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Home sharing platforms: challenges and opportunities for municipalities

Governance Committee

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Summary

While the collaborative short-term rental accommodation sector has brought much opportunity to cities and their residents, local and regional authorities are struggling to manage the rapid growth of the sector.

This report provides an overview of the challenges and opportunities that home-sharing poses to local and regional authorities across Europe, the regulatory approaches cities have taken in response and the enforcement challenges that cities have encountered and provides recommendations based on the analyses presented.

In its resolution, the Congress invites local and regional authorities to establish or revise regulations regarding short-term rentals with a specific focus on their long-term vision of the collaborative economy accommodation sector as it relates to the protection of residents and preservation of city centres while attracting qualified workers, new businesses, and tourists.

In its recommendation, it asks the national authorities to provide the local and regional authorities increased power to enforce regulations through enhanced data provision partnership with providers allowing municipalities to effectively monitor the implementation of local regulations.

¹ L: Chamber of Local Authorities/R: Chamber of Regions
EPP/CCE: European People's Party Group in the Congress
ILDG: Independent Liberal and Democratic Group
SOC/G/PD: Group of Socialists, Greens and Progressive Democrats
ECR: European Conservatives and Reformists Group
NR: Members not belonging to a political group of the Congress

RESOLUTION 475²

1. The Congress of Local and Regional Authorities of the Council of Europe (hereinafter “the Congress”) refers to:

a. the European Charter of Local Self-government, in particular Article 9 on Financial resources of local authorities;

b. the Priorities of the Congress 2021-2026, in particular Priority 6.e. Digital societies: Digitalisation and artificial intelligence in the local context;

c. the United Nations Agenda 2030 for Sustainable Development, in particular Goal 11: Sustainable Cities and Communities.

2. The Congress points out that:

a. home-sharing is a welcome disruption to the traditional tourism economy as it allows a more diverse array of stakeholders to participate in the economy both as providers and consumers. It creates new and sometimes more accessible and affordable forms of tourist accommodations, brings extra income for residents who are able to rent out their units, creates ability to absorb extraordinary demand for accommodations by visitors, and contributes to the regeneration of cities;

b. some of the commonly cited benefits of short-term rentals have become muted over recent years, as the negative impacts are numerous. While cities are not against home-sharing, they have begun to see the negative impacts of the overgrowth of home-sharing to the detriment of their residents;

c. while many municipalities have passed regulations meant to curb the growth of short-term rentals, the efficacy of these regulations has been limited by a lack of appropriate power and mechanisms to limit the growth of, and remove, fraudulent listings.

3. In light of the above, the Congress invites the local and regional authorities of Council of Europe member States to:

a. identify a long-term vision for the collaborative economy tourism sector as it relates to tourism, housing, and economic development;

b. identify the mix of existing policy and regulatory instruments that have impacted the platform economy and identify which are best suited to achieve the city’s long-term vision (e.g. building and land use permissions; urban planning; housing; registration; taxation; tourism);

c. revise or establish regulations to reflect the city’s long-term vision, with a specific focus on the sustainable development;

d. ensure that the regulations are flexible enough to be revised as the market changes; introduce periodic assessments of their effectiveness;

e. engage in information sharing and establish knowledge networks with peer cities;

f. engage in consultation with platforms to identify mutual visions, goals, and shared responsibility regarding the short-term rentals; including concerning sharing of data, registration, enforcing limitations or other rules by platforms;

g. engage in meaningful consultation and collaboration with community stakeholders (landlord associations, neighbourhood associations etc.) to understand the challenges and opportunities and to contribute to the enforcement of regulations;

h. digitise and simplify systems (e.g. registration process; tax declaration) to make them user-friendly for hosts and to facilitate enforcement for municipalities;

² Debated and adopted by the Congress on 26 October 2021, 1st sitting (see Document [CG\(2021\)41-13](#), explanatory memorandum), rapporteur Jelena DRENJANIN, Sweden (L, EPP/CCE).

i. make information on rules easily accessible to support compliance, including by centralising it on a public webpage for hosts and tourists as well as by conducting awareness-raising campaigns and by providing guidance to the actors concerned.

4. The Congress calls on the local and regional authorities and their national associations to take account of this resolution and its explanatory memorandum.

RECOMMENDATION 463³

1. The Congress of Local and Regional Authorities of the Council of Europe (hereinafter “the Congress”) refers to:

a. Article 2, paragraph 1.b, of the Charter of the Congress of Local and Regional Authorities appended to Statutory Resolution CM/Res(2020)1 relating to the Congress, stipulating that one of the aims of the Congress is “to submit proposals to the Committee of Ministers in order to promote local and regional democracy”;

b. the European Charter of Local Self-government, in particular Article 9 on Financial resources of local authorities;

c. the Priorities of the Congress 2021-2026, in particular Priority 6.e. Digital societies: Digitalisation and artificial intelligence in the local context;

d. the United Nations Agenda 2030 for Sustainable Development, in particular Goal 11: Sustainable Cities and Communities.

2. The Congress points out that:

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b. some of the commonly cited benefits of short-term rentals have become muted over recent years, as the negative impacts are numerous. While cities are not against home-sharing, they have begun to see the negative impacts of the overgrowth of home-sharing in their city to the detriment of their residents.;

c. while many municipalities have passed regulations meant to curb the growth of short-term rentals, the efficacy of these regulations has been limited by a lack of appropriate power and mechanisms to limit the growth of, and remove, fraudulent listings;

d. although the positive and negative impacts of the collaborative economy are felt locally and many of the direct-impact regulations are passed on the local level, national support is key to advancing public interest regulations.

