

PRESENTATION TO HAMPTON ROADS  
GENERAL ASSEMBLY CAUCUS  
ADDRESSING VIRGINIA'S HOME  
SHARING ECONOMY

LOOKING AT AIRBNB, HOMEWAY, AND OTHER ONLINE  
HOSTING PLATFORMS

AUGUST 31, 2016



# A HOSTING PLATFORM IS AN ONLINE SITE MATCHING GUESTS WITH HOSTS. HOW MANY ARE THERE? MORE THAN 15...HERE ARE THE TOP 9

| <b>Hosting Platform</b> | <b>Number of Units/Hosts</b> | <b>Where</b>              |
|-------------------------|------------------------------|---------------------------|
| AirBnB                  | 550,000                      | 192 Countries             |
| FlipKey(Trip Advisor)   | 300,000                      | 179 Countries             |
| VRBO (HomeAway)         | 575,000                      | Worldwide                 |
| Roomarama               | 120,000                      | 6,000 Destinations        |
| House Trip              | 260,000                      | Worldwide (mostly Europe) |
| Wimdu                   | 330,000                      | Europe/Asia               |
| Outpost                 | 2 million                    | Worldwide                 |
| Couch Surfing           | 400,000                      | Worldwide                 |
| Trip Advisor            | 629,148                      | Worldwide                 |

# AIRBNB – HOW DOES IT WORK

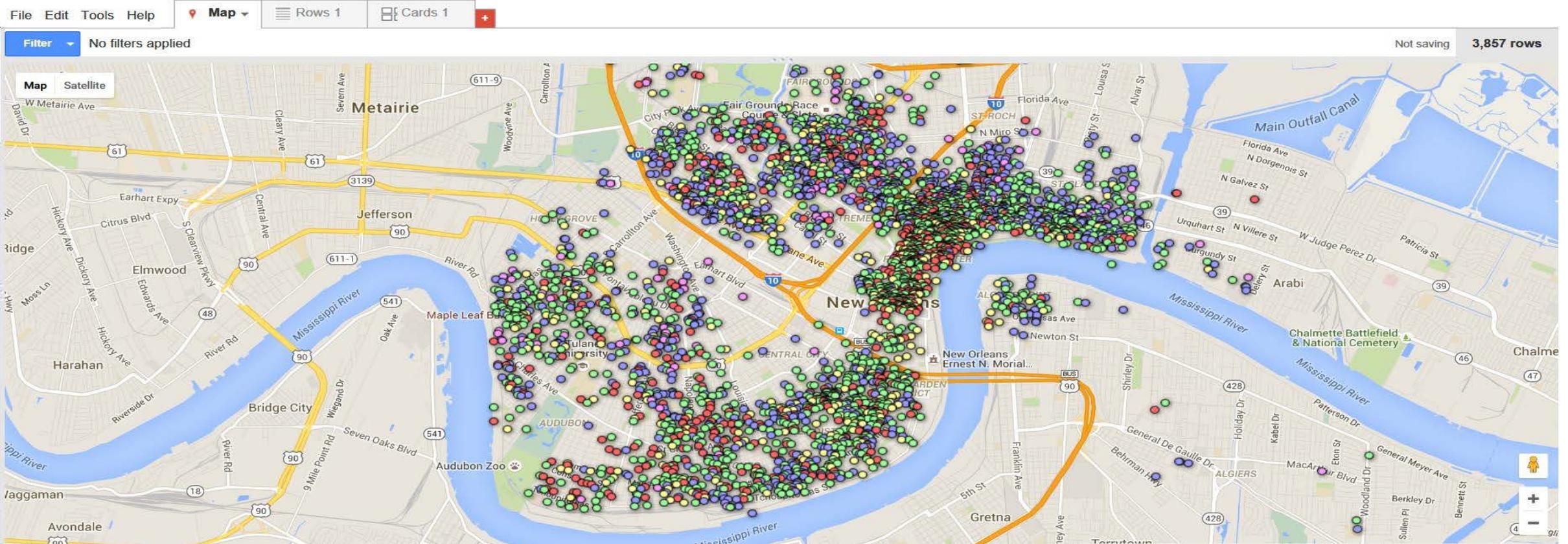
- ∞ **HOST REGISTERS AND ADVERTISES WITH AIRBNB - A HOUSE, APARTMENT, COTTAGE, CONDO, BUNGALOW, OR JUST A ROOM.**
- ∞ **HOSTS FILL OUT A DESCRIPTION, TAKE AND UPLOAD PHOTOS, AND PICK A PRICE.**
- ∞ **HOST SET THE RULES FOR WHO STAYS AND WHEN. BOOKING AND GUEST PREFERENCES HELP HOSTS FIT THEIR LIFESTYLE.**
- ∞ **SOME HOSTS OFFER BREAKFAST, OTHERS ARE MORE HANDS-OFF.**
- ∞ **MOST HOSTS CLEAN ALL THE SPACES A GUEST CAN USE, AND MAY PROVIDE ESSENTIALS LIKE CLEAN SHEETS, TOWELS, AND TOILET PAPER. AIRBNB HANDLES ALL OF THE PAYMENTS. GUESTS ARE CHARGED BEFORE THEY ARRIVE.**
- ∞ **HOSTS ARE PAID VIA PAYPAL, DIRECT DEPOSIT, AND INTERNATIONAL MONEY WIRE. PAYMENT IS AUTOMATICALLY SENT 24 HOURS AFTER YOUR GUEST CHECKS IN.**
- ∞ **LISTING YOUR AIRBNB IS FREE. AIRBNB TAKES A 3% HOST SERVICE FEE ON EACH RESERVATION AND COLLECTS HOST CHARGE OF 9% OF RENTAL.**
- ∞ **HOSTS CAN CHARGE WHAT THEY LIKE**

