

# The Short-Term Rental Industry & The Need for Platform Accountability

Business, Arts, Workforce & Aviation Services Committee  
November 4, 2020

# Roadmap

Quick History and Overview of Short-Term Rentals



Background: Why Denver Needs a Platform Accountability Ordinance

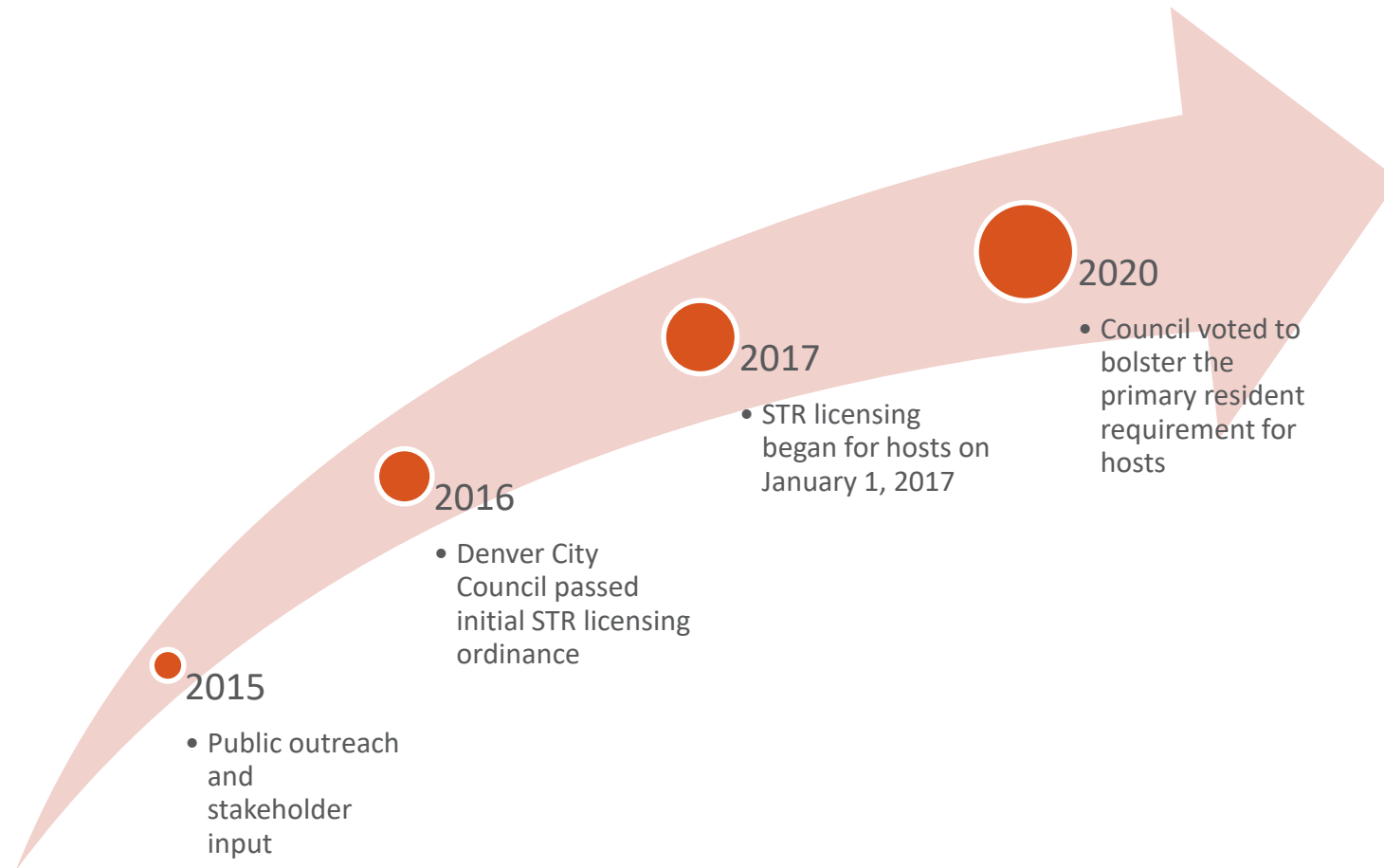


Policy Proposal



Questions

# Short-Term Rentals: A Quick History



# Short-Term Rentals: Opportunities and Risks

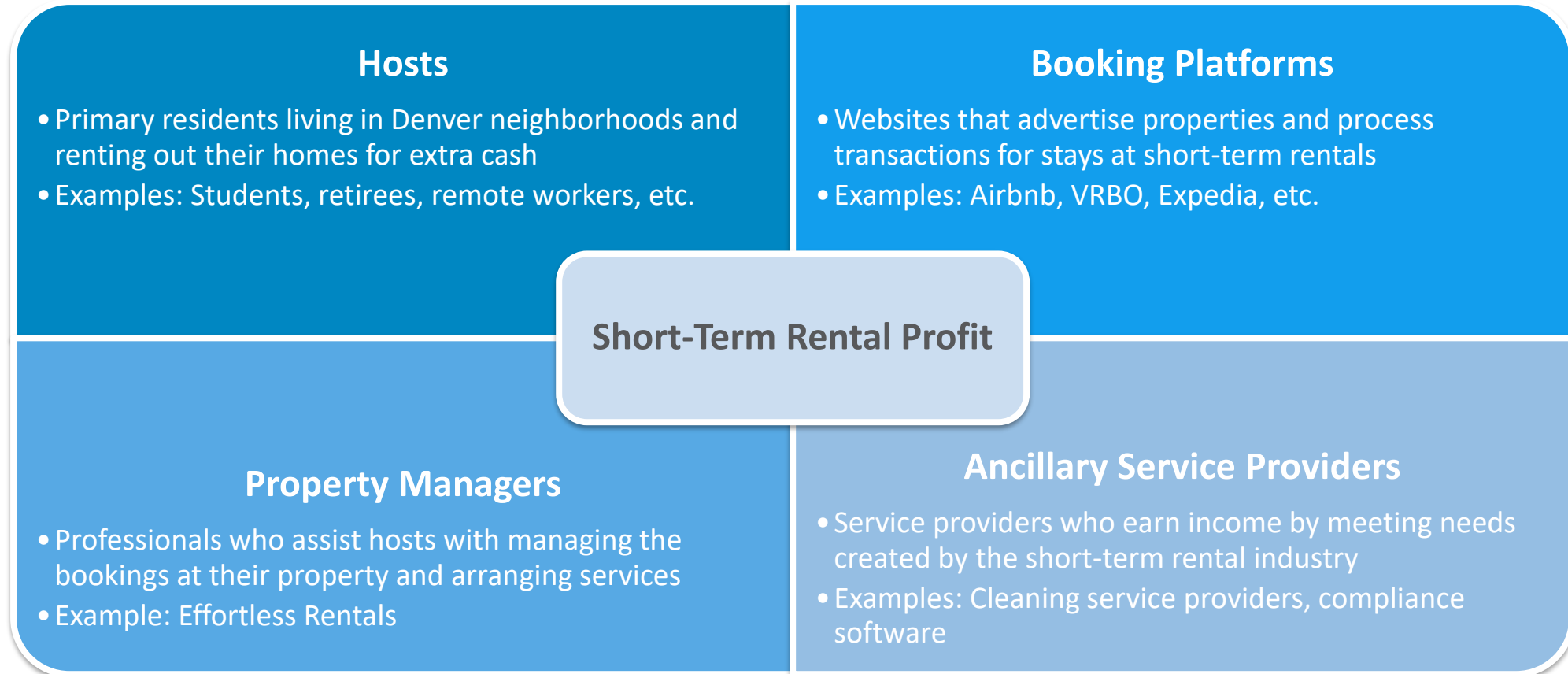
## Opportunities

- STRs can create additional income opportunities for Denver residents
- STRs can foster variety in lodging options for Denver visitors
- STRs can drive economic development when hosts recommend small community businesses and employ service providers

## Risks

- Use of properties for STRs can put stress on the housing stock and negatively affect affordability
- STRs used as “mini hotels” can lead to commercial encroachment in residential neighborhoods and accelerate gentrification and/or displacement of permanent residents
- Disrespectful guests can lead to health, safety, welfare, or quality of life concerns

# Industry Players: Who Profits from STRs?



# Booking Platforms in Denver

## Lodger's Tax

- In 2019, Denver collected over \$10.6 million in lodger's tax revenue through Short-Term rentals.
- This makes up approximately 10% of total Lodger's Tax.

## Denver hosts

- In 2017, Airbnb reported 325,000 guest arrivals in Denver, with hosts earning \$51 million.
- In 2019, Airbnb reported 547,000 guest arrivals in Denver, with hosts earning \$89.4 million.

## Airbnb's Market Share

- In August, there were 2,694 unique properties listed for rental in Denver.
- 88% of active STR listings that have had documented stays are available through Airbnb.

# Stakeholder Outreach

## Throughout 2017

- STRAC members requested information from platforms about how they were going to prevent unlicensed properties from being rented.