3. In light of the above, the Congress requests that the Committee of Ministers invite the respective national authorities of member States of the Council of Europe to:

a. ensure that national legislation and regulatory frameworks provide legal certainty to the local and regional authorities, as well as to the home-sharing platforms; creating a safer digital space to protect human rights and establishing a level playing field to foster innovation and sustainable development;

b. adjust national law to give local and regional authorities increased power and oversight on the collaborative economy accommodation sector;

c. ensure that national legislation provides support to the local and regional authorities to facilitate dialogue with platforms and elaborate and implement data collection agreements (in the form of direct reporting of data and/or through a national registration system);

d. work with platforms to introduce a national registration system and require compliance from platforms to remove advertisements from hosts that do not have a (legal) registration number;

e. work with local and regional governments to identify sustainable tourism growth strategies, recognising the impact the overgrowth and overconcentration of tourism in popular tourist destinations is having on cities and their residents;

³ See footnote 2.

f. support associations of local and regional authorities in their work to share information on common challenges and best practices, particularly the efficacy of various regulatory responses.

4. The Congress calls on the Committee of Ministers and the Parliamentary Assembly of the Council of Europe to take account of this recommendation and its explanatory memorandum in their activities relating to Council of Europe member States.

EXPLANATORY MEMORANDUM

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INTRODUCTION⁴

1. The rapporteur and the Governance Committee wish to pay tribute to former rapporteur, Róbert Csongor GRÜMAN (Romania, R, EPP/CCE), who initiated this work of great relevance to the Congress and on whose study the report is based.
2. This report analyses the current state of the short-term rental market in European cities and describes the ongoing challenges and opportunities that these marketplaces have had in the municipal sector.
3. The local government sphere is by far the most impacted by home-sharing platforms, even if these marketplaces are regulated in a multi-governmental environment with significant regional, national, and even supranational interplays dependent on the local context. Furthermore, the changing dynamics in the short-term rental market and the tourist economy due to COVID-19 are significant impactors in the short- to medium-term timeframe.
4. Local and regional authorities face common challenges and opportunities presented by the short-term rental economy, but there are variations dependent on local context:
 - a. The impact of short-term rentals on the housing market is an area that has been of the utmost concern. Results from the interviewed cities study⁵ show that there is a spectrum of perceived impact by municipalities; however, there is convergence around a localised impact on the neighbourhood level, due to a concentration of accommodations in popular tourist precincts, on housing availability and costs.
 - b. Tax collection on short term rentals has been identified as a primary area of focus by cities in relation to establishing a fair and functioning regulatory environment. Agreements have been forged between providers and cities/nation states to create tax collection regimes.
 - c. The economic value of short-term rentals to the community are often viewed through multiple lenses dependent on the economic state and the current level of tourism activity within the destination city. In places highly trafficked by international tourists with high and growing housing costs, there tends to be ongoing efforts to shrink the short-term rental marketplace. In cities that seek to attract tourists, the regulatory environment is more accommodating.
5. Cities have had varying policy responses that are highly dependent on local context. These policy responses range from taxation, housing policies, health and safety standards, registration systems, and building and land use permissions.
6. The enforcement of rules and regulations on short term rentals is an acute challenge faced by cities. Enforcement challenges primarily intersect with data collection, health and safety standards, and building and land use regulations. While other issues are pertinent, data sharing and transparency is the core issue that elucidates the key challenges that municipalities face, specifically the inability to enforce regulations efficiently and effectively. National and supranational governing bodies should play a role in amending national and supranational legislation to give cities more power to enforce regulations.
7. COVID-19 has upended the tourism industry. These disruptions have created new dynamics in short-term rental markets: in some cities, municipalities have focused strongly on regaining units that have been lost to the short-term rental market back into the long-term housing stock; others have prioritised encouraging tourism back into their city.
8. A series of recommendations have been provided to local and regional authorities to highlight key considerations and best practices. Not all recommendations are applicable to all localities, as appropriate regulations and policy responses are dependent on local context.
9. This report is notably built from consultations with city leaders across Europe combined with a review of previous research of the National League of Cities (NLC), academic research, news reports, and analysis of existing laws. NLC sought to interview representatives from a diverse subset of cities with a primary focus on geographic location, city size, and city official position. Outreach efforts included fifteen cities--of which

⁴ Report drafted with the contribution of Mr Brooks Rainwater, Director of the Center for City Solutions and Applied Research, National League of Cities (NLC), Washington, DC, USA (rainwater@nlc.org) and Ms Tina Lee, Senior Coordinator of the Center (lee@nlc.org)

⁵ See para 8 below.

six agreed to participate in the study. These cities included Amsterdam (The Netherlands), Berlin (Germany), Bordeaux (France), Porto (Portugal), Tirana (Albania), and Vienna (Austria). NLC interviewed one deputy mayor, a program manager on Housing Affairs, a project manager in the Economic Affairs Department, a member of the House of Representatives, the Head of the Department for Economic Affairs, Labour and Statistics and a City Councillor of Economy, Tourism and Commerce. In addition, the NLC interviewed sources in academia and the private sector to include broad stakeholder perspectives.

10. This report aims to examine the challenges and opportunities that the platform economy sector poses in cities across Europe and identify best practices for cities to harness the positive potential and limit the negative impacts.

SECTION 1. BACKGROUND

A. Background

11. Travel and tourism have opened the world to a broader population than ever before, creating a more dynamic global engagement among people. This rise in tourism has been accelerated by discounted airfare and expanded options for tourist accommodations. Short-term rentals have been a key piece of this growth and they have expanded from a very minimal footprint over the last decade, and in the process created outsized impact on cities.

12. Historically, traditional vacation markets had short-term rentals, but the rise of digital platforms like Airbnb created a new opportunity and demand for city property to be let on a short-term basis. The short-term rental market has allowed tourists to more easily afford travel to previously higher cost locations and provide tourists with a more “local” experience by allowing them to stay directly in neighbourhoods. Property hosts have been able to make extra money, increasing the supply of short-term rental accommodations in cities.

