

The Impact of Commercial Landlords Using Airbnb in the Los Angeles Region



A recent analysis conducted by John W. O'Neill, MAI, ISHC, Ph.D., professor of hospitality management and director of the Center for Hospitality Real Estate Strategy in the School of Hospitality Management at Penn State University,¹ reveals a troubling trend about Airbnb's activity in the Los Angeles area. A significant and growing percentage of Airbnb's revenue is driven by users who run unregulated – and often illegal – hotel businesses, listing one or more residential units for rent to short-term visitors for a large portion of the year, if not the entire year. These commercial landlords ignore prohibitions on such activity, as well as zoning rules, taxes and common sense health and safety regulations.

KEY TAKEAWAYS



Nearly all of Airbnb's LA-area revenue – **98% or more than \$257 million** – came from operators who listed their units for rent **more than 30 days per year**.



22% of Airbnb's operators in the LA region listed properties for **rent more than 180 days per year, earning more than \$181 million**.



4% of Airbnb's operators in the LA metropolitan area listed properties for **rent for more than 360 days per year**, but they generated more than 30% of Airbnb's revenue in the region – **more than \$79 million**.

COMMUNITY IMPACT

Unregulated hotels operated in residential properties are disruptive to communities and pose serious safety concerns for guests, for communities, and for neighborhoods. Some of the LA area's most desirable neighborhoods are hotbeds of illegal hotel activity by commercial operators on Airbnb. The two local ZIP codes with the most properties listed on Airbnb account for nearly 20% of Airbnb's LA area revenue.



Zip Code	90291
Neighborhoods	Venice, Oakwood
Host Count	1,082
Property Count	1,582
Revenue	\$32,857,565



Zip Code	90046
Neighborhoods	West Hollywood, Laurel Canyon
Host Count	883
Property Count	1,125
Revenue	\$18,028,931

It's clear: these individuals or entities are not renting out these units on an occasional basis to earn a little extra income. It's quite the opposite. They are commercial landlords using Airbnb to avoid taxes and health and safety regulations.

TAXES

Policymakers should be mindful of the rise of this illegal commercial activity, as Airbnb offers to remit occupancy taxes on behalf of its users. No other company in America gets to decide what rules and regulations they want to follow or what taxes they must pay. But that's exactly what Airbnb is asking of cities.

If Airbnb operators in the LA region were required to follow the same tax rubric as local lodging businesses in the City of Los Angeles, Airbnb should pay regional municipalities more than \$41 million in local taxes last year alone.

City of Los Angeles Lodging Taxes	
Room Tax	14%
Assessment Tax	.2%
Tourism Fee	1.5%
Total LA Lodging Tax Rate	15.7%

Airbnb's Total LA Regional Revenue	\$261,751,695.07
Airbnb's Level and Legal Tax Obligation	\$41,095,016.13

CONCLUSION

Airbnb insists on offering only anonymized data to cities and states and has admitted to scrubbing data before releasing it to the public.² But this conceals the enormous revenue it generates from commercial landlords currently using the site to operate unregulated, untaxed and often illegal hotels. That's why Airbnb's "honor system" for tax policy and enforcement, as they've proposed in multiple states and municipalities, won't work.

Until Airbnb demonstrates that it can be a trusted and constructive partner in the effort to protect communities and travelers from the rise of illegal hotels, state and local governments should close this "illegal hotel loophole" to protect local communities and help ensure a fair travel marketplace.

1. http://www.ahla.com/uploadedFiles/_Common/pdf/Report_Commercial_Activity_Airbnb.pdf

2. <http://www.businessinsider.com/airbnb-deleted-rentals-before-showing-data-2016-2>