## November 2018

- STRAC members requested accountability standards for platforms that allowed unlicensed properties to be rented.

## Fall 2020

- Platform accountability regulations were discussed with STRAC and the draft ordinance was reviewed

## September 2018

- STRAC members asked platforms if they could require hosts to input their license number before offering a property for rental

## 2019-2020

- STRAC members and the City regularly discussed platform regulations to prevent unlicensed listings from being rented

# Platform Accountability in other Cities

City	Platform accountability in ordinance?	Sued by a platform?	Agreement/Settlement?	Penalty for non-compliant platform?
<a href="#">Baltimore, MD</a>	X			\$1,000
<a href="#">Boston, MA</a>	X	X	X	\$100
<a href="#">Chicago, IL</a>	X			\$1,500 - \$3,000
<a href="#">Honolulu, HI</a>	X			\$1,000-\$10,000
<a href="#">Louisville, KY</a>	X			\$125
<a href="#">Los Angeles, CA</a>	X	X	X	\$1,000
<a href="#">Miami Beach, FL</a>	X	X	X	\$1,000 - \$5,000
<a href="#">New Orleans, LA</a>	X			At least \$500
<a href="#">New York, NY</a>	X	X	X	
<a href="#">San Francisco, CA</a>	X	X	X	
<a href="#">Santa Monica, CA</a>	X	X	X	\$750 - \$1,000
<a href="#">Seattle, WA</a>	X			\$500 - \$1,000
<a href="#">Washington, DC</a>	X			\$1,000



# Ordinance Proposal

This ordinance would:

1. Define and regulate platforms that act as **booking service providers** for short-term rentals
2. Create **penalties** for booking service providers who process **illegal transactions**
3. Require licensees and booking service providers to **keep certain records**
4. Clarify existing practices for all licenses in Chapter 32

# Proposed Definition of “Booking Service Providers”

In order to regulate platforms that process short-term rental transactions, we must define the entities that qualify.

Booking service provider would be defined to mean:

*“any person or entity who facilitates a transaction between a prospective guest and a person or entity offering a short-term rental”*

# Proposed Penalties for Processing Illegal Transactions

Effective February 1, 2021, the ordinance would make it **unlawful** for

*“any booking service provider to receive payment, directly or indirectly, for an unlicensed short-term rental located in the City and County of Denver.”*

Any booking service provider who processes an illegal transaction would be subject to a **civil penalty** of

*1,000.00 per violation per day*

The ordinance does not mandate which method(s) of compliance that a platform may use.

# Compliance Terms, Tools, and Methods

## Notification Measures (Denver)

- Publicly **posting notice** of all active and pending short-term rental licenses
  - Already available online
  - Updated every 24 hours
- **Email notification** of active listings that either do not have a license number displayed or have an invalid license number displayed
  - Denver has sent emails previously
  - Denver can continue this as a courtesy

