

Tulane University Public Policy Research Shop

Short Term Rentals and Affordable Housing in New Orleans

Prepared for the New Orleans Department of Information Technology and Innovation

June 23, 2017

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EXECUTIVE SUMMARY

Short-term rentals through online platforms like Airbnb are more popular now than ever before. When Airbnb was founded in 2008 US cities were largely unprepared for the impact its presence would have, especially in relation to affordable housing. On December 1st, 2016, the New Orleans City Council passed a series of ordinances which legalized short-term rentals and laid out a specific registration process for obtaining licenses. Property owners have seen an increase in earnings by making the switch from long-term rentals to short-term. However, many residents of New Orleans argue that the increase in short-term rentals has resulted in a decrease in the availability and affordability of housing. The New Orleans Department Information Technology & Innovation has commissioned a study from Tulane University's Policy Research Shop to investigate the effects that Airbnb and the increase of short-term rentals has had on affordable housing in the city of New Orleans.

1. INTRODUCTION

Since their introduction and rise to popularity in the marketplace, a myriad of legal disputes have arisen surrounding the way short-term rental platforms function within cities. Concerns surrounding these “disruptive technologies” include taxation, registration, data sharing, regulation, equal accessibility, and effects on housing. This brief seeks to analyze the effects of short-term rentals on affordable housing in New Orleans and to investigate how the benefits of the services are distributed geographically and across the digital divide.

2. CURRENT STATE OF THE PROBLEM

2.1 Available Housing

Short-term rental websites encourage property owners to rent properties to short-term visitors instead of long-term tenants. When income from nightly rentals exceeds that of long-term rentals in a neighborhood, the incentive shifts toward short-term rentals, creating a shortage in housing.¹ Local housing markets in large cities like New York and San Francisco have seen housing supplies diminished by these rentals as well as increases in housing prices.^{2 3} The effect of short-term rentals on housing supply can be seen most clearly when people post multiple full properties for rent. These individuals are choosing to convert typical rental properties into temporary lodging for visitors. In New York, users who offered multiple properties on Airbnb

¹ Malhotra, Arvind, and Marshall Van Alstyne. "The dark side of the sharing economy... and how to lighten it." *Communications of the ACM* 57, no. 11 (2014): 24-27.

² Guttentag, Daniel. "Airbnb: disruptive innovation and the rise of an informal tourism accommodation sector." *Current Issues in Tourism* 18, no. 12 (2 September 2013): 1192-217.

³ "The Dark Side of the Sharing Economy." *New York Times*, 30 April 2014.

accounted for roughly 30% of listings.⁴ Short-term rentals often appear more economically appealing than long-term rentals, which can decrease the supply of long-term rentals in a neighborhood and subsequently raise rental prices. Unfortunately this often affects low income individuals seeking low rent housing the most.⁵ Landlords' transitioning from long-term rentals to short-term rentals changes the landscape of a given neighborhood. Instead of a community of permanent residents, neighborhoods shift toward a merry-go-round of temporary visitors. As Daniel Gutentag explains in his article on disruptive technology in tourism, "a transient stream of tourists in a residential building or neighbourhood can be unpleasant for other tenants or neighbours, and can generally detract from the community fabric."⁶

2.2 Geographic Distribution of Wealth

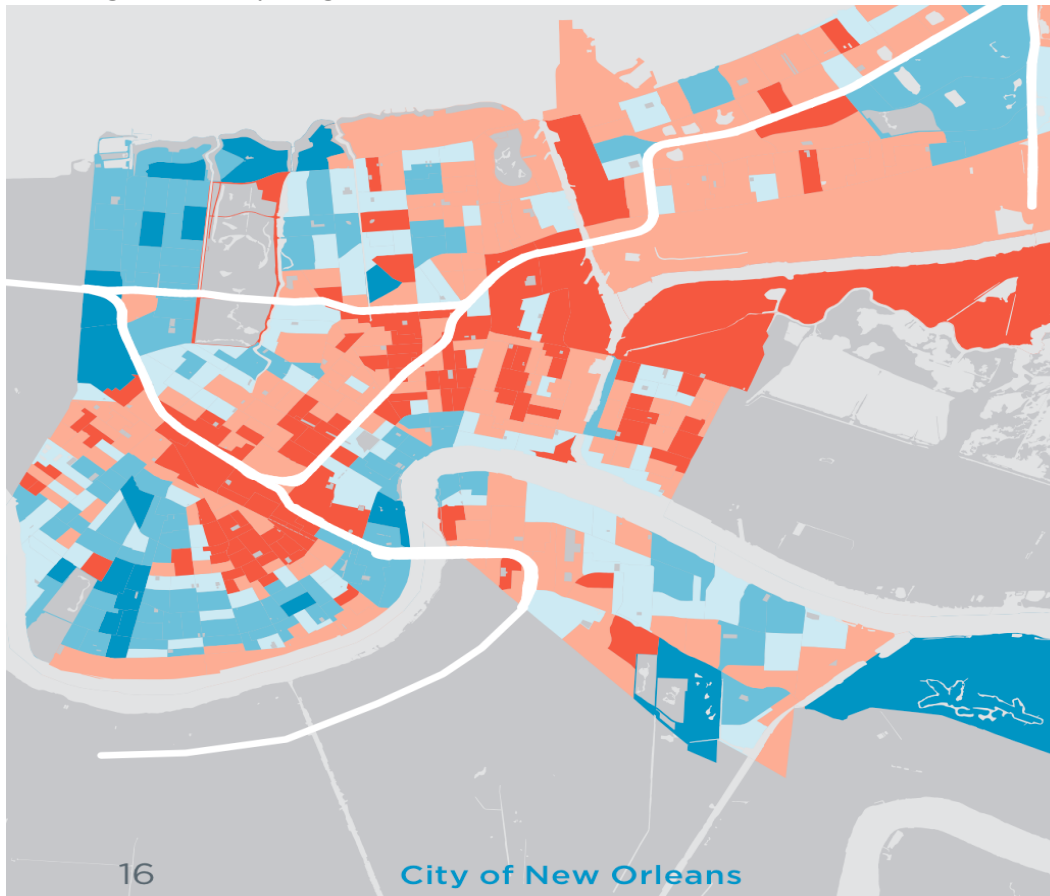
This brief examines how short-term rental activity in New Orleans, specifically Airbnb, relates to the distribution of wealth. Concentrations of Airbnb can both serve to supplement income, when residents rent out their whole home while away or parts of their home while present, or disrupt housing when property owners rent out non-primary residences that might otherwise be for rent in that neighborhood. In this brief we consider non-owner occupied or non-primary residences as problematic Airbnb listings and primary residence listings as potentially beneficial. Figure 1 illustrates the average income by neighborhood in New Orleans, with dark blue representing the highest income and dark red representing the lowest income. Clearly the income distribution is segmented by neighborhood with areas such as Uptown, the Marigny, the French Quarter and the Garden District showing high income levels.

