

APPROVED

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CITY COUNCIL
NEW BUSINESS

FEBRUARY 18, 2014

SUBJECT: SHARED ECONOMY BUSINESSES IN THE CITY OF WEST HOLLYWOOD

INITIATED BY: MAYOR ABBE LAND
(Kiran Hashmi, Council Deputy) *KA*

COUNCILMEMBER JOHN HEILMAN
(Fran Solomon, Council Deputy) *JH*

STATEMENT ON THE SUBJECT:

This item will serve as an introduction to a discussion on shared economy businesses in West Hollywood.

RECOMMENDATIONS:

- 1) Discuss and provide direction as appropriate.
- 2) Direct the City Manager to form a Task Force comprised of staff, a representative from the Transportation Commission, Planning Commission and Business License Commission as well as the Chamber of Commerce and Visit West Hollywood to further study shared economy business in the City of West Hollywood.

BACKGROUND ANALYSIS:

The Shared Economy

The shared economy is an emerging market in many cities across the United States. It is a new type of market in which people rent or purchase rooms, cars, products or services directly from each other, coordinated via the internet through a third party. In some cases this type of collaborative market is intended to simply connect people who are interested in exchanging underutilized assets, but as their popularity grows, some may evolve into for-profit models. Couchsurfing.org is an example of a collaborative model where participants offer their couches to travelers at no cost. Airbnb.com is an example of a for-profit model where potential customers can find a condo or house to rent directly from owners themselves through a third-party website. Under a for-profit model, participants become customers, and sharing becomes buying.

The sharing economy is changing the way consumers source their goods and services. Access to products and services is informal and on demand. A unique aspect to these types of businesses is that they build their reputation through direct relationships with the consumer. These sites are often peer-reviewed and the success of a business is based on their ability to deliver their product in a way that meets or exceeds the consumer's expectations.

AGENDA ITEM **5.D.**

Regulatory Implications for Local Government

Some sharing economy businesses have implications for local government including quality of life impacts, business impacts and general consumer safety. For example, short-term vacation rentals may have an impact on noise and parking in residential neighborhoods. Cities may be interested in capturing sales tax revenue from short-term vacation rental businesses to contribute to general fund. Additionally, there is emerging debate about whether these types of rentals are an impediment to hotel business in the surrounding community or if it complements hotel business activity.

While expanding, some sharing economy activities may violate existing municipal regulatory schemes. For example, some cities have policies that prohibit or discourage ride sharing entities because they are treated as unregulated taxicabs, which are often heavily regulated by cities. Rentals offered through websites such as VRBO and Airbnb may violate zoning codes because they are commercial enterprises being operated within residential areas not zoned for commercial use. Because shared economy entities are primarily based online, they can easily fall “under the radar” of local code compliance efforts.

Entities such as VRBO, Airbnb, Lyft and Uber are a growing presence in the City of West Hollywood. These types of entities serve multiple purposes in any community. They may in some cases serve as extra sources of revenue for individual households, while also providing efficient and affordable services to those that use them. However, short-term vacation rentals are prohibited in the City of West Hollywood.

Currently, the City’s Code Compliance Division has three active cases involving noise complaints with properties confirmed as short-term rentals; however, the Division receives a number of noise and other complaints that may or may not be attributed to short-term rentals. In addition, Code Compliance is working with the Legal Services and Prosecution Division to enforce the prohibition against operating these and other short-term rentals in residential zones. Legal Services has issued 15 cease and desist letters to property owners suspected of violating the City ordinance by operating a short-term rental. Code Compliance is also receiving an increasing number of complaints about entities like Uber as vehicles are taking up valet parking spots or designated taxicab areas.

What Other Cities Are Doing

Around the country policies and regulations are being enacted to both support the growth of sharing economy businesses and to protect consumers.

In the summer of 2013, the U.S. Conference of Mayors signed a resolution *In Support of Policies for Shareable Cities (Attachment A)* wherein they resolve to “support making cities more shareable by (1) encouraging a better understanding of the Sharing Economy and its benefits to both the public and private sectors by creating more robust and standardized methods for measuring its impacts in cities; (2) creating local task forces to review and address regulations that may hinder participants in the Sharing Economy and proposing revisions that ensure public protection as well; and (3) playing an active role in making appropriate publicly

owned assets available for maximum utilization by the general public through proven sharing mechanisms

In 2012, the City of San Francisco, California, formed a Sharing Economy Working Group, which brought together City Departments, neighborhood and community stakeholders and sharing economy companies to explore San Francisco's existing land-use, planning, tax and other laws that impact or are impacted by collaborative consumption and to explore policy alternatives and legislation to modernize those laws and/or address emerging impacts and issues. In addition to the Mayor's Office and the Board of Supervisors, the Sharing Economy Working Group includes the Planning Department, Department of Building Inspection, Fire Department, Police Department, Department of the Environment, the San Francisco Municipal Transportation Agency (SFMTA), Department of Public Health, the City Controller and Treasurer/Tax Collector's Office. Among the policy areas the Sharing Economy Working Group will focus are:

- Carsharing, parking-sharing & ride-sharing
- Bike and scooter-sharing
- Shareable housing, commercial spaces and workspaces
- Shareable recreation & green spaces, rooftops, urban agriculture and food
- Shareable tools, skills and other commercial enterprises

Conversely, other cities have taken a strong stance against sharing economy businesses. In June of 2012 the City of Los Angeles, California has issued cease and desist orders to Uber, Sidecar and Lyft for operating an unlicensed commercial transportation service within city limits. However, the State of California overturned the City's rule allowing those businesses to operate within California. The State of New York Attorney General declared renting of apartments on Airbnb illegal on the grounds that apartments listed are being operated as illegal hotels. The California Public Utilities Commission is proposing rules that would legalize ride and car sharing companies, but would institute stringent safety requirements.