13. There has also been a swath of negative impacts due to the short-term rental market. The increasing number of short-term rentals in cities has put pressure on affordable housing for city residents through rising rental prices and decreasing the long-term rental pool. Many inner-city neighbourhoods have been transformed and hollowed out of actual residents as real estate investors have capitalised on the demand by purchasing a great number of properties. As over-tourism has become a growing concern, the ability of cities to regulate the tourism market is an issue at the forefront for many municipalities.

14. The short-term rental market is here to stay. Therefore, the focus is on how cities and platforms can work together to create tourism markets that are well regulated and responsive to community concerns. While these markets have grown exponentially in recent years, it is worth exploring what is the best structure for cities to make sure that there is a robust tourism economy and a liveable city that serves visitors—and the residents that call it home.

B. Key terms

15. A specific terminology has been developed around these issues related to home sharing platforms which it is important to be aware of before looking further into this matter.

16. Collaborative Economy: The European Commission has defined the collaborative economy as “business models where activities are facilitated by collaborative platforms that create an open marketplace for the temporary usage of goods or services often provided by private individuals. The collaborative economy involves three categories of actors: (i) service providers who share assets, resources, time and/or skills — these can be private individuals offering services on an occasional basis (‘peers’) or service providers acting in their professional capacity (“professional services providers”); (ii) users of these; and (iii) intermediaries that connect — via an online platform — providers with users and that facilitate transactions between them (‘collaborative platforms’). Collaborative economy transactions generally do not involve a change of ownership and can be carried out for profit or not-for-profit.”⁶

⁶ See European Commission: ‘A European agenda for the collaborative economy’; COM(2016)356 Page 3. (Available online: <https://ec.europa.eu/transparency/regdoc/rep/1/2016/EN/1-2016-356-EN-F1-1.PDF>)

17. Collaborative Economy Accommodation Sector: While the collaborative economy refers to services that operate in accommodations, urban transport, and delivery services, this report will focus solely on the collaborative economy as it relates to the accommodation sector.

18. Short-Term Rental Platforms: Of the collaborative economy intermediaries, this report focuses on the impacts of short-term rental platforms (e.g. Airbnb, Booking.com etc.). It should be noted that this is not an exhaustive list of all short-term rental platforms, and that other short-term rental platforms do exist; however, Airbnb and Booking.com make up a large portion of the market.

19. Short-Term Rentals: This report will use the term “short-term rentals” to reference units that are used predominantly, but not exclusively, for tourism related stays. This being said, it should be noted that not all short-term rental platforms are intended for tourism-related short-stays.

SECTION 2. CHALLENGES AND OPPORTUNITIES FOR LOCAL AND REGIONAL AUTHORITIES

2.1 Economic challenges and opportunities for local and regional authorities

20. All cities have acknowledged that the collaborative economy accommodation sector does indeed provide economic benefit to the city and its residents. Some commonly referenced benefits include: extra income for residents who are able to host, ability to absorb extraordinary demand for accommodations, regeneration of the city through employment opportunity and financial investment in the city, a wider choice for consumers at lower costs. Despite these advantages, several cities have highlighted that the economic benefits to residents is likely limited given that only a small portion of the population is likely able to rent their homes through short-term rental platforms, and that the collaborative economy accommodation sector has had a negative impact on traditional business.

2.1.1. Tourism

21. Several cities have seen the short-term rental accommodation sector as key to attracting tourism and investment into their economy. When Portugal joined the European Union (EU) in 1986, the city of Porto lost many businesses and nearly one-third of its residents. In the early 2000s, the city set up a new strategy to rehabilitate the city centre. According to a city representative, that regeneration process was slow until the city was able to attract tourists due to low-fare travel options and the rise of the collaborative economy accommodation sector.⁷ Over the last decade, the local economy has transformed itself, both in the commercial and private sectors, attracting new businesses to the city and reducing high unemployment rates from 18% to 9%.⁸ Tirana harbours a similar sentiment, highlighting that both low-fare travel options and the rise of the collaborative economy accommodation sector have contributed to a boom in the tourism economy.⁹ Through short-term accommodation rentals, the city has been able to provide more accommodations to a more diverse group of tourists, and has begun to attract more visitors and investment into the city.

22. Cities that have historically seen a large influx of tourists have a less favourable view of the impacts of the short-term rental accommodation sector. Berlin mentioned specifically that while they recognise that the short-term rental accommodation sector has been a large gain for the tourist market and employment in the region, it has made the housing market and rents rise quicker than wages, which has led to the displacement of residents, business, and social infrastructure.¹⁰ The city of Amsterdam had a similar sentiment highlighting that while short-term rentals have indeed provided some benefits to the city, those benefits are outweighed by a negative impact on the quality of life for city residents because of an oversaturation by tourists.¹¹

2.1.2. Extra income

23. Cities acknowledged that some residents could secure extra income by renting their homes out through short-term rental platforms. While a commonly cited benefit of short-term rentals is undeniable,

⁷ Home-Sharing in Porto [Online interview]. (2020, June 15).

⁸ Home-Sharing in Porto [Online interview]. (2020, June 15).

⁹ Home-Sharing in Tirana [Online interview]. (2020, June 16).

¹⁰ Home-Sharing in Berlin [E-mail interview]. (2020, June 20).

¹¹ Home-Sharing in Amsterdam [Online interview]. (2020, June 18).

comprehensive data are difficult to gather on the exact amount of money a host may make in a given year, on the type of hosts who make meaningful income, and on the impact of this extra money.

24. Cities such as Amsterdam and Vienna have a large percent of social housing units that are not eligible to rent out through short-term rental platforms. 44%¹² and 60%¹³ of the residential housing stock in Amsterdam and Vienna is designated as social housing, which either have wage limits and/or residents are barred from renting their homes out through collaborative economy accommodation platforms. As such, lower-income residents are likely to be left out of the potential economic benefit of hosting through a short-term rental platform.