⁴ "The Dark Side of the Sharing Economy."

⁵ Malhorta. "The dark side of the sharing economy... and how to lighten it."

⁶ Guttentag, Daniel. (1220).

Figure 1. Average Income by Neighborhood⁷



Figures 2 and 3 show concentrations of Airbnb listings that advertise private room and entire home rentals in those neighborhoods. Interestingly there are a large number of listings in the strip between the French Quarter and City Park, neighborhoods like the Seventh Ward and the Treme, where Figure 1 shows lower income levels. Many of these listings are advertised as entire homes, suggesting problematic effects on rental rates (see Figure 2). Overall these maps do not show an absolute correlation between income and presence of Airbnb listings, however there definitely seems to be constant concentrations in Uptown, the Garden District, the Marigny and in and around the French Quarter. This suggests that a large portion of the financial benefits go back into higher income neighborhoods and not into many of the lowest income neighborhoods. Ultimately tourists play a large role in dictating the market but the distribution of Airbnb seems to be upholding the wealth gap in New Orleans.

⁷ “Resilient New Orleans.” City of New Orleans. 25 August 2015. 16. Web. 17 June 2017.

Figure 2. Private Room Airbnb Listings⁸

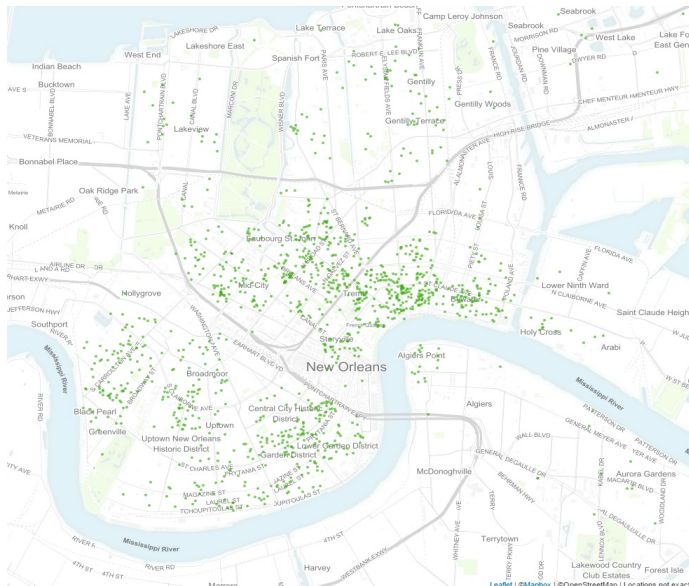
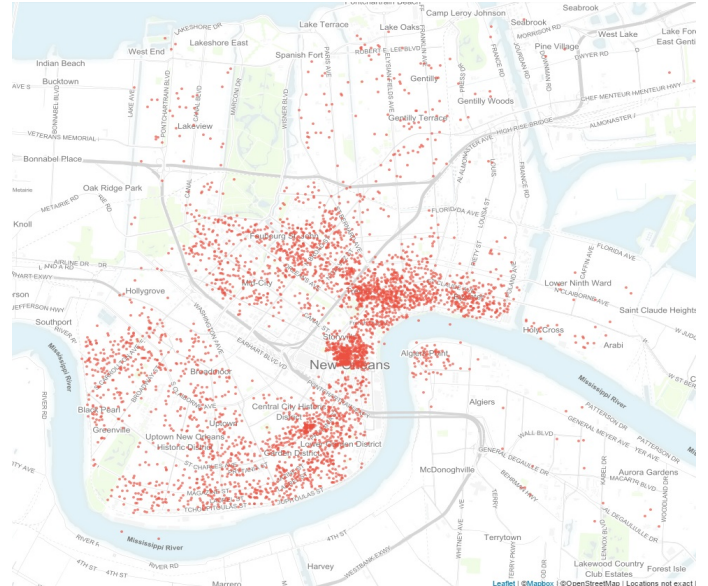


Figure 3. Entire Home Airbnb Listings⁹



2.3 Racial Inequity

Scholarship suggests racial bias exists in Airbnb users. Edelman, Luca and Svirsky find that users with African American sounding names received a response to rental advertisements 8% less often than users with white sounding names.¹⁰ Edelman and Luca also find that African American users earned 12% less on Airbnb than non-black users.¹¹ Wang et al similarly look at the average income per week for white and Asian users on Airbnb and find that white users earn about \$90 more per week than their Asian counterparts.¹² These consistent results illustrate the unequal distribution of benefits from short-term rental websites based on race, or perceived race in some cases. While it is hard to claim that Airbnb is responsible for the latent racism of its patrons the problem of racial discrimination displays how the websites do not allow everyone to equally benefit from the peer-to-peer platform.

In New Orleans, the data on Airbnb listings corroborates this lack of racial equity. Figure 4 shows the concentration of White, Black, Hispanic and Asian populations by map color. Concentrations of White residents are indicated on the map in blue, while concentrations of Black residents appear yellow. The red stars point out areas of intense gentrification following Hurricane Katrina. Figure 4 clearly displays the racial divide between different New Orleans

⁸ “New Orleans.” *Inside Airbnb*. Open Street Map, 2 June 2017. Web. 17 June 2017.

⁹ “New Orleans.” *Inside Airbnb*. Open Street Map, 2 June 2017. Web. 17 June 2017.

