

California lawmakers can't figure out what to do with Airbnb. Here's why



Airbnb hosts in Los Angeles meet last year to consider regulation in the city. (Los Angeles Times)



By **Liam Dillon**

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In San Francisco, tumult at the ballot box, with the Board of Supervisors and in the courtroom has defined the city's relationship with [Airbnb](#) and other short-term rental sites. In Los Angeles, regulating Airbnb is a top issue at City Hall. In New York last fall, Gov. Andrew Cuomo signed one of the nation's most restrictive laws penalizing Airbnb hosts who do not abide by limits on how frequently they can rent out their properties.

Yet in California, state lawmakers have done nothing major either to crack down on Airbnb or make it easier for short-term rentals to operate. The lack of action is in sharp contrast to the scores of regulations passed in cities and states across the country, but also to the way California legislators

have responded with fervor in tackling other issues surrounding the so-called sharing economy, including Uber and Lyft and the booming ride-hailing industry.

The question of regulating short-term rentals “is not going away,” said Sen. Mike McGuire (D-Healdsburg), who wrote multiple bills over the last two years to deal with the issue. “And in fact the longer we ignore it, the more challenging it will be to resolve.”

Short-term rental legislation has failed in Sacramento for multiple reasons, those on all sides of the issue said, including cities’ reluctance to let the state involve itself in local tax collection and the relative political strengths of both Airbnb and labor unions, which are typically the industry’s most powerful adversaries. Hotel-worker unions in particular are troubled by the effects short-term rentals could have on the hotel business and the livelihoods of workers.

The fight between the company and labor played out during debate over McGuire’s 2015 legislation. His bill would have required short-term rental companies to essentially police properties listed on their platforms, telling the companies to report addresses, usage and prices to cities, and also allowing cities to go after companies if hosts violated local rules. The hotel-workers union, Unite Here, led a group of labor, tourism, police and local government organizations to push the legislation.

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— Sen. Mike McGuire (D-Healdsburg)

But even though a large coalition was behind it, the bill died in a legislative committee. Airbnb worked hard to defeat it, sending their hosts in California an email with a button to click that would automatically generate a letter of opposition to legislators. Nearly 20,000 emails were sent to every state senator as a result, according to the company. The tactic is the same as one employed by Uber. Last year, when state officials tried to roll out a regulation the company didn’t like, [Uber emailed their drivers and customers telling them to oppose it](#). The response flooded regulators’ inboxes and the state backed down.

Uber, Lyft and other ride-hailing companies have been successful in expanding their operations in the state while also defeating bills that would have led to deeper background checks or stricter work rules for their drivers. [Lawmakers have said](#) they’ve supported pro-ride-hailing legislation because they want to back the tech industry, and McGuire said his 2015 short-term rental bill failed for the same reason.

“Candidly, individual members did not want to be seen as bucking the sharing economy,” McGuire said.

The next year, McGuire returned with more limited legislation, which was supported by Airbnb. The bill would have ensured local governments could collect hotel-room taxes from short-term rental hosts, and allowed state officials to audit the money. Airbnb liked the idea of having a statewide tax deal instead of working city by city. But cities balked at the state involving itself in collecting hotel-room taxes, which are solely local dollars. As in 2015, that measure also didn’t make it out of a committee.

State legislators in New York acted last year in part because of existing laws. New York already had rules on the books designed to block short-term apartment rentals in an effort to prevent flophouses and other illegal hotels. The legislation signed by Cuomo [simply revised that law](#) to impose steep fines for those who violated the rules.

In California, the major fights have been local battles. Airbnb has [gone to court](#) over strict rules regulating the industry passed in Anaheim and Santa Monica. Last year, San Diego’s then-City Council president proposed [banning short-term rentals entirely](#), an effort that was voted down in favor of working on less-stringent regulations. Los Angeles city officials are expected to take up [a proposal later this year](#) that would limit how frequently hosts could make rooms available and force them to register with the city.

Nowhere in the state is the battle more pitched than in San Francisco, Airbnb’s hometown. Voters in the city rejected a ballot measure in 2015 that would have made it a misdemeanor for Airbnb and other platforms to list rentals the city had deemed unlawful. [Airbnb sued](#) San Francisco over regulations passed last summer, which the company claims unfairly punish them if their hosts violate rules.

Even though major short-term rental legislation hasn’t passed at the Capitol, Airbnb still has a large presence in state politics. Its global head of policy, Chris Lehane, a long-time Democratic strategist in California, joined the company in 2015 after [running political operations for billionaire investor and environmental advocate Tom Steyer](#). Lehane is scheduled to speak on the 2016 election results at the Senate Democratic Caucus’ policy retreat next week. Airbnb spent nearly \$250,000 on lobbying efforts in Sacramento during the last two years, and company executives, including Chief Executive Brian Chesky, have given more than \$225,000 to Lt. Gov. Gavin Newsom’s 2018 gubernatorial bid, according to state records.

McGuire said he's holding off on introducing new legislation this year while Airbnb and the League of California Cities discuss potential resolutions to the tax issue. No other lawmaker has sponsored a bill on the issue yet this year. The company remains interested in state action.

"We certainly are still eager to figure out a statewide solution on the tax piece to simplify and streamline the process to make things easier for our host community," Airbnb spokesman Christopher Nulty said.

Still, legislators have not ruled out new rules that would go beyond taxation. A persistent argument used against short-term rentals is that they can take homes off the market, which opponents say could add to a housing shortage that has plunged the state into an affordability crisis. Recent academic research has showed that short-term rentals [can have a modest effect on housing supply](#) in Los Angeles, San Francisco and other popular cities, though the effects might be greater in desirable neighborhoods.

Sen. Jim Beall (D-San Jose), chairman of the Senate Transportation and Housing Committee, said he wanted to see more research on short-term rentals' influence on the housing market in San Francisco, but would consider taking action if he was convinced they displaced existing residents.

"I'd be concerned about that," Beall said. "I'd want some limits on dealing with that particular problem."

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