# VIRGINIA IS NOT ALONE IN DEALING WITH THE LODGING SHARED ECONOMY

## Airbnb listings in New Orleans (March 2016)

Imported at Fri Apr 15 11:04:29 PDT 2016 from ts\_new\_orleans\_2016-03-11.csv.

Tom Slee - Edited on 2016 April 15



There were 3,857 listings in New Orleans on Airbnb in March 2016, WHERE IT IS ILLEGAL.

# A LITTLE BACKGROUND

- ∞ **IN LATE 2015, THE VIRGINIA RESTAURANT LODGING & TRAVEL ASSOCIATION (VRLTA) NOTIFIED THE CITY OF VIRGINIA BEACH THAT AIRBNB (ONE OF MANY ONLINE RENTAL PLATFORMS) WOULD CHAMPION LEGISLATION SEEKING A STATEWIDE MEASURE LEGALIZING THEIR BUSINESS MODEL.**
- ∞ **IN DECEMBER, VRLTA MET WITH THE CITY, INCLUDING DEPUTY CITY MANAGER, DOUG SMITH; ASSISTANT TO THE CITY MANAGER, BOB MATTHIAS, AND THE CITY'S EXTERNAL LOBBYIST, ANGIE BEZIK.**
- ∞ **IN AN ATTEMPT TO BUILD OFF THE POSITIVE RESULTS FROM UBER AND LYFT'S GROUNDBREAKING LEGISLATION, AIRBNB ASSEMBLED A LOBBYING TEAM AND LEGISLATORS WHO ARE FAMILIAR WITH THE NEW "SHARING ECONOMY." THERE ARE MORE THAN 15 OTHER NATIONAL INTERNET BASED LEASING PLATFORMS. (I.E. HOMEAWAY, WHICH IS OWNED BY EXPEDIA)**
- ∞ **THEIR STRATEGY WAS TO "STRIKE WHILE THE IRON WAS HOT," AND HAVE AIRBNB FOLLOW THE SUCCESS LEGISLATIVE MODEL AND RELATIONSHIPS THAT BENEFITED UBER/LYFT. WHILE THEY ARE BOTH "EMERGING BUSINESS MODELS," THE OPPOSITION AND BROAD, NEGATIVE IMPLICATIONS PRESENTED BY THE SHORT-TERM LODGING ISSUE ARE VERY DIFFERENT FROM ANY SIMILARITIES IN THE "ONLINE PLATFORMS" USED TO "E-HAIL" RIDES (LYFT /UBER) OR SECURE SHORT-TERM LODGING..**