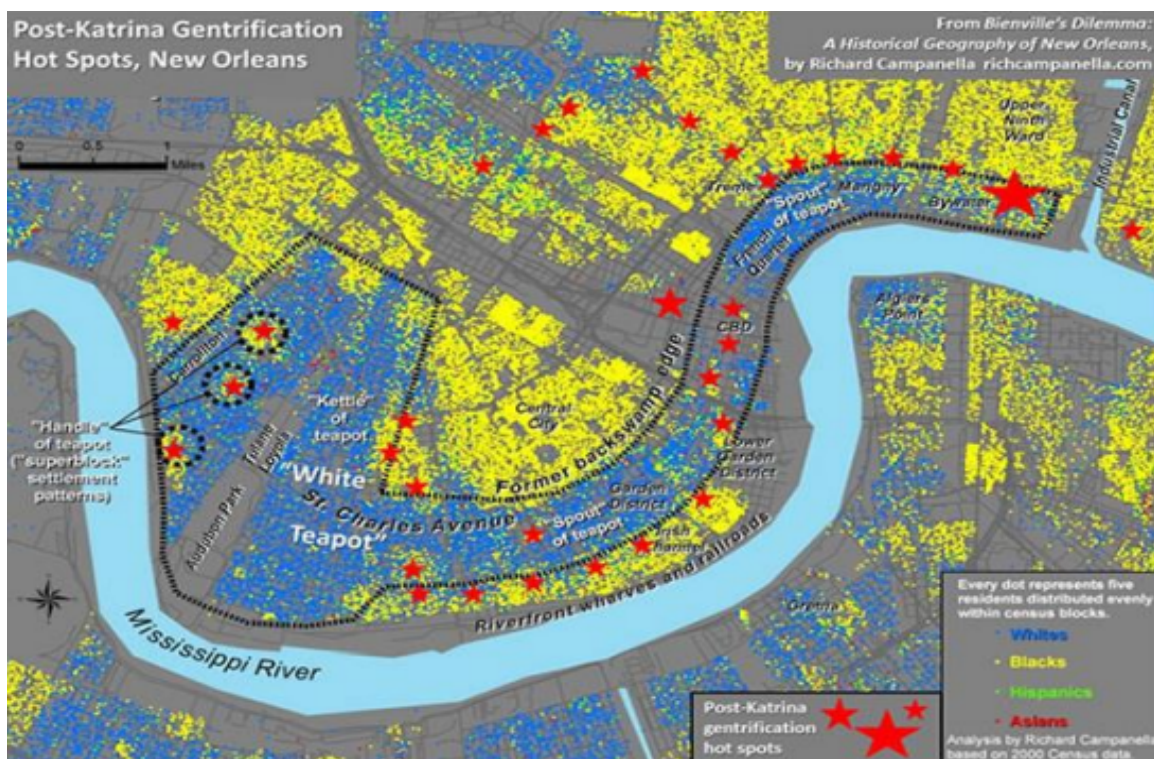
¹⁰ Edelman, Benjamin, Michael Luca, and Dan Svirsky. "Racial discrimination in the sharing economy: Evidence from a field experiment." *American Economic Journal: Applied Economics* 9, no. 2 (2017): 1-22.

¹¹ Edelman, Benjamin G., and Michael Luca. "Digital discrimination: The case of airbnb. com." (2014).

¹² Wang, David, Stephen Xi, and John Gilheany. "The model minority? Not on Airbnb. com: A hedonic pricing model to quantify racial bias against Asian Americans." *Technology Science*. September 1 (2015).

neighborhoods with White populations concentrated in Uptown, the Garden District, French Quarter and Marigny. Most of the “gentrification hotspots” are located at the periphery of the more concentrated White neighborhoods. Richard Campanella identifies the racial gentrification in New Orleans as a product of internal whitening and spreading explaining, “that once more diverse neighborhoods like the Lower Garden District and Bywater are now majority white. The spreading present in the Tremé, Irish Channel, Fair Grounds, and Mid-City is the result of the fact that historic neighborhoods of color are porous to White residents, but historically White neighborhoods are not porous to residents of color.”¹³ The second map shows the concentration of Airbnb listings in New Orleans. Side by side it is clear that Airbnb listings in New Orleans are primarily concentrated in majority white neighborhoods. Additionally, the areas in the first map labelled as “gentrification hotspots” also have a concentrations of Airbnb listings. The areas of Airbnb concentrations in Figure 5 that do not directly mirror the White concentrations in Figure 4, such as the Seventh Ward, Tremé and Mid City, fall in and around those areas of identified gentrification. Due to the rapid rate of the gentrification, Airbnb’s potential to raise prices and diminish housing supply could expedite the process. Coupled with the racial inequality present in Airbnb, the geographic distribution of listings warns of a problematic racial dynamic for short-term rentals.