Other ways these entities may affect the local economy include real estate values, transportation costs and the diversity of local economies. Policy development will continue to evolve from Federal, State and local governments.

CONFORMANCE WITH VISION 2020 AND GENERAL PLAN 2030:

This item is consistent with *the Primary Strategic Goal to **Maintain the City's unique urban balance with emphasis on residential neighborhood livability and Ongoing Strategic Program Adaptability to Future change and promote Economic Development while maintaining business vitality and diversity.***

General Plan 2030: ED 1.1 As feasible, establish land use policies and economic development programs that maintain a diverse mix of residential and non-residential uses and ED 1.2 Seek a balance between visitor-serving and local-serving commercial activity.

EVALUATION:

N/A

ENVIRONMENTAL SUSTAINABILITY AND HEALTH:

N/A

OFFICE OF PRIMARY RESPONSIBILITY:

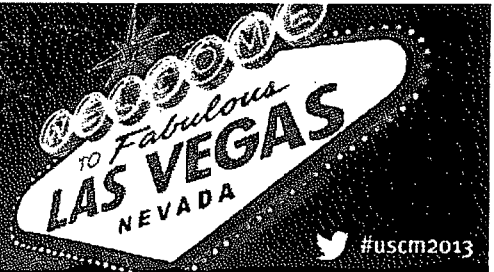
Office of Mayor Abbe Land and Councilmember John Heilman as well as the City Manager's Department

FISCAL IMPACT: None at this time.

THE UNITED STATES CONFERENCE OF MAYORS

81ST ANNUAL MEETING

June 21-24, 2013 in Las Vegas



IN SUPPORT OF POLICIES FOR SHAREABLE CITIES

WHEREAS, economic instability has led to increased unemployment in U.S. cities, where income and wages have stagnated for most Americans while productivity has surged; over the past thirty years the median US family income has only grown at an annual rate of 0.36%, while the overall economy has grown at a rate of 2.66%; and

WHEREAS, the number of Americans living in isolation has doubled since 1985, particularly amongst the elderly, as the strength of neighborhood community relationships has declined in both urban and suburban areas; and

WHEREAS, an emerging Sharing Economy is redefining the ways that goods and services are exchanged, valued and created amongst citizens by enabling affordable access as an alternative to ownership; and

WHEREAS, the placement and monetization of underutilized assets into Sharing Economy marketplaces empowers citizens to find new ways of providing jobs, housing, transportation, food, and improved lifestyles for themselves; provides additional income for households and local businesses; makes city living more affordable; and generates reinvestment in communities; and

WHEREAS, this access to new economic opportunities promotes greater entrepreneurship and the creation of new small enterprises, two aspects of urban life in which cities have invested significant resources to date; and

WHEREAS, various forms of sharing amongst residents, neighbors and colleagues can strengthen community ties which leads to greater resilience in times of economic and environmental stress; and

WHEREAS, many cities have pioneered the Sharing Economy over the past several decades with great success through models such as car- and bicycle-sharing, ridesharing, co-working, consumer cooperatives, home-swapping and sharing, and tool lending libraries, thus providing access to items and space that previously might have been prohibitively expensive to some citizens; and

WHEREAS, new technology platforms and social tools have enabled even more citizens to connect with each other in order to access new economic opportunities by monetizing and sharing their underutilized assets; and

WHEREAS, Sharing Economy companies have proven to be engines of innovation and job creation, driving economic development in the hearts of American cities, where joblessness is still most pervasive; and

WHEREAS, the Sharing Economy can improve and make more cost-effective traditional approaches for managing overall growth and urbanization, integrating transportation solutions, reducing crime, designing urban spaces, creating jobs, and providing a variety of public services for citizens; and

WHEREAS, in the aftermath of a disaster, Sharing Economy platforms can open up access to untapped supplies of housing, transportation, other goods and skills to aid in response and recovery efforts, addressing the needs of survivors during a critical time; and

WHEREAS, balanced, equitable and clear regulation of the Sharing Economy will ensure greater compliance and benefits to a broader, more diverse population,

NOW THEREFORE BE IT RESOLVED, that The United States Conference of Mayors urges support for making cities more shareable by (1) encouraging a better understanding of the Sharing Economy and its benefits to both the public and private sectors by creating more robust and standardized methods for measuring its impacts in cities; (2) creating local task forces to review and address regulations that may hinder participants in the Sharing Economy and proposing revisions that ensure public protection as well; and (3) playing an active role in making appropriate publicly owned assets available for maximum utilization by the general public through proven sharing mechanisms.

Projected Cost: Unknown

RESOLUTION ADOPTED JUNE 2013

ATTACHMENT A