# LOCAL GOVERNMENTS AND HOSPITALITY INDUSTRY OPPOSE AIRBNB LEGISLATION

- ✎ **AIRBNB SPENT MUCH OF 2015 CRAFTING LEGISLATION TO CREATE A STATE WIDE TAX COLLECTION AND REMITTANCE SCHEME, (INCLUDING DISCUSSIONS WITH VIRGINIA DEPARTMENT OF TAXATION), FOR USERS AND TO PREEMPT MOST LOCAL GOVERNMENT REGULATIONS. THEY WAITED UNTIL LATE 2015 TO APPROACH SELECT LOCAL GOVERNMENT AND HOTEL INDUSTRY REPRESENTATIVES TO DISCUSS THEIR BILL. THE FINAL DRAFT WAS NOT AVAILABLE TO REVIEW UNTIL JANUARY 12 – THE DAY BEFORE SESSION.**
- ✎ **MOST OF THE CONCERNS EXPRESSED BY LOCAL GOVERNMENTS, HOTELIERS, AND THE TRADITIONAL BED AND BREAKFAST INDUSTRY WERE NOT INCLUDED IN THE LEGISLATION. AIRBNB CONTENDS THAT THEY LIMITED THEIR LEGISLATION TO “PRIMARY PERSONAL RESIDENCES” AND ARE HELPING THE STATE AND LOCALITIES RECOUP LOST REVENUE.**
- ✎ **THE LEGISLATION DID FAR MORE THAN THE SIMPLE DESCRIPTION ALLEGED. OPPOSITION FROM THE LODGING COMMUNITY, LOCAL GOVERNMENTS, AND SEVERAL LOCAL CHAMBERS OF COMMERCE WAS INTENSE.**

# THE LEGISLATION

- ∞ **AIRBNB'S LEGISLATION, "LIMITED RESIDENTIAL LODGING ACT" WAS PATRONED BY SENATOR JILL HOLTZMAN-VOGEL (SB 416) AND DELEGATE CHRIS PEACE (HB 812). FROM THE ORIGINAL VERSION OF THE BILLS (FILED JANUARY 12, 2016) UNTIL THEIR FINAL DISPOSITION (MARCH 2016), THE BILLS WERE AMENDED SEVERAL TIMES AND WERE HEARD BY MULTIPLE COMMITTEES. ULTIMATELY, THE SENATE VERSION WAS AMENDED AND PASSED, BUT SENT TO THE HOUSING STUDY COMMISSION FOR STUDY WITH A REPORT DUE BEFORE DECEMBER 1, 2016.**
- ∞ **THE LODGING INDUSTRY FILED THEIR OWN LEGISLATION, SEEKING TO BALANCE THE CONCERNS OF HOTELIERS AND LOCAL GOVERNMENTS WHILE ALLOWING A LEGAL PATHWAY FOR AIRBNB AND COMPETITORS.**

# THE LEGISLATION (CONT.)

## ∞ AIRBNB'S LEGISLATION SOUGHT TO:

- ESTABLISH A STATE WIDE TAX COLLECTION MECHANISM WHEREBY AIRBNB WOULD COLLECT AND REMIT ALL STATE AND LOCAL TAXES ON BEHALF OF THE ALL PROPERTIES RENTED THROUGH THE PLATFORM;
- THE DATA WOULD BE ANONYMOUS AND GIVEN AS A LUMP PAYMENT TO THE VIRGINIA DEPARTMENT OF TAXATION, WHO WOULD THEN BE RESPONSIBLE FOR SENDING THE LOCAL PORTION TO EACH LOCALITY;
- AIRBNB WOULD PROVIDE THIS SERVICE TO ANY TYPE OF PROPERTY LISTED ON THEIR WEBSITE. TYPES OF PROPERTIES INCLUDE (PRIMARY PERSONAL RESIDENCE, SECONDARY PROPERTIES, INVESTMENT PROPERTIES, MULTI-UNIT BUILDINGS);
- PREEMPTION OF MOST LOCAL ZONING FOR PRIMARY PERSONAL RESIDENCES ONLY;
- REQUIREMENT THAT ONLY PRIMARY PERSONAL RESIDENCE OWNERS REGISTER WITH THEIR LOCALITY FOR PURPOSES OF BPOL;
- OCCUPANCY SET BASED ON A FORMULA OF 2 PERSONS PER SLEEPING AREA PLUS 2 ADDITIONAL INDIVIDUALS WITH NO DEFINITION OF SLEEPING AREA AND NO LIMIT ON NUMBER OF VEHICLES;
- AIRBNB WOULD NOT BE RESPONSIBLE FOR ENFORCING OR REPORTING ANY INFORMATION ABOUT PROPERTY OWNERS, FREQUENCY OF RENTALS, RENTER DETAILS, OR USER COMPLIANCE WITH APPLICABLE LAWS.