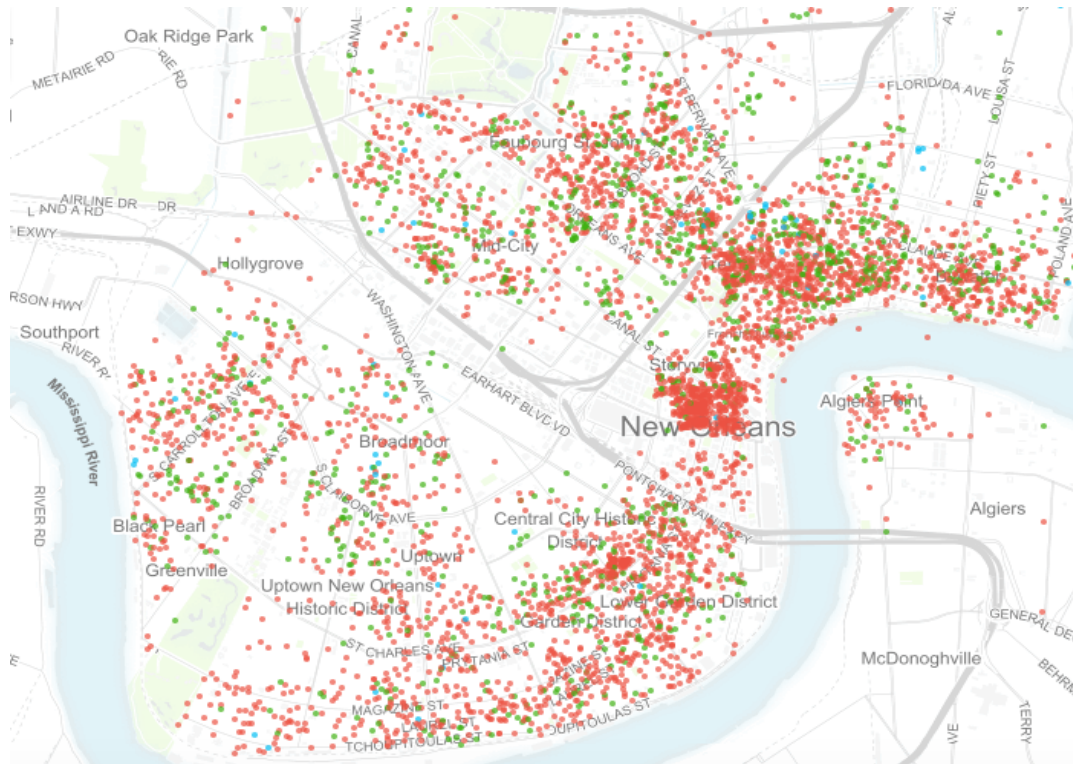
Figure 4. Racial Demographic in New Orleans¹⁴



¹³ “Assessment of Fair Housing Tool.” City of New Orleans and Housing Authority of New Orleans. 4 October 2016. 28.

¹⁴ “Assessment of Fair Housing Tool.” City of New Orleans and Housing Authority of New Orleans. 4 October 2016. 29.

Figure 5. Total Airbnb Listings in New Orleans¹⁵



2.4 Digital Literacy and the Digital Divide

As an online service Airbnb requires a certain amount of digital literacy to use. According to data collected by *The Lens* in joint with the Center for Public Integrity and the Investigative Reporting Workshop at American University, it is clear New Orleans hosts a disparity of broadband internet access throughout the city.¹⁶ Orleans Parish itself has an internet subscription rate of just 60% while most metropolitan cities in the U.S. are near 80%.¹⁷ The more staggering data is in the digital divide. The average rate of internet subscription in wealthy, primarily white neighborhoods such as Uptown are closer to 80% where rates in the Lower 9th Ward and Central City range from 0%-40%.¹⁸ Without coincidence, as we can see in Figure 5, these areas with the lowest internet rates, such as Central City, have the least amount of Airbnbs. While internet is a common necessity to actively participate in today’s society, according to Tracie Powell of Poynter.org, broadband internet service is more of a “luxury” than necessity for those still

¹⁵ “New Orleans.” *Inside Airbnb*. Open Street Map, 2 June 2017. Web. 17 June 2017.

¹⁶ Davis, Matt. “Poorer communities continue to suffer lack of broadband access — and related opportunity” *The Lens* [New Orleans] 24 May 2012. Web. 17 June 2017

¹⁷ Davis, Matt

¹⁸ Davis, Matt

recovering financially from Hurricane Katrina.¹⁹ The extra income Airbnb provides could greatly aid those in lower income neighborhoods without broadband internet. However the digital divide excludes poorer communities from access to a service that could be highly beneficial to their well-being.

2.5 Enforceability

In May of 2017 the Landrieu administration announced that an estimated 60% of New Orleans short-term rentals are now registered with the city, boasting the highest compliance rate in the country.²⁰ This achievement is evidence of the success of recently-passed regulations on these properties, however with 5,307 short-term rentals listed on Airbnb it is impossible for the city to monitor each property in order to ensure that every single one has obtained the proper licensing and are following all requirements.²¹ On June 21st, 2017, seven illegal short-term rentals in the French Quarter were fined \$17,000 in the first code enforcement hearings regarding the city ordinances passed in December of 2016. “Airbnbs are not allowed in the French Quarter -- ever,” stated hearing officer Schalyece Harrison.²² This is evidence of some illegal short-term rentals slipping through the cracks, an issue that will be addressed later in this report.

3. BACKGROUND INFORMATION

In the short time that it has been in existence, the presence of Airbnb has increased dramatically within the city of New Orleans. In January of 2015 there were estimated to be around 1,905 listings within the city,²³ however according to the data collection site Inside Airbnb, New Orleans as of June 20th, 2017 is home to 5,307 Airbnb listings. 75.2% of those listings advertised are for entire homes or apartments, while in comparison only 23.6% are listed as private rooms within a larger household.²⁴ These data also report that 51.4% of Airbnb hosts have multiple listings, indicating that a majority of owners who rent out their homes to short-term guests have more than one property or more than one listing within the same property. Although it is difficult to be certain which is true for individual cases, it can be surmised from this information that many of these hosts are actively choosing to rent out their properties on Airbnb rather than to permanent residents, which drastically decreases the availability of affordable housing.

¹⁹ Powell, Tracy. “How the Digital Divide Developed in New Orleans & What That Means for the Future of News There.” *Poynter*. 5 July 2012. Web. 17 June 2017.

²⁰ Sayre, Katherine. “About 60% of New Orleans Short-term Rentals Now Registered, City Says.” *NOLA.com*. NOLA.com, 16 May 2017. Web. 20 June 2017.

²¹ “New Orleans.” *Inside Airbnb*. Open Street Map, 2 June 2017. Web. 17 June 2017.

²² Sayre, Katherine. “7 Illegal Short-term Rentals in French Quarter Fine \$17,000.” *NOLA.com*. NOLA.com, 21 June 2017. Web. 21 June 2017.

²³ Slee, Tom. “Airbnb Data Collection: Get the Data.” *Tom Slee*. N.p., 22 May 2017. Web. 15 June 2017.

²⁴ New Orleans.” *Inside Airbnb*. Open Street Map, 2 June 2017. Web. 17 June 2017.