25. Cities such as Porto and Tirana, both had a more positive perspective on the potential generated income from short-term rental accommodations for their residents. Both cities boast high home-ownership rates, likely due to a variety of factors including cultural values that emphasise homeownership, which means that the economic benefits may be more widely spread across socioeconomic lines.¹⁴

2.2 Balancing business and tourism, examples of Porto, Amsterdam and Berlin

26. While cities recognise that short-term rentals allow some homeowners and some renters to make some extra income, cities must maintain a balance between the number of tourists that visit the city and the negative impacts of an overabundance of short-term rentals. As the market shifts to cater to tourists, commercial structures change to cater more to visitors than to residents, as Berlin has seen.¹⁵

27. Porto is focused heavily on the idea of a “multifunctional” city, meaning that no element of the city’s economy dominates the other.¹⁶ As such, the city established Invest Porto, a city department responsible for bringing Foreign Direct Investment into the city to fight tourist domination of the city. Porto also intentionally used the revenue generated from tourist taxes to start a fund to support traditional commerce in the city centre. In doing so, the city was able to support the preservation of shops that had been in the city for decades.

28. For the city of Amsterdam, the feeling of balance was disrupted once the streets felt overrun by tourists.¹⁷ The city has established their City in Balance program, with the guiding principle that “visitors are welcome, but residents have priority.”¹⁸ As part of this plan, the city put restrictions on the number of tour guides allowed in the city centre and on the canals—popular tourist destinations—and has focused on spreading tourists, particularly business tourists, across the metropolitan region. The city also takes a regional strategy by working closely with neighbouring cities and villages to promote lesser known sites in and outside of the city.

29. Berlin has highlighted how much of an impact short-term rentals have had on their housing and commercial markets and as such, conducted their Sustainable and City-Compatible Berlin Tourism Plan 2018+ to limit the negative impacts of short-term rentals on residents and businesses.¹⁹ Regarding short-term rentals, the city has denied permission in some cases to operate short-term rentals and introduced stricter regulations (e.g. higher fines and compulsory registration numbers, limiting short-term letting of secondary homes to 90 days etc.).²⁰

12 Ameyn NG, Assemble Papers, Amsterdam Social Housing: A Primer, 16 December 2018 (Available online: <https://assemblepapers.com.au/2018/12/13/amsterdam-social-housing-a-primer/>)

13 Johnny, BALL, New Statesman, Housing as a basic human right: The Vienna model of social housing, 3 September 2019 (Available online: <https://www.newstatesman.com/spotlight/housing/2019/09/housing-basic-human-right-vienna-model-social-housing>)

14 Home-Sharing in Porto [Online interview]. (2020, June 15). & Home-Sharing in Tirana [Online interview]. (2020, June 16).

15 Sustainable and City-Compatible Berlin Tourism Plan 2018+ (Available online:

https://about.visitberlin.de/sites/default/files/2018-07/Berlin%20Tourism%20Plan%202018%2B_summary_EN.pdf)

16 Home-Sharing in Porto [Online interview]. (2020, June 15).

17 Home-Sharing in Amsterdam [Online interview]. (2020, June 18).

18 Gemeente Amsterdam, City in Balance Program (Available online: <https://www.amsterdam.nl/en/policy/policy-city-balance/>)

19 Sustainable and City-Compatible Berlin Tourism Plan 2018+ (Available online:

https://about.visitberlin.de/sites/default/files/2018-07/Berlin%20Tourism%20Plan%202018%2B_summary_EN.pdf)

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https://about.visitberlin.de/sites/default/files/2018-07/Berlin%20Tourism%20Plan%202018%2B_summary_EN.pdf)

2.3 Housing affordability and availability

30. The rise and growth of platforms such as Airbnb and Booking.com has created heated and longstanding debate amongst local governments, the hotel industry, local residents and housing activists about the impact of short-term rentals on the availability and affordability of housing both for long-term rentals and purchase. The causes of housing affordability and shortage issues are complex and historical, as related to national and regional housing policies, infrastructure, and investment policies. These policies have shaped both the supply and demand for housing over time and contributed to current housing shortages and affordability issues. Most cities do not take issue with individuals renting their homes out for a few weeks out of a year when they are on vacation, but when entire rentals are taken off the market for the sole purpose of short-term rentals it becomes an issue. There is consensus among the representatives from interviewed cities that while short-term rental accommodations are not the cause for their affordable housing shortages, they have undoubtedly exacerbated the problem.

31. There is a lack of comprehensive data showing the total number of short-term rental accommodations in each city, and details on these rentals (e.g. price, availability etc.). Inside Airbnb²¹ provides a proxy for the number of short-term rentals in each city, the percentage of whole apartment rentals vs private room rentals, frequency of availability, and whether the host offers multiple listings.²² Table 1 highlights that most rentals are whole apartments (average of 71%), which range from 24% to 88% high availability rates.²³ This suggests that a large proportion of short-term rentals in the city are operating on a permanent basis and have been taken off the long-term housing market.

Table 1. Airbnb listings in interviewed cities²⁴

	Amsterdam	Berlin	Bordeaux	Porto	Vienna
Total Listings (Apartments + Rooms)	19619	22552	9953	9759	13018
Whole Apartments	79%	48%	76%	78%	73%
Private Room	21%	51%	24%	21%	25%
Shared Room	0%	1%	1%	1%	1%
Price per Night	€ 156.00	€ 67.00	€ 86.00	€ 71.00	€ 84.00
High Availability	24%	28%	46%	88%	56%
Single Listing by Host	79%	76%	76%	34%	50%
Multiple Listings by Host	21%	24%	24%	66%	50%

Source: insideairbnb.com - Active listings as of 16 June – 25 July 2020

2.3.1 Economic incentives

32. Short-term rentals are more profitable to hosts than renting a unit as a long-term residence.²⁵ According to a representative from Berlin, short-term rentals may bring in as much as three times more revenue than a long-term rental contract would.²⁶ This market incentive has led to the proliferation of short-term rentals in cities, and the reason why short-term rentals are concentrated in tourist hot spots. Europe has also seen a growth in the amount of properties held for investment purposes or used as secondary homes.²⁷

²¹ Inside Airbnb is an independent, non-commercial set of tools and data that allow s to explore how Airbnb is used in cities around the world.