# LOCAL GOVERNMENT ISSUES

- ∞ **ZONING/LAND USE – SEVERAL JURISDICTIONS HAVE ORDINANCES PROHIBITING/CURTAILING THESE ACTIVITIES. AS PROPOSED, THERE IS NO WAY FOR A LOCALITY TO REGULATE OR ENFORCE LOCAL RULES UNLESS A COMPLAINT IS MADE. PROPERTY OWNERS HAVE A RIGHT TO QUIET ENJOYMENT OF THEIR HOMES.**
- ∞ **HEALTH, SAFETY, WELFARE –AIRBNB’S LEGISLATION PREEMPTS LOCAL AUTHORITY TO CONDUCT SAFETY INSPECTIONS (SMOKE ALARMS, PEST INFESTATION, FIRE EXITS, ADEQUATE PARKING, ETC.) IF ALCOHOL IS INVOLVED, VIRGINIA ALCOHOLIC BEVERAGE CONTRL BOARD (ABC) HAVE JURISDICTION. THE PREEMPTION WAS MEANT FOR RESIDENCES ONLY, BUT WITHOUT A MEANS OF IDENTIFYING THE PROPERTY USERS, THERE IS NO WAY TO ENSURE COMPLIANCE;**
- ∞ **REVENUE – AIRBNB PROPOSES TO COLLECT AND REMIT ALL TAXES OWED TO VIRGINIA DEPARTMENT OF TAXATION FOR LATER DISTRIBUTION TO LOCALITIES. THE FOLLOWING TAXES MAY APPLY: SALES AND USE TAX (STATE, LOCAL, AND REGIONAL), TRANSIENT OCCUPANCY TAX (BED TAX), SPECIAL SERVICE DISTRICT TAXES. TAX DATA WILL BE ANONYMOUS AND AUDITING CAPABILITIES FOR THE STATE ARE LIMITED AND NO DATA TO BE REPORTED TO THE LOCALITY;**
- ∞ **QUIET ENJOYMENT OF EXISTING HOMEOWNERS**
- ∞ **CITY COMMISSIONER OF REVENUE ESTIMATES OVER 1400 “ROOMS” ARE ADVERTISED WITHIN THE CITY OF VIRGINIA BEACH. (STATE SALES, LOCAL SALES, LOCAL TRANSIENT, REGIONAL SALES, & BED TAX) ON AT LEAST 16 DIFFERENT PLATFORMS. SOME OF THESE ARE FROM FIRMS WHO REPORT TAXES,**
- ∞ **POSSIBLE AMENDMENTS:**
  - **ALLOW CERTIFICATION FOR HEALTH/SAFETY ISSUES; OR A CERTIFICATION FROM EACH PROPERTY OWNER.**
  - **ALLOW “REAL” ACCOUNTING OF EVERY PROVIDER – AUDITABILITY OF THESE CURRENTLY UNLICENSED LOCAL LODGING BUSINESSES.**
  - **ALLOW MEANS TO DETERMINE COMPLIANCE WITH LOCAL BUSINESS LAWS;**
  - **SOME LIMITATION ON PARKING AND SIGNAGE, WHERE APPROPRIATE;**
  - **REQUIRE IMMEDIATE DE-LISTING OF LOCAL LODGING BUSINESSES WHO ARE NOT IN COMPLIANCE;**
  - **REQUIRE SUBSTANTIAL PENALTIES TO LOCAL LODGING BUSINESSES AND HOSTING PLATFORM FOR NON-COMPLIANCE/FAILURE TO DE-LIST.**
  - **PROOF OF INSURANCE**