On April 1st, 2017, a series of ordinances went into effect that officially allowed the presence of “short-term rentals” within zoning districts throughout New Orleans, and established a registration process by which one can obtain a licensing permit. These new ordinances create specific guidelines for the licensing and enforcement process for short-term rentals, explain where geographically they are allowed, establish standards for the operation of short-term rentals, and enter the Mayor into an agreement that allows there to be an sharing of data and other information on rentals between Airbnb and the city of New Orleans.

New Orleans Comprehensive Zoning Ordinance No. 27204 divides short-term rental licenses into three distinct categories. Accessory Short Term Rentals, also referred to as Type A, allow a maximum of three bedrooms to be rented out at a time to one party of guests, and the property owner is required to be residing in the home for the duration of the rental period. Temporary Short Term Rentals, or Type T, allow property owners to rent out entire houses of up to five bedrooms for a maximum of 90 days in a year. Unlike Type A, Type T licenses do not require the property to be the owner’s primary residence. Commercial Short Term Rental licenses, or Type C, are issued to property owners in non-residential zones, allowing them to rent out up to five bedrooms year-round.²⁵ All three of these types of properties require the proper license in order to operate legally. All three types of properties are also now prohibited in the French Quarter, however Type C licenses are allowed as long as they are not within the Vieux Carre area.²⁶

In order to apply for a short-term rental license permit, a number of documents and requirements must be submitted, a list of which are provided in Section 26-214. These requirements include, but are not limited to, evidence that the homeowner possesses valid liability insurance, proof of the presence of smoke detectors and other safety precautions within the property, a detailed floor plan of the residence, and proof that the property is in compliance with city-mandated safety regulations.

Fees for the initial issuance of a short-term rental license are listed in Section 26-617. Owners of Type T, A, and C properties are required to pay \$50, \$200, and \$500, respectively.²⁷ In addition, this section also creates a special fund that requires owners of short-term rentals to deposit \$1.00 per rental night into the Neighborhood Housing Improvement Fund.²⁸

Once a license is obtained, license owners must present the following information prominently on both Airbnb’s website and the front of their property: permit number, name and contact information of homeowner or property manager, occupancy limit, rules regarding trash and recycling, and a series of residency rules laid out by the Comprehensive Zoning Ordinance.²⁹

²⁵ New Orleans Ordinance 27204 §26-613(a)

²⁶ New Orleans Ordinance 27204 §26-613(b)

²⁷ New Orleans Ordinance 27204 §26-617(a)

²⁸ New Orleans Ordinance 27204 §26-617(b)

²⁹ New Orleans Ordinance 27204 §26-615(d)

Penalties for noncompliance with any of the aforementioned registry and regulatory requirements are included but not limited to revocation of short-term rental license and fines.³⁰

In 2016 the City of New Orleans and the Housing Authority of New Orleans released a collaborative Assessment of Fair Housing (AFH) Plan with the goal of making significant changes in regards to housing disparity. This compilation of goals and strategies hopes to address a number of issues, including “replacing segregated living patterns with truly integrated and balanced living patterns; transforming racially or ethnically concentrated areas of poverty into areas of opportunity; and fostering and maintaining compliance with civil rights and fair housing laws.”³¹ Although the development of such a plan is now required for cities that receive funding from the US Department of Housing and Urban Development (HUD), New Orleans has been the first city to complete it. The report specifically mentions that a primary concern in regards to the availability of affordable housing is Airbnb. There is a growing worry among housing officials as well as long-term residents that online short-term rental platforms such as Airbnb are “decreasing opportunities for low-income individuals and families throughout the City of New Orleans, particularly in high-opportunity neighborhoods.”³²

4. CASE STUDIES

In order to explore policy options for New Orleans we conducted case studies of several US cities that have placed regulations on Airbnb and other short-term rental platforms. We selected these cities based on several factors, including whether or not they currently have in place restrictions on short-term rentals, the availability of data, and similarity to New Orleans in terms of size and regionality. We also sought to focus our research on cities that, like New Orleans, have experienced issues with affordable housing.

4.1 Chicago

On June 22nd, 2016 the City of Chicago passed new regulations on online short-term rentals. The new laws levy a 4% tax on these online short-term in addition to the 21% hotel tax they are already liable for. The legislation also limits the number of units in a building to one if the building has five or less or, if the building is larger, 25% of the units unless that number exceeds the maximum of six units. Residents of a residential neighborhood have the option to sign a petition to ban non-primary residence rentals if they acquire 25% of the signatures from permanent residents. The 4% tax is designated to help the homeless population of Chicago.³³

³⁰ New Orleans Ordinance 27204 §26-618

³¹ “Assessment of Fair Housing Tool.” Housing Authority of New Orleans, 4 Oct. 2016. 3. Web. 17 June 2017.

³² “Assessment of Fair Housing Tool.” Housing Authority of New Orleans, 4 Oct. 2016. 35. Web. 17 June 2017.

³³ Byrne, John. “Airbnb rules easily pass Chicago City Council despite vocal opposition.” Chicago Tribune, 22 June 2016. Web. 20 June 2017

Since the City Council passed the legislation two groups have sued the city claiming it was unfair for residents trying to rent out their home to collect additional income. The plaintiffs see the laws as unfair and disproportionately harsh compared to regulations on hotels. The two groups are not home sharing websites themselves but an organization called Keep Chicago Livable and a group of homeowners who seek to make it easier for residents to use the online services to bring in additional income to help cover expenses.³⁴

The new ordinance particularly targets apartment and condominium complexes with the hope of limiting large numbers of units to be rented out short term. The transient residence in these buildings could create de facto hotels in the city changing the residential nature of multi-unit buildings. Beyond the rules on limiting the number of units in a building which can be used for short-term rentals a certain number of full buildings are off limits to short-term rentals all together. Overall this adds up to nearly 89,000 units now off limits.³⁵ While there has been some outcry from Chicago citizens who feel the ordinance is overly harsh, the petition rules and the unit limits indicate this legislation makes an effort to prevent a reduction in residential housing caused by online short-term rentals.³⁶