²² See details <http://insideairbnb.com/index.html>

²³ Insideairbnb defines "high availability" based on the number of nights a rental is offered in a calendar year. This number differs based on the city (e.g. Amsterdam's high availability rate is >60 days per year whereas Berlin's high availability rate is >90 days).

²⁴ Not all cities were listed on insideairbnb.com. Only 5 out of the 6 interviewed cities are represented in this table.

²⁵ Dredge, D., Gyimóthy, S., Birkbak, A., Jensen, T. E. & Madsen, A. K. 2016. The impact of regulatory approaches targeting collaborative economy in the tourism accommodation sector: Barcelona, Berlin, Amsterdam and Paris. Impulse Paper No 9 prepared for the European Commission DG GROWTH. Aalborg University, Copenhagen. (Page 9)

²⁶ Home-Sharing in Berlin [E-mail interview]. (2020, June 20).

²⁷ Collaborative Short-Term Accommodation Services: Policy Principles & Good Practices (Summary of workshops on short-term accommodation rental services discussed during conference), European Commission, 11 October 2018, Page 4 (Available online: <https://ec.europa.eu/docsroom/documents/32062>)

2.3.2 *To whom do benefits accrue?*

33. While some focus on the economic benefits of short-term rentals for hosts, it is important to recognise the specific subsection of residents that can rent on the market. Likely, it may be households that have the privilege of being homeowners in attractive areas of the city, not lower-income neighbourhoods, where the opportunity to host could meaningfully supplement their incomes and cover basic expenses. According to a 2016 study, expatriates, foreign investors, and other non-residents are significantly over-represented as hosts whereas lower-income, multi-ethnic neighbourhoods are less-represented as hosts.²⁸ A recent study from Barcelona echoes this finding, highlighting that hosts in Barcelona primarily belong to mid- and upper-class residents with higher education attainment levels and higher disposable income.²⁹

2.3.3 *Professional operators*

34. Many operators are absentee property owners with multiple units who are essentially running small-scale lodging companies on an ongoing basis. These operators, or commercial operators, are likely to be exacerbating housing availability challenges. This issue tends to be concentrated in city centres, or around popular tourist destinations, in many cases accelerating displacement pressures in parts of the city where new housing is not likely to be built due to existing density.³⁰

2.4 **Health and safety**

35. Most cities do not set health and safety standards, as much of this legislation is executed at the national level; however, local, and regional authorities are key to monitoring these laws. For many cities, the issue is not the lack of commercial housing or tourism laws/codes that apply to short-term rentals regarding health and safety regulations, but rather the lack of enforceability. Without access to host information and the address of a rental unit, cities are left to scrape data and target individual hosts for noncompliance rather than limit the possibility of noncompliance from the backend. Scraping data³¹ is the best tool that municipalities have without access to data or a robust registration system, but it is insufficient and inefficient given that data scraping only returns results in the general vicinity of the actual unit. City employees must spend time locating the actual unit from the estimation that data scraping returns.

36. Budget deficits may play a role in the number of public servants that are able to carry out health, safety, and security inspections. Particularly as cities are strapped for budget resources due to the financial impacts of COVID-19, health and safety standards will be particularly pertinent. Being able to make processes more efficient will allow for municipalities to concentrate more on executing regulations rather than spending resources and taxpayer money on locating the units themselves.

2.5 **Creating a level playing field**

37. Since home-sharing took off in the early 2010s, the relationship between the technology platform companies and the traditional lodging industry has been adversarial. Representatives for the hotel industry have highlighted the unfair advantage that accrue to short-term rentals, because they have not been subject to the same regulations, or alternatively, the regulations set forth are not as easily enforceable on short-term rentals compared to hotels. This is a sentiment echoed by the interviewed city representatives.

38. A common point of conflict that cities face is the ability to monitor and enforce the tourist tax payment. Despite a majority of cities passing tourist taxes on short-term rental accommodations, it is difficult to keep the playing field level when there is both a proliferation of fraudulent listings, and an inability to contact hosts to check on tax remittance. It is easy for tax departments to contact hotels, but without the addresses and names of short-term rental hosts, it is near impossible for the municipalities to check for host compliance

28 Dredge, D, Gyimóthy, S., Birkbak, A., Jensen, T. E. & Madsen, A. K. 2016. The impact of regulatory approaches targeting collaborative economy in the tourism accommodation sector: Barcelona, Berlin, Amsterdam and Paris. Impulse Paper No 9 prepared for the European Commission DG GROWTH. Aalborg University, Copenhagen. (Page 9)

29 Sans, A.A. & Domínguez, A.Q (2016). Unravelling Airbnb: Urban Perspectives from Barcelona. In Russo, A.P. & Richards, G. (eds.) *Reinventing The Local In Tourism. Producing, Consuming and Negotiating Place*. Channel View Publications

30 David WACHSMUTH, Alexander WEISLER, Airbnb and the rent gap: Gentrification through the sharing economy, 20 June 2018 (Available online: <https://journals.sagepub.com/doi/10.1177/0308518X18778038>)

31 Data scraping is a technique in which a computer program extracts data from human-readable output coming from another program

without data scraping. Cities have highlighted that in many cases, hosts desire to be tax compliant and lawful hosts; however, occasional hosts find the processes difficult to manage.

