

The Impact of Commercial Landlords Using Airbnb in the Miami 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 University¹, reveals a troubling trend about Airbnb's activity in the Miami 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



Almost two-thirds (62%, the highest percentage of any city studied) of Airbnb's revenue in the Miami region – more than \$76 million – came from operators who listed multiple units for rent.



More than three quarters of Airbnb's Miami-area revenue – more than \$93 million – came from operators who listed properties for rent more than 180 days per year.



Full-time operators – those who list their unit(s) 360 days or more each year just like a hotel – **delivered almost \$47 million, or 40% of Airbnb's Miami revenue: \$47 million**, the highest revenue percentage of any city studied.

COMMUNITY IMPACT

Unregulated hotels operated in residential properties are disruptive and pose serious safety concerns for guests, for communities, and for neighborhoods. Some of Miami'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 from October 2014 through September 2015 accounted for nearly half of Airbnb's Miami-area revenue – more than \$57 million.



Zip Code	33139
Neighborhoods	South Beach, South Pointe, City Center
Airbnb Operator Count 10/14 - 9/15	1,427
Property Count 10/14 - 9/15	2,930
Airbnb Revenue 10/14 - 9/15	\$45,687,010



Zip Code	33140
Neighborhoods	Bayshore, Mid-Beach
Airbnb Operator Count 10/14 - 9/15	365
Property Count 10/14 - 9/15	833
Airbnb Revenue 10/14 - 9/15	\$11,534,012

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, zoning guidelines, 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 full-time and multi-unit operators on Airbnb in the Miami region were required to follow the same tax rates as lodging businesses in the City of Miami, Airbnb operators in the metropolitan area should have paid almost \$16 million in taxes last year alone. For municipalities that cannot afford to lose revenue, this is a serious and growing problem.

City of Miami Lodging Taxes	
Florida State Sales Tax	7%
City of Miami Tax	3%
City of Miami Hotel Occupancy Tax	3%
Total City of Miami Lodging Tax Rate	13%

Airbnb's Revenue from the Miami Region	\$122,675,254
Airbnb's Level and Legal Tax Obligation	\$15,947,783

CONCLUSION

Airbnb insists on offering only anonymized data to cities and states and has admitted to scrubbing data before releasing it to the public in order to hide the number of unregulated commercial landlords using its platform.² This pattern of behavior conceals the enormous revenue Airbnb 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.

Airbnb should come clean about the nature and extent of the commercial businesses it enables. 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 neighborhoods and help ensure a fair travel marketplace.

1. http://www.ahla.com/uploadedFiles/_Common/pdf/Airbnb_Analysis_2016.pdf

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