4.2 Nashville

In Nashville, short-term rentals are divided into three categories: Type 1, Type 2, and Type 3. Type 1 rentals are considered “owner-occupied” properties, meaning that the property is the owner’s primary residence, and that the owner is present in the home during the duration of the rental.³⁷ Properties that are not the owner’s primary residence and that are single-family homes or duplexes are considered Type 2 rentals. Type 3 rental properties are non-owner-occupied multi-family apartments or condominiums. In order to obtain a permit for Type 3 short-term rentals, the renter must also be the owner of the building.³⁸ All property owners who intend to rent out their home to the same occupant for less than thirty days are required to obtain an operating permit.³⁹ The fee for a short-term rental permit is \$50 for all three rental types, and must be renewed on an annual basis.⁴⁰ All rentals are required to go through a number of checks before being approved for a permit, which include documents confirming proof of residence, a written confirmation that neighbors have been notified, visibly displaying the operating permit information outside the property as well as on the rental site, and a floor plan detailing number of bedrooms, locations of smoke alarms and exits, and more.

³⁴ Marotti, Ally. "Chicago's Airbnb home-sharing rules are 'draconian,' lawsuit says." *Chicago Tribune*, 16 November 2016. Web. 20 June 2017

³⁵ Gallun, Alby. “Airbnb is banned from more and more Chicago condo buildings.” *Crain’s Chicago Business*, 10 Dec. 2016. Web. 20 June 2017

³⁶ Marotti, Ally. 2016

³⁷ Nashville Metropolitan Code §6.28.030(b)

³⁸ Nashville Metropolitan Code §17.16.250(b)

³⁹ Nashville Metropolitan Code §6.28.030(l)

⁴⁰ Nashville Metropolitan Code §6.28.030(n)

There is currently a city-imposed limit on how many Type 2 rentals are allowed within Davidson County, which caps non-owner-occupied rentals at 3% of all single-family residences per census tract.⁴¹ However, on April 27, 2017, the Metro Planning Commission voted to in favor of recommending new legislation that would completely halt the issuing of new permits to non-owner-occupied rentals.⁴² If passed this would bring an end to Type 2 rentals in residential areas in Nashville. The consideration of such legislation was pushed by Nashville residents, who argue that homeowners have been renting out their empty residential properties strictly to earn an extra income, and do a poor job of monitoring their guests to ensure they are complying with house rules. Neighbors have complained that this has resulted in both noise disturbances as well as the displacement of long-time residents from already-gentrifying neighborhoods. Airbnb is fighting back by urging Davidson County to increase permit fees and regulations in place of an outright ban. “When local governments and STRP [short-term rental property] communities partner in pursuit of fair home sharing rules, everybody wins,” says Airbnb’s public policy director Laura Spanjian. “In contrast, impulse bans and moratoriums are unenforceable and simply don’t work.”⁴³

In response to this potential legislation, there has been a push from the state level to limit local government’s ability to place restrictions on short term bills. The Short-Term Rental Unit Act is scheduled to be heard by the Tennessee senate in 2018.

4.3 Atlanta

According to Yang and Sungsook, the presence of Airbnb has resulted in a reduction of the available housing stock across Atlanta city by about 10 percent.⁴⁴ Having been the top three United States goldmine mines for owners of Airbnb properties, Atlanta is one of the major victims of housing crisis caused by this short-term rental company.⁴⁵ The reduction in available housing stock in Atlanta has resulted in a shortage which has strained the affordability of housing. According to Yang and Sungsook, there exists a clear pattern of the listing of Airbnb being dominated by illegal commercial hosts who in turn manipulate the residential rental market through facilitating a reduction in the supply of the available long-term housing units.⁴⁶ This has resulted in a strong correlation between rapidly rising rental prices in Atlanta’s neighborhoods and the drastic growth of Airbnb where it is most prevalent.⁴⁷ Almost 30,000 which is more than 55 percent of the 51,000 total listings of Airbnb in Atlanta city were illegal, and they were rented

⁴¹ Nashville Metropolitan Code §6.28.030(q)

⁴² Garrison, Joey. “Pivotal Vote Looms for Future of Short-term Rentals in Nashville.” *The Tennessean*. The Tennessean, 01 May 2017. Web. 18 June 2017.

⁴³ Garrison

⁴⁴ Yang, Sujin, and Sungsook Ahn. "Impact of Motivation in the Sharing Economy and Perceived Security in Attitude and Loyalty toward Airbnb." (2016) Web.

⁴⁵ Yang, Sujin, and Sungsook Ahn

⁴⁶ Yang, Sujin, and Sungsook Ahn

⁴⁷ Yang, Sujin, and Sungsook Ahn

for most of the year thereby making them unavailable for the residents of Atlanta.⁴⁸ The shortage is behind the rising prices of rental units making them unaffordable to the populace of the city of Atlanta.

With the rise of online rental platforms such as Airbnb, regulations have become a complex and evolving area for the local governments across the United States. In Atlanta, the state regulated the definition of rentals of less than a month as a "business," despite recent legislation to the contrary.⁴⁹ Subsequent documents claim that the new restriction is being decided on behind closed doors by unfairly infringing upon operator's rights. Now, normally, the process of limiting rentals would be accomplished by a change in the bylaws of the building, which would necessitate a vote of all the residents.⁵⁰ The seemingly unilateral decision to limit rentals isn't sitting well with everyone and has resulted in what is appearing likely to develop into a legal battle, with both sides lawyering up for the occasion. This has helped in one way or another to curb the rising dominance of Airbnb in taking up a majority of the rental slots within Atlanta rendering them scarce and thereby seeing an increase in the rental prices across the city. To list a home on Airbnb in Atlanta one must see if their property is consistent with any zoning requirements or use of definitions. This can be done by consulting Part 16 of the Land Development Code.⁵¹ After this, you must see if your building or home is congruent with building and housing standards. One should refer to appendices A-F of the Land Development Code.⁵² Atlanta also requires owners and operators to apply and receive a license to operate. More information of licensing can be found in chapter 30, Article XI of the Code of Ordinances. After being licensed will verify if the business can exist in its location. This can also be found in chapter 30.⁵³ If approved to be able to operate the owner must pay a transient occupancy tax on any guest who stays less than 30 days.⁵⁴ This falls under Article III and section 146-89 says that the tax will be set by and deemed payable to the city's Chief Financial Officer and states that the fee shall not be greater than twice the person's estimated average liability for the period for which the person files returns, determined in such a manner as the chief financial officer deems proper or \$10,000.00 whichever amount is the lesser.⁵⁵

4.4 San Francisco

We identified San Francisco as a suitable comparison city due to its similar problem of decreasing affordable housing as a result of short-term rentals. In a city where the housing market is already extremely competitive, the addition of unregulated short-term rentals allows renters to profit even more as people are willing to pay high prices. This influx of short-term

⁴⁸ Yang, Sujin, and Sungsook Ahn

⁴⁹ Thomas, Wheatley. "Airbnb, meet the Georgia General Assembly short-term." (2015): n. Pag. Web.