# TAXES UNDER CONSIDERATION

## ∞ STATE & REGIONAL SALES TAX 6%

- 1% TO LOCALITY OF COLLECTION
- 1% TO LOCALITY OF BASED ON PERCENTAGE OF SCHOOL AGE CHILDREN
- .7% TO HAMPTON ROADS TRANSPORTATION AUTHORITIES
- .5% TO VDOT (HAMPTON ROADS RECEIVES APPROX. 20%)

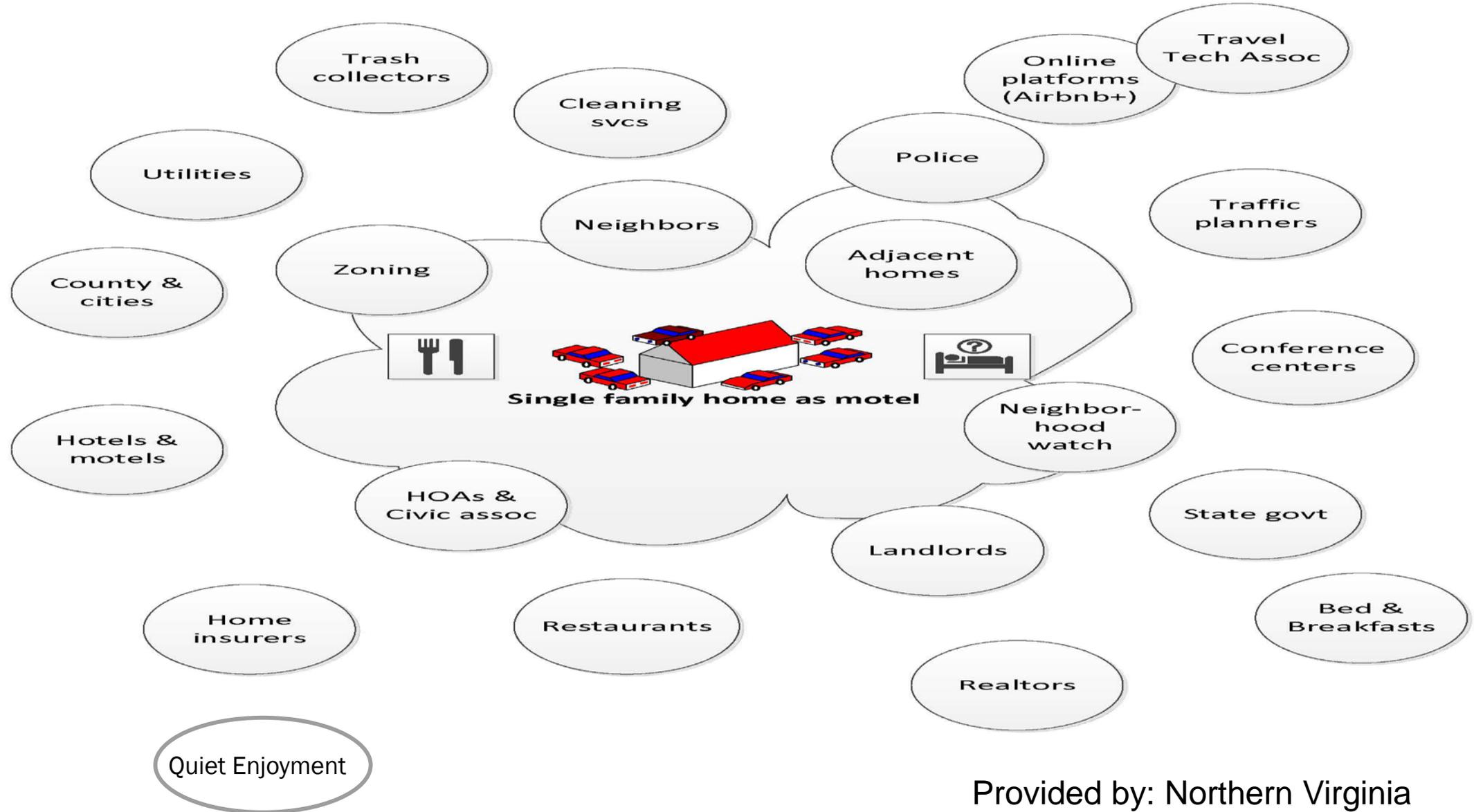
## ∞ LOCAL TOT TAXES

- VIRGINIA BEACH TRANSIENT OCCUPANCY TAX 8% +  
*\$1/NIGHT/ROOM*

# HOSPITALITY INDUSTRY ISSUES

- ∞ **PROLIFERATION OF ILLEGAL HOTELS – NON-OWNER OCCUPIED UNITS (OR ENTIRE BUILDINGS) THAT USE HOSTING PLATFORMS AND OPERATE AS QUASI-HOTELS WITHOUT ZONING OR PUBLIC SAFETY PROTECTIONS;**
- ∞ **EQUITABLE BUSINESS TREATMENT – LICENSURE, STATE AND LOCAL REGULATION, TAXATION OF SHORT TERM RENTALS THAT ARE RUN AS BUSINESSES;**
- ∞ **DE-LISTING – RENTALS THAT CANNOT DEMONSTRATE COMPLIANCE WITH LOCAL AND STATE LAWS SHOULD NOT BE ALLOWED TO BE ON THE HOSTING PLATFORM (AND PENALTIES FOR FAILURE TO DE-LIST NON-COMPLIANT PROPERTIES);**
- ∞ **TRANSPARENCY – RENTALS SHOULD BE LISTED WITH TAX ID/LICENSE INFORMATION AND A METHOD FOR REPORTING VIOLATIONS;**
- ∞ **ACCOUNTABILITY – JUST LIKE HOTELS, TAX COLLECTION AND REMITTANCE INFORMATION SHOULD BE SUBJECT TO AUDIT BY STATE AND LOCALITY;**
- ∞ **DATA COLLECTION – TO ASSIST WITH TOURISM PROMOTION, AGGREGATED STAY INFORMATION SHOULD BE AVAILABLE TO STATE AND LOCAL TOURISM OFFICES.**