2.6 Spatial distribution of tourism impacts

39. The impacts of the short-term rental accommodation sector on housing markets is often dependent on how developed a city's tourism economy is. Cities like Tirana, which has not yet experienced the same challenging impacts of the proliferation of short-term rentals, does not yet see the negative impacts of short-term rentals on their housing market. Cities like Amsterdam, a popular tourist destination, has recently restricted home-sharing in three neighbourhoods due to the sustained negative impacts of short-term rentals on these neighbourhoods.³² Vienna is also seeing a high concentration of short-term rentals in three of their districts. While in aggregate the number of short-term rentals in their city is not many--approximately 8,000 rentals, 2,000 of which are out of the market due to the fact that they are rented out purely on platforms--these 2,000 are heavily concentrated in the city centre and therefore has a concentrated impact on housing availability and affordability in these districts.³³ Neighbourhoods in Barcelona (Spain), such as Park Güell, La Boqueria and Las Ramblas have also been subject to overcrowding and visitor saturation. Bordeaux highlighted that the city experienced falling residential occupancy in the city centre, which has resulted in some instances, in the closure of community facilities such as schools where there is no longer a demographic to support the service.³⁴

SECTION 3. POLICY AND REGULATORY RESPONSES

3.1 Taxation

40. Local and regional authorities identified taxation as a primary area of focus in relation to equal regulations between industry stakeholders (traditional lodging sector) and the collaborative economy accommodation sector. All cities interviewed have subjected online platforms and accommodation providers to applicable tax rules, predominantly regarding tourist and personal income taxes. Platforms can play a large role in facilitating compliance of hosts with their tax obligations, but it should be noted that these agreements have historically been largely voluntary. Several cities have entered memorandum of understandings (MoU) with providers such as Airbnb and Booking.com. Cities such as Vilnius (Lithuania), have recently entered into an agreement with Airbnb which stipulates that from February 1, 2020 onwards, Airbnb will automatically collect tourism levies during the booking process on behalf of hosts and transfer the city tax directly to the City of Vilnius.³⁵

41. In Vienna, city districts are obliged in accordance with Section 15(3) of the Vienna Tourism Promotion Act³⁶ to report accommodations registered with them in the city and host information to the City of Vienna City Council. 12 of the 16 platforms operating in the city did.³⁷ Vienna also set up a web page containing all the essential information for home-sharing service providers, including tools on how much personal income tax they owe.³⁸

3.1.1. Revenue capture

42. Not all cities have access to the generated revenue from tourism, due to centralised government collection of tourist taxes as in Tirana.³⁹ Porto has been able to direct tourist taxes towards fulfilling what the city calls the "costs of tourism," creating a fund to reinvest back into traditional commerce in the city centre

32 Gemeente Amsterdam. (2020, August 10). Apply for a permit. (Available online: <https://www.amsterdam.nl/en/housing/holiday-rentals/applying-permit/>)

33 Home-Sharing in Vienna [Online interview]. (2020, June 19).

34 Home-Sharing in Bordeaux [Online interview]. (2020, June 29).

35 See details <https://www.govilnius.lt/media-news/airbnb-and-city-of-vilnius-sign-agreement>

36 Full text of the law (in German, available online:

<https://www.ris.bka.gv.at/GeltendeFassung.wxe?Abfrage=LrW&Gesetzesnummer=20000355>)

37 Home-Sharing in Vienna [Online interview]. (2020, June 19).

38 Wohnungen für touristische Zwecke vermieten - Touristenwohnungen, 15 September 2017 (Available online:

<https://www.wien.gv.at/wirtschaft/standort/share-economy/privat-vermieten.html#steuern>)

39 European Committee of the Regions, Albania – Tourism (Available online:

<https://portal.cor.europa.eu/divisionpowers/Pages/Albania-Tourism.aspx>)

and into affordable housing.⁴⁰ By direct money generated by tourism taxes towards addressing the costs of tourism, Porto is able to combat some of the perceived and realised negative impacts of the collaborative economy accommodation sector and tourism on the city, to the benefit of their residents. Cities such as Amsterdam, Vienna, and Berlin do have access to generated revenue; however, view the process as merely a question of fairness – the revenue generated is not a priority for the city.

3.2 Housing: examples of Berlin, Bordeaux and Lisbon

43. Housing affordability remains a top priority for local and regional authorities.⁴¹ While the short-term rental accommodation sector is not the only cause for issues with housing affordability, there is consensus among representatives from the interviewed cities that it does indeed exacerbate housing affordability and availability issues, in particular where there is a concentration of accommodations in inner-city neighbourhoods. Cities have passed several policies and regulations to mitigate the loss of long-term rental units and to address localised concerns.

44. Berlin passed the Misappropriation Prohibition Bill “*Zweckentfremdungsverbotsgesetz*” which went into effect on 1 May 2014.⁴² The bill protects living spaces from misuse by vacancy, demolition, and conversion into either a commercial space or short-term rental. The bill was amended in 2018, during which the restrictions were tightened including the possibility to deny permissions; higher fines; compulsory registration numbers; and limiting the short-term letting of secondary homes to 90 days instead of 180.⁴³

45. Bordeaux established a “Change of Use and Compensation” Law which stipulates that the authorisation by the municipality for a “change in use” must be accompanied by a compensation.⁴⁴ This means that a host will be required to purchase a commercial premise, of an equivalent surface area, to transform into a residential space. These changes of use and compensation regulations are also in place in Paris⁴⁵ and Lyon (France).⁴⁶

46. Lisbon has established a program called, Renda Segura or “Safe Rent”, in which the city rents out vacant units from landlords.⁴⁷ Signing onto the program commits landlords to a rental contract with the municipality for a five-year term. By entering this program, the city takes responsibility for finding tenants through an affordable housing program targeted at young adults and lower income families and caps the rent at an affordable price. In 2019, Lisbon faced rates of more than 20% of short-term rental units in some historic neighbourhoods, highlighting the concentrated impact of short-term rentals on housing availability and affordability. Through this program, the city hopes to make it easier for residents to live in the city centre.⁴⁸