⁵⁰ Thomas, Wheatley

⁵¹ Municode Library. N.p., n.d. Web. 21 June 2017.

⁵² Municode Library. N.p., n.d. Web. 21 June 2017.

⁵³ Municode Library. N.p., n.d. Web. 21 June 2017.

⁵⁴ Municode Library. N.p., n.d. Web. 21 June 2017.

⁵⁵ Municode Library. N.p., n.d. Web. 21 June 2017.

rentals and the high demand to meet them has exacerbated San Francisco's housing problem and forced the city to regulate it.

After enacting its first set of regulations on the the short-term rental platform in February, 2015, it became clear the laws put in place were not serving their purpose.⁵⁶ San Francisco originally banned all non-primary residence housing and made it necessary for renters to reside in the rental location for a minimum of 275 days per year.⁵⁷ This is evidence of how Airbnb can positively contribute to a housing market, helping renters supplement their income without decreasing the number of houses on the market. However after a study conducted by the *San Francisco Chronicle* in March of 2017, 8,800 locations were shown as available on the Airbnb website while only 1,877 were registered with the city.⁵⁸ This data shows that the majority of renters are doing it illegally with little no adherence to the policies. The apparent lack of enforcement is encouraging renters to rent illegally as they see little to no immediate incentive to obey the law.

San Francisco's problem with Airbnb becomes more one of enforcement of any policy rather than deciding how to regulate it. In a situation where enforcement by the city looked impossible San Francisco made an effort to transfer regulation duties to the company. This was followed by a year-long lawsuit by Airbnb which ruled that because the app is profiting off a platform that incurs negative effects, if done illegally it is financially accountable for illegal users.⁵⁹ As a result, Airbnb must now share data with San Francisco so they can more easily identify those not adhering to the policy. If the city notifies Airbnb about an illegal listing the app must take it down or suffer a penalty of \$1000 a day per illegal listing.⁶⁰ In effect this punishment will incentivize Airbnb to keep all their listings registered and take the pressure of regulation off the city.

5. POLICY PROPOSALS

5.1 Limit on number of non-owner-occupied residences per neighborhood

New Orleans could place a cap on how many non-owner-occupied rentals (Type T) are permitted per zoning district in the city. This method is currently in place in the cities of Nashville and Austin, both of which limit non-owner-occupied short-term rentals to 3% of residential properties per census tract in their respective counties.⁶¹ ⁶² Limiting the number of short-term

⁵⁶ Fishman, Stephen. "Overview of Airbnb Law in San Francisco" Nolo.com

⁵⁷ Fishman, Stephen.

⁵⁸ Shaban, Bigad, Tony Rutanashodech, and Kevin Nious. "San Francisco Issues \$1.1 Million in Fines to Hosts Renting On Sites Like Airbnb" NBCBayArea.com, Mar. 9, 2017, updated: Mar. 10, 2017

⁵⁹ O'Brien, Sara Ashley. "Airbnb Settles with San Francisco, agrees to register local hosts" Money.CNN.com, May 1, 2017.

⁶⁰ O'Brien, Sara Ashley.

⁶¹ "Short Term Rental Property." *Nashville.gov*. Metropolitan Government of Nashville and Davidson County, Tennessee, 2017. Web. 18 June 2017.

rentals that are allowed to exist within the same area is likely to be attractive to residents who are concerned with excessive noise and other disturbances that have been known to arise from non-owner-occupied short-term rentals. In addition, it provides a compromise that limits the scale to which Airbnb can expand within the city without invoking an outright ban. This solution also has the potential to alleviate the issue of housing disparity, because it prevents short-term rentals from growing at an unregulated rate within small pockets of wealthy neighborhoods.

However, this policy also has the potential to backfire. New Orleans currently enjoys a mutually beneficial and cooperative relationship with Airbnb, and benefits greatly from the company's willingness to share user data with the city. Thus, city officials may be hesitant to adopt policies that threaten this partnership. In addition, the new ordinances that came into effect on April 1st and which put in place a system of registration are still brand new, and it is not yet clear what their long-term effect will be. Implementing additional restrictions shortly after new ones just passed may be seen as a step backwards.

5.2 Require notification of adjacent neighbors

According to Ordinance BL2014-951, the city of Nashville now requires that a property owner applying for a short-term rental permit submit written proof that all residences of adjacent properties have been notified of the renter's intention to acquire this license.⁶³ Adjacent properties are defined as any neighbor that shares part of the property such as a wall or a driveway with the rental host, so that they might be directly affected by short-term occupants.

Houses in New Orleans are spaced relatively closely to one another, and housing configurations such as duplexes and multiple-unit properties are common, making this a potentially viable policy for the city government to consider. Beyond functioning as a courtesy to other residents of one's property, requiring neighbor notification may help to solve the pressing issue of enforcement. When neighbors are made aware of the presence of a short-term rental in their neighborhood or sharing their building, they may be more likely to notice and report violations. This is economically beneficial, as it reduces the need to employ additional enforcement officers in favor of self-reporting.

However, the issue of enforcement remains to be a problem in regards to the legitimacy of the proof of neighbor's consent upon applying for a permit. Beyond a written signature confirming that a neighbor has been notified, there is little the city can do to confirm that adjacent properties have in fact been made aware of their neighbor's application for a short term rental license.