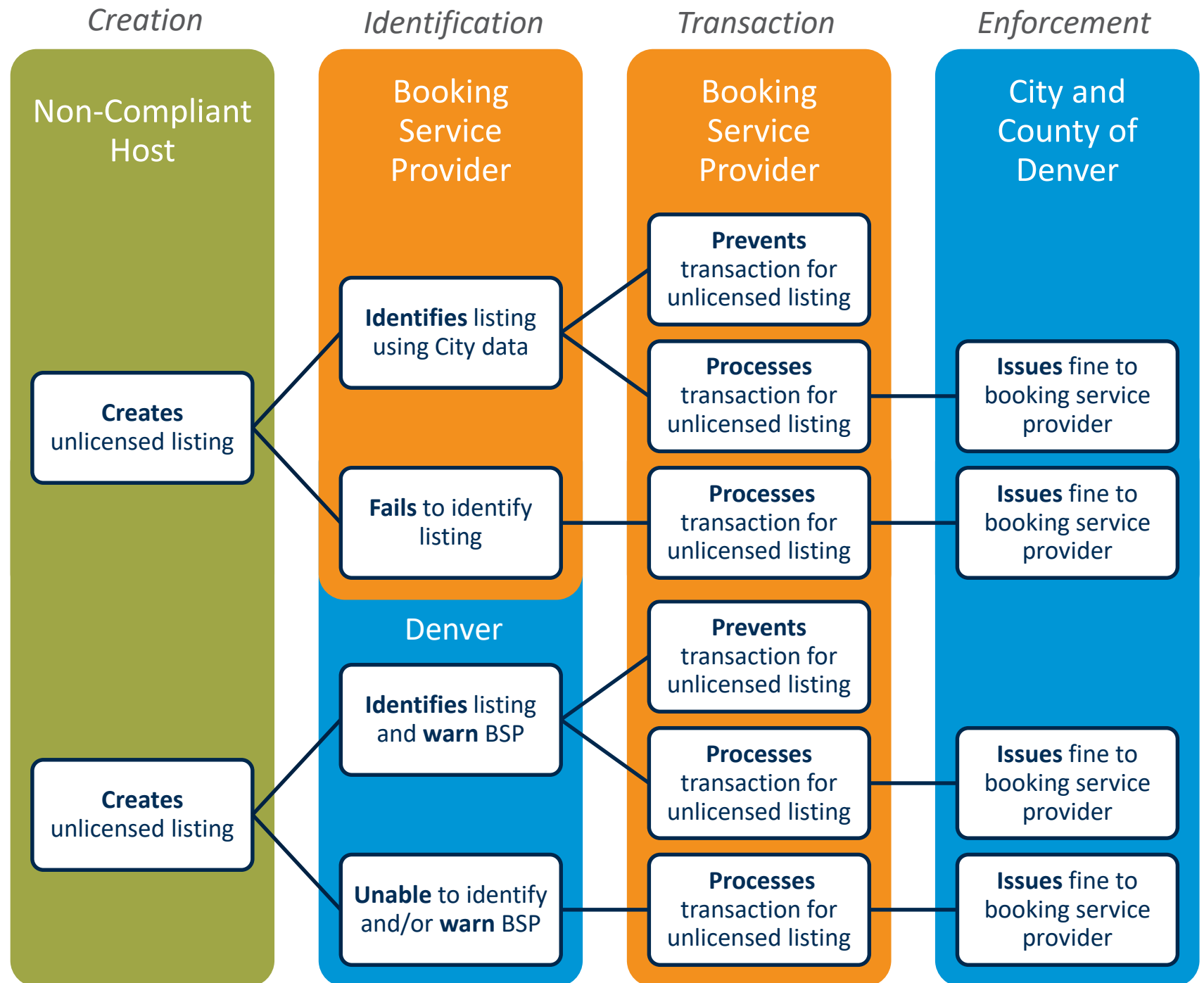
## Prevention Measures\* (Booking Service Providers)

- Requiring hosts to enter their license number in a **mandatory field** before allowing the host to post an advertisement
- **Verifying** the validity of a host's valid license before allowing the host to post an advertisement using any number of methods
  - examples could include writing a script, requiring host to upload license, etc.
- **Deactivating or removing listings** that do not have a license number listed or with an invalid license number displayed

\*These are suggestions and ideas but are not all-inclusive. Booking Service Providers have the ability to determine how they come into compliance with the requirement to not process transactions for unlicensed STRs.

# The Big Picture

- There are many ways that unlicensed listings can be **identified** from using the open data the Department will be required to post.
- Booking service providers (BSP) are responsible for **preventing** or **processing** transactions for unlicensed listings.
- If a booking service **processes** a transaction for an unlicensed listing, they will be subject to a **fine** from the City.



# Proposed Record-Keeping Requirements

**Short-term rental licensees** would be required to keep the following records for **one (1) year**:

- The total number of nights the STR was rented
- The dates during which the STR was rented

**Booking service providers** would be required to keep the following records for **five (5) years**:

- The person who offered the STR
- The address of the STR
- The STR license number
- The dates the STR was booked
- The price paid for each STR transaction

The **Department of Excise and Licenses** would be required to maintain and make publicly available a list of all licensed short-term rentals within the City at all times.

# Other Proposed Changes

While updating the STR ordinance, we would also like to clarify existing practices in Chapter 32, which apply to all licenses.

These clarifications include:

- Standard procedures for hearing officers who provide recommended decisions in departmental hearings
- Standard procedures for issuing subpoenas

These clarifications to the hearing process increase transparency for all licensees and do not alter existing practices.

# So what does all of this mean?

- All platforms that process transactions for short-term rental stays in Denver would be **regulated**.
  - The ordinance lays out the responsibilities each platform must comply with, but it does not prescribe the methodology for compliance.
- To **assist with investigations**, hosts and platforms will be required to keep certain **records**.
  - Many hosts and platforms currently keep these records as a standard practice.
- Allows Denver to keep pace with the **evolution of the industry and continuously improve** the regulatory framework.
  - By regulating platforms, the responsibility for compliance is shared more evenly among the industry participants, rather than only being placed on our hosts.



Questions?