



January 13, 2015

Council File 14-0593

Honorable City Council
c/o Office of the City Clerk
Los Angeles City Hall
200 North Spring Street, Room 395
Los Angeles, CA 90012

Dear Honorable Members,

The Downtown Los Angeles Neighborhood Council requests that the following Community Impact Statement be added to Council File 14-0593, regarding the formation of a Working Group to examine certain aspects of the “sharing economy,” including its potential economic benefits and its relation to the City’s zoning, taxation, insurance, and licensing statutes.

COMMUNITY IMPACT STATEMENT

The Downtown Los Angeles Neighborhood Council (“DLANC”) unequivocally supports efforts to fully understand emerging shared economies and their impact on the City. Additionally, DLANC implores the City Council to develop a regulatory framework that permits and taxes this emerging industry without unduly hampering its growth.

As stated in the Motion, an objective of the Working Group is to examine methods for reforming current policies that may be “outdated or otherwise ill-suited” for the appropriate regulation of shared economies. One issue that has come to our attention via our stakeholders involves the City’s inconsistent application of certain codes. Specifically, while the City in accordance with the Transients Occupancy Tax, taxes revenue generated through the short-term renting of housing properties (including revenue generated through the use of popular services such as AirBnB), the Los Angeles Housing Department has begun issuing citations for the use of private residences as commercial lodging. In other words, those who actually comply with the City’s tax regulations are also subjected to citation by a different City department. This is one example of a clear lack of interdepartmental communication, and more importantly, an example of why congruent policies across all City departments, as well as non-conflicting City ordinances, are desperately needed. To address the foregoing issue, DLANC recommends that the Housing Department create a permitting scheme that allows stakeholders who pay taxes in accordance with the Transients Occupancy Tax, the ability to lawfully utilize their private residence as a short-term rental property.

Further, in developing a regulatory scheme, we note that other cities have introduced regulatory schemes that have had initial success. In particular, the City of Palm Springs introduced a new ordinance mandating the registration of rental properties, setting registration fees, limiting use of outside amplified noise, and imposing occupancy limits based on the number of bedrooms at a

property.¹ Requiring registration of short-term rental properties, limiting noise, and limiting the number of occupants at a given property all seem reasonable to ensure that members of the community are not unreasonably disturbed and we further recommend that the Working Group consider such controls in developing a regulatory scheme for the City.

Moreover, the Working Group was also tasked with analyzing the potential economic benefits of the sharing economy. We note that aside from the opportunity for additional tax revenue through the Transients Occupancy Tax, the proliferation and availability of short-term rentals (particularly in the Downtown Los Angeles area) further encourages tourism in the midst of the City's ongoing shortage of hotel rooms. These rentals provide unique and immersive experiences to tourists from around the World and provide them with unique opportunities to experience Los Angeles' vibrant and diverse communities in a way that is normally only available to local residents. An increase in tourism naturally equates to economic gains for local businesses and homeowners and as such, further increases tax revenue.

In summary, after reviewing case studies and financial and political publications on the issue, as well as after hearing input from our stakeholders, DLANC strongly urges the City Council to consider these recommendations as it proceeds in assessing the various issues surrounding shared economies.²

This Community Impact Statement is based on the action taken at the regularly scheduled Board of Directors meeting on January 13, 2015, when the Downtown Los Angeles Neighborhood Council adopted the following motion by a vote of ___ yes, ___ no, ___ abstaining and directed that a Community Impact Statement be filed reflecting its position.

Motion: "The Downtown Los Angeles Neighborhood Council unequivocally supports efforts to fully understand emerging shared economies and their impact on the City. Additionally, DLANC implores the City Council to develop a regulatory framework that permits and taxes this emerging industry without unduly hampering its growth."

Sincerely,

Sincerely,

Patricia Berman
DLANC President

Michael Eisman
DLANC Community Impact Committee Member

¹ See generally <http://www.ci.palm-springs.ca.us/index.aspx?page=1098>. Ordinance available at: <http://www.palmsprings-ca.gov/Modules/ShowDocument.aspx?documentid=2065>.

² [CITE TO CASE STUDIES AND PUBLICATION HERE]