# When single family homes become motels – entities impacted



Provided by: Northern Virginia Homeowners

# NEXT STEPS

- ∞ **THE FINAL BILL REQUIRES THE VA HOUSING COMMISSION TO STUDY THE ISSUE AND SUBMIT A REPORT TO THE GENERAL ASSEMBLY BY DECEMBER 1, 2016.**
- ∞ **THE HOUSING COMMISSION CREATED A WORK GROUP TO DEVELOP PROPOSED LEGISLATION FOR THE FULL COMMISSION TO REVIEW. MEMBERS INCLUDE:**
  - **DELEGATE CHRIS PEACE (HOUSE BILL PATRON)**
  - **AIRBNB**
  - **TRAVEL TECHNOLOGY ASSOCIATION**
  - **HILTON WORLDWIDE (ON BEHALF OF NATIONAL CHAINS)**
  - **VIRGINIA RESTAURANT, LODGING & TRAVEL ASSOCIATION (VRLTA)**
  - **THE BED & BREAKFAST ASSOCIATION OF VIRGINIA**
  - **VIRGINIA ASSOCIATION OF COUNTIES (VACO)**
  - **VIRGINIA MUNICIPAL LEAGUE (VML)**
  - **COMMISSIONERS OF REVENUE ASSOCIATION OF VIRGINIA**
  - **VIRGINIA DEPARTMENT OF TAXATION**
  - **VIRGINIA ASSOCIATION OF REALTORS**
  - **INDEPENDENT INSURANCE AGENTS OF VIRGINIA**
  - **NORTHERN VIRGINIA APARTMENT BUILDING ASSOCIATION**
  - **PROPERTY OWNERS' ASSOCIATION**

# PATH FORWARD

- ∞ **SUGGEST CONTINUED CLOSE SCRUTINY OF HOUSING STUDY COMMISSION WORK**
- ∞ **CONTINUE PUBLIC EDUCATION PROGRAM OF THIS ISSUE.**
- ∞ **VIRGINIA BEACH CITY COUNCIL PASSED AN ORDINANCE REQUIRING OFFERORS TO REGISTER AND REMIT TAXES OR FACE SANCTIONS OF UP TO \$1,000 PENAL FINE.**