⁶² Austin, Texas, Ordinance 20160223 §25-2-791(c)

⁶³ Nashville, Tennessee, Ordinance BL2014-951 §6.28.030(d)

5.3 Harsher penalties and transferring regulation duties

After discovering the enforcement of regulation is almost as, if not more, important than how it is regulated, New Orleans should look at policies that will ensure enforcement of law is possible and efficient. San Francisco dealt with the same problem and came up with transferring the duties of regulation from city workers to the rental company itself. Making Airbnb accountable for illegal listings incentivizes the company to keep their hosts registered or suffer a penalty. In San Francisco, every day that an unlicensed short-term rental remains on Airbnb's website, the company is fine \$1,000.⁶⁴ Airbnb is worth \$13 billion dollars, and it is possible that it may be willing to accept this cost.⁶⁵ Despite this, we believe a more likely response is that the company will increase its vigilance in removing unregistered rentals from its site.

A lawsuit similar to the one that Airbnb filed against San Francisco is one potential outcome of this policy that New Orleans likely wants to avoid. One of the benefits for San Francisco that came out of their victory in this lawsuit is a data-sharing agreement with Airbnb, however New Orleans already engages in such data-sharing. Once again, the city of New Orleans must keep its relationship with Airbnb in mind when considering whether to implement this policy.

5.4 Digital literacy partnership with Airbnb

As an online-based service Airbnb requires both internet access and a certain amount of digital literacy in order to use. Beginning to bridge this digital divide through technological education programs would likely yield positive impacts on those communities that currently have impaired access to these technologies. One major challenge to this proposal is the lack of a clear precedent for such a digital literacy program. However, the City of New Orleans has already launched the Digital Divide Innovation Challenge, and we suggest that this city-sponsored program partner with Airbnb in order to educate homeowners on how they may benefit from Airbnb.⁶⁶ New Orleans is already a national leader in regards to short-term rental policy, and thus has the potential to forge a path towards promoting digital literacy in order to tackle affordable housing problems. A partnership with Airbnb would be mutually beneficial for both parties, as it would increase users for the website while also promoting geographic and financial equity within New Orleans.

A campaign such as the one we have suggested would need to overcome the geographic tourist bias, which is the preference of tourists to stay in certain neighborhoods. One solution would be to identify areas with low concentrations of Airbnb listings that have potentially untapped tourism appeal based on cultural, historical or other appeal. In order for this to be both beneficial for the new users and not detrimental for the neighborhoods the focus should be on owner

⁶⁴ O'Brien, Sara Ashley. "Airbnb Settles with San Francisco, agrees to register local hosts" Money.CNN.com, May 1, 2017

⁶⁵ Thomas, Lauren. "Airbnb just closed a \$1billion round and become profitable in 2016" CNBC.com. 9 March 2017.

⁶⁶ "Resilient New Orleans." City of New Orleans. 25 August 2015. 56. Web. 17 June 2017.

occupied units as opposed to non-owner occupied units that could otherwise be rented out long term.

6. LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

Our analysis of the available data showed that New Orleans has a clear geographic disparity in affordable housing, that this disparity is largely defined by wealth and race, and that the growing presence of Airbnb has exasperated this problem. However, our ability to analyze this information quantifiably was the wholly qualitative nature of most of this evidence. A majority pushback against Airbnb in New Orleans comes from residents complaining of noisy and otherwise disruptive renters and degradation of community culture. Although valid, we found these issues to be largely unquantifiable. In order to compensate for this limitation we included several personal accounts from community figures as representations of this community pushback.

According to a 2016 report by Laura Spanjian, Airbnb hosts are able to supplement their income by an average of \$7,530 a year renting out their homes.⁶⁷ Digital literacy and access to technology is crucial in order to ensure that all residents of New Orleans have the ability to reap the benefits that Airbnb has the potential to bring residents of this city. We hoped to propose the implementation of a digital literacy program that would improve equity in regards to usership of short-term rental platforms, however our research was limited by a lack of precedent for such a program. New Orleans is already largely leading the pack in terms of progressive short-term rental policy, and a public information and digital literacy campaign may be something that future researchers in this area may wish to explore.

The new ordinances regarding short-term rental registrations and requirements only came into effect on April 1st, however their impact has already been felt city-wide. The \$17,000 fine handed down for illegal rentals in the French Quarter⁶⁸ and the announcement that 60% of short-term rentals are now registered are both evidence of these ordinances in action.⁶⁹ Future research on this topic will be able to go further on its analysis of the effectiveness of these ordinances over time.

7. CONCLUSION

After analyzing the data we have collected in regards to New Orleans short-term rental policy and comparing it to other cities, we have found that New Orleans has one of the most progressive

⁶⁷ Spanjian, Laura. "Airbnb and the Emerging Role of the Sharing Economy." Urban Land Institute Luncheon. San Antonio. 2016. Web. 17 June 2017.

⁶⁸ Sayre, Katherine. "7 Illegal Short-term Rentals in French Quarter Fine \$17,000." *NOLA.com*. NOLA.com, 21 June 2017. Web. 21 June 2017.

⁶⁹ Sayre, Katherine. "About 60% of New Orleans Short-term Rentals Now Registered, City Says." *NOLA.com*. NOLA.com, 16 May 2017. Web. 20 June 2017.

stances towards online short-term rental platforms in the country. It also enjoys one of the most cooperative relationships with Airbnb, which the city will doubtlessly want to maintain going forward. However, we also ascertained that most policies that have been implemented thus far primarily address topics such as tax regulation and the hospitality sector. There is still much room for improvement in regards to ensuring that the legalization short-term rentals does not disrupt access to affordable housing in New Orleans. We believe that a combination of implementing a rental cap per neighborhood and digital literacy policies will be effective in improving equity in affordable housing. While limiting the amount of short-term rentals per zoning district prevents Airbnbs from being clustered within wealthy neighborhoods, a digital literacy program would bring the option of short-term rentals to low-income areas. While Airbnb certainly has the potential to benefit New Orleans residents by providing both homeowners and the city additional revenue, it must be ensured that policies are implemented with housing equity in mind.