3.3 Health and safety standards

47. Several cities have leveraged various citizen and host organisations to increase communication with hosts and residents and disseminate more accurate information on health and safety standards. In Porto, the city has passed a regulation that requires each parish have at least one mediator—Porto’s Historic Centre will likely have more than one—who acts as a liaison between residents and the municipality.⁴⁹ The city of Amsterdam supports organisations of private apartments, serving as a great communication channel

40 Home-Sharing in Porto [Online interview]. (2020, June 15).

41 Committee of the Regions, A European framework for regulatory responses to the collaborative economy (Opinion), 5 December 2019 (Available online:

<https://w ebapi2016.cor.europa.eu/v1/documents/COR-2019-01951-00-00-AC-TRA-EN.docx/content>)

42 Ordinance on the prohibition of the misappropriation of living space (misappropriation prohibition ordinance – Zw VbVO), 7 February 2019 (Available online:

<http://gesetz.e.berlin.de/jportal/?quelle=jlink&query=WozWEntfrV+BE&psml=bsbeprod.psml&max=true>)

43 Ibid.

44 Délibération portant déclaration préalable et attribution d’un numéro d’enregistrement aux locations de courte durée à une clientèle de passage (Bordeaux), 10 July 2017 (Available online:

http://www.bordeaux.fr/images/ebx/fr/CW/12461/12/acteCW69313/pieceJointeSpec/148521/file/acte_00046189_D.pdf)

45 See details https://www.paris.fr/pages/exercer-une-activite-dans-un-logement-172/#locations-meubles-touristiques-ce-qu-il-faut-savoir_12

46 See details <http://www.economie.grandlyon.com/hotellerie-services-aux-hebergements-touristiques-63.html#c3655>

47 See details <https://habitarlisboa.cm-lisboa.pt/ords/f?p=100:2>

48 Hayley WARREN, Henrique ALMEIDA, Bloomberg, Airbnb Hosts Resist Lisbon’s Plan to Free Up Housing, 28 July 2020 (Available online: <https://www.bloomberg.com/graphics/2020-airbnb-short-let-reforms-lisbon/>)

49 The exact details of the responsibilities of the mediator figure have yet to be released. See the press release Alojamento Local proposal

for cities to disseminate regulations. Cooperation and connection with hosts are key to cutting down on nuisances, and to have a greater eye on and control over safety measures.⁵⁰

48. Some cities have also taken a more formal approach to enforcing health and safety standards. Porto has two levers in place that address health and safety – on the host and visitor side. First and foremost, the city has integrated into their registration process the guarantee from the property owners that they have met the appropriate health and safety guidelines - namely a proper connection to the public water supply network; installation of safety devices including a fire extinguisher and fire blanket; an emergency plan; and civil liability insurance. If a host provides false information, the city council can sue. This, according to the municipality, has been key to ensuring compliance. On the visitor side, Porto has worked in partnership with Airbnb to institute a “Code of Conduct and Good Practices” that visitors must agree to when booking online (e.g. garbage, noise ordinances etc.).

3.4 Registration system

49. Several cities and countries have implemented a formal registration/permitting system to address the lack of a comprehensive oversight of the market and lack of data. By introducing a registration scheme, cities have been able to enforce regulations more effectively (e.g. night caps) and have greater insights into the impacts of short-term rental accommodations in certain neighbourhoods. This information has been key to helping cities depoliticise conversations with community and commercial stakeholders by presenting facts and statistics rather than anecdotal evidence.

50. As an example, local accommodations have been required by Portuguese law through Decree-Law no. 128/2014, amended by Decree-Law no. 63/2015 to register their property with the Turismo de Portugal.⁵¹ Because Porto has comprehensive access to data through Portugal’s National Registration System, the city was able to establish a scale which indicates how long a new license for a short-term rental accommodation will be for, based on a pressure indicator of short-term rental accommodations within a particular area of the city.⁵² The city has divided the duration of registration into groups: 1) Tourist Areas for Sustainable Exploitation and 2) Conditioned Tourist Areas. Within the Conditioned Tourist Areas, the group is divided into three zones: Contained Containment Area (pressure equal to or greater than 50%); Preventive Containment Areas (equal to or greater than 37.5% and less than 50%) and Compromising Containment Areas (equal to or greater than 25% and less than 37.5%).⁵³ New registrations in Conditioned Containment Areas are limited to two years. The city also has power to suspend new registrations in areas where the level of pressure is above 50%.⁵⁴

3.5 Building and land use permissions

51. Distinctions between the types of properties (e.g. primary or secondary residences) that are allowed to be rented through online platforms and the levels and conditions of usage (e.g. whole residence; room; duration of stay; number of people; presence of owner; permission required from other occupants of the building etc.) are common regulatory responses across cities. Variations within the specifics of the levels and conditions of usage are influenced by numerous local factors and therefore distinct across cities. Table 2 below summarises the regulatory approaches in the interviewed cities:

50 Home-Sharing in Amsterdam [Online interview]. (2020, June 18).

51 Regime jurídico da exploração dos estabelecimentos de alojamento local Decreto-Lei n.º 128/2014, 29 August 2014 (Available online: https://dre.pt/web/guest/legislacao-consolidada/-/lc/67038191/201711081936/diploma?p_p_state=maximized&did=56917875&rp=indice)

52 Porto, Regulamento do AL está aprovado e avança para consulta pública – Notícias, 7 August 2019 (Available online:

<http://www.porto.pt/noticias/regulamento-do-al-esta-aprovado-e-avanca-para-consulta-publica->)

