



Local government finds new ways to make Airbnb ‘illegal’

By [Alice Salles](#)

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Shortly after the Santa Monica City Council [passed](#) some of the toughest Airbnb regulations in the state on May 12, Mayor Kevin McKeown [told](#) NPR, “there’s lots of ways to make extra money by running an illegal business, and we don’t condone any of them.”

The comment followed the mayor’s previous claims concerning the complaints he received, including those from locals who host through Airbnb. According to the new ruling, Airbnb renters will be required to collect Santa Monica’s 14 percent hotel tax, get a business license, and forego renting their entire units if the contract is for fewer than 30 days.

Airbnb is present in 33,000 cities and 192 countries around the globe. The company originated in San Francisco and is [worth](#) approximately \$20 billion, according to Airbnb’s March 2015 valuation. But to hosts like Arlene Rosenblatt, a retired teacher, Airbnb [is](#) “a blessing.”

But what seems like a blessing to a local resident struggling to make ends meet, sounds like a threat to hotel unions, including an advocacy group that claims to speak for the disadvantaged: the Los Angeles Alliance For a New Economy, or [LAANE](#).

To [Roy Samaan](#), LAANE’s research and policy analyst, Airbnb is a threat to the poor. In a study published by LAANE and conducted by Samaan, Airbnb is accused of [being](#) a hotel company.

Part of his criticism to Airbnb’s model is that “[r]enting out residentially zoned units as accommodation for travelers runs counter to land use regulations and zoning codes.” Therefore, it must be made illegal.

Another concern presented by Samaan relates to Airbnb’s failure to collect “the hotel related taxes mandated by most jurisdictions.” Since Airbnb’s model does not accommodate taxation, it therefore must be made illegal.

To Mike Casey, the president of the hotel workers' union UNITE HERE Local 2 (San Francisco), Airbnb [is, indeed, a threat](#). Using Samaan's research into Airbnb's impact as his base, Casey and UNITE HERE claim the tech company will ultimately cost low-income people their jobs and homes.

“There's probably several hundred jobs a year that are lost as a result of people selecting Airbnb over a unionized hotel, but probably of even greater impact than that is the impact it's having on affordable housing.”

According to LAANE's research, Airbnb is driving the rental costs up by constricting housing supply. This action, Samaan claims, has caused the vacancy rates to drop, which increases the rental costs. To him, the over \$56 million generated by Airbnb in some of the most popular neighborhoods in Los Angeles is a threat to affordable housing in those same neighborhoods.

But what the study neglects to identify is the difficulties Airbnb competitors face when attempting to rival the tech giant. Due to the [constricted regulations](#) the hotel industry faces, offering an affordable alternative that would compete with Airbnb listing prices is nearly impossible.

Long before Airbnb was founded, a [study](#) carried out by economist and Berkeley Program on Housing & the Urban Economy professor [John M. Quigley](#) suggested that the “degree of regulation governing land use and residential construction” was one of the main factors behind the rise in housing costs in California.

With Airbnb stepping into the picture, the friction caused by local governments' interference appears to be more evident, forcing progressive and industry leaders to urge lawmakers to pass more restrictive legislation. Instead of looking for the real factors behind the rise of the housing costs in the state, progressive think tanks attack entrepreneurs who found a way around the high transaction costs of the past by using technology to match providers with the people who need the service.

Because regulations make it difficult for those with little to zero capital to enter the industry, entrepreneurs [seek ways](#) to compete by slashing costs in other areas.

As Santa Monica [regulates](#) Airbnb to its local end, few talk about alternative solutions to the housing problems in the state. To the Cato Institute's Matthew Feeney, the correct approach to the housing crisis and the alleged threat Airbnb poses is to [deregulate](#) rather than promote even harsher regulations on the hotel industry.

“Rather than pursue legislation that seeks to regulate sharing companies,” Feeney says, lawmakers willing to level the playing field must “deregulate these competitors.”

In a statement sent to Watchdog Arena, Airbnb promised to continue to “highlight the importance of fair rules with leaders in Santa Monica and throughout Southern California.” After all, Santa Monica's recent ruling “fails to provide clear, fair rules for home sharing.”

But as the company appears [excited](#) to an initial public offering, its posture may become less combative against local governments attempting to regulate the home-sharing app.