalating fines may accrue. The ordinance also proposes the use of two existing pro-active enforcement tools - the Administrative Citation Enforcement (ACE) program and the Administrative Nuisance Abatement (ANA). Additionally, both hosting platforms and hosts will be asked to maintain and provide written logs of Home-Sharing activity. Hosting platforms are required to provide certain information to assist in enforcement cooperation. A direct hotline and email for citizens to register complaints is also planned.

How Will The Rights of Renters Be Protected?

Units subject to the Rent Stabilization Ordinance (RSO), as well as dedicated affordable housing units, are proposed to be excluded from Home-Sharing. This is done to protect tenants in these buildings from being subject to evictions and prevent this vital housing stock from being converted to short-term rentals. In non-rent stabilized buildings tenants will be permitted to participate in Home-Sharing if they have their landlord's permission (a signature on the application form). The ordinance also restricts the ability of a residential building to be converted to short-term rental use outside of the Home-Sharing ordinance (called a Transient Occupancy Residential Structure).

How Will The Rights of Property Owners Be Protected?

The ordinance makes clear that renters of units may not engage in Home-Sharing without explicit approval by their landlord. A lease agreement, homeowner's or condo association, or any other legal contract that prohibits short term rental shall supersede the Home-Sharing ordinance.