53 Ibid.

54 Ibid.

Table 2. Regulation overview

City	Primary vs Secondary	Maximum length of stay	Permit/Registration	Cost of Permit	Fines	Bans
Amsterdam ⁵⁵	Primary residences permitted Non-primary residences permitted	30 days	Yes (permitting different based on whether it is a primary residence or non-primary residence)	€45	Yes	Three neighbourhoods in the city centre
Berlin ⁵⁶	<50% of primary residence >50% of primary residence Secondary residence	No limit Specified in permit on case-by-case basis 90 days per year	No Yes Yes (not guaranteed to receive permit)	Free	Yes, up to €50,000	None
Bordeaux ⁵⁷	Primary residence	120 days	Yes	N.A.	Yes, up to €50,000	None
Porto ⁵⁸	Primary and non-primary residences permitted	No limit	Yes	Free	N.A.	Containment areas with >50% pressure from LA ⁵⁹
Tirana ⁶⁰	No restrictions	No limit	Yes	N.A.	N.A.	None
Vienna ⁶¹	Primary residences permitted Non-primary residences permitted	N.A.	Register through tax department Commercial license needed for rentals with >10 beds	N.A.	N.A.	Commercial rentals are prohibited in residential zones; renting out their private homes or rooms for a limited period is permitted

55 See details <https://www.amsterdam.nl/en/housing/holiday-rentals/>

56 See details

<http://gesetze.berlin.de/jportal/?quelle=jlink&query=WozwEntfrG+BE&psml=bsbeprod.psml&max=true&aiz=true%23jlr-WozwEntfrGBEV2P1>

57 See details <https://taxedesejour.bordeaux-metropole.fr/>

58 See details <http://www.porto.pt/noticias/regulamento-do-al-esta-aprovado-e-avanca-para-consulta-publica->

59 Ibid.

60 Home-Sharing in Tirana [Online interview]. (2020, June 16).

61 See details <https://www.wien.gv.at/wirtschaft/standort/share-economy/privat-vermieten.html>

SECTION 4. CHALLENGES WITH ENFORCEMENT

4.1 The lack of data has impacted the efficacy of enforcement

52. While a majority of local and regional authorities have passed some combination of regulatory elements meant to curb the overgrowth of short-term rentals, many struggle to enforce these regulations due to an ambiguous legal environment. Without legal requirements on platforms to distribute data, cities are struggling to manage the impact of short-term rentals. Key regulatory elements, as outlined in Table 2. Regulation Overview and discussed in Section IV, are incredibly time consuming, tedious, and in some cases, near impossible to execute without access to the right information. The following are the key impacts that cities face, which impede their ability to effectively enforce the regulations they have set forth:

Taxation

53. While cities have instituted similar taxes on hotels and short-term rentals to create a fair marketplace for both actors, it is much easier for the city's tax department to keep a check on hotels for compliance than individual short-term rental hosts. Without an address and host contact information, cities are left in the dark and are unable to check for tax remittance.

Health and safety standards

54. Without access to the address of rentals, cities are unable to conduct health and safety checks on the rental units. This poses a particularly important challenge as COVID-19 heightens the necessity of these checks.

Night cap

55. Night caps are incredibly difficult to enforce without data. It is therefore very difficult for the municipality to tell the difference between a rental that has been rented out for 30 days versus 31 days or 120 days versus 121. This creates a grey area for hosts to push the boundaries on regulations, without necessarily facing the consequences of doing so.

Bans

56. Some cities have instituted short-term rental bans in areas of the city that are heavily impacted by the overflow of short-term rentals and tourists. Without access to data, or compliance from platforms, cities still must 1) identify the non-compliant advertisement 2) locate the address of the non-compliant advertisement 3) fine the host and 4) remove the listing. If the city were working in partnership with the platform, these four steps would be unnecessary as the platforms themselves would enforce the bans.

Registration/permitting:

57. There is a growing movement among cities and countries to institute a registration/permitting system. In doing so, cities have been able to create a database of all active short-term rentals and host information. The registration alone is not enough to stop non-compliant listings. Without compliance from platforms, hosts may still be able to list advertisements that are non-compliant.

4.2 How a registration/permit system can address the need for data

58. A registration system may be the essential tool for strengthening local regulatory power over the short-term rental market. By instituting a simple registration scheme, cities will be able to gain access to who is actually renting their properties and for how long. Compulsory registration will help local and regional authorities enforce the regulations they have set forth, and mitigate the negative impacts of short-term rentals. For example, it would make it far easier to enforce night caps and crack down on operators that post duplicate and fake listings or advertise properties on more than one short-term rental platforms.

59. Even with a registration system, it is necessary that cities can ensure that listings without a registration number or fraudulent number are removed. This is most easily conducted on the backend by the platforms themselves -- platforms should be required to post registration numbers on advertisements and remove advertisements that do not have a valid registration number. This is currently not a requirement, and cities are looking to a revision of the E-Commerce Directive through the Digital Service Act to ensure more accountability and responsibility from platforms.

4.3 Support of platforms

60. Several cities are engaged in various voluntary agreements with platforms. These voluntary agreements fall into the following categories:

- i. Tax remittance wherein the platforms collect the tourist taxes from hosts and remit back to the city
- ii. Sending data back to cities on a periodic basis (ex. Weekly; monthly)
- iii. Enforcing night bans wherein the platforms will not allow hosts to rent out their units for longer than city regulations say (ex. Amsterdam instituted a night cap of 60 nights)
- iv. Prompting hosts to enter their registration number
- v. Removing listings from their websites that do not have a (valid) registration number

61. While voluntary agreements are useful, platforms may still pull out of voluntary agreements when they feel the regulation is too stringent without legal necessity. The city of Amsterdam reached an agreement with Airbnb at the end of 2016 to collaborate in the enforcement of a hosting limit of 60 days per year. However, since 2019, the company has refused to abide by the city's new legislation halving the limit to 30 days, highlighting the legality of the regulation. Voluntary self-regulation can, in many cases, be circumvented easily by platform users. For example, even if a night cap is enforced on one platform, a host can post their accommodation unit on several others.

4.4 National and supranational support

62. The intensification and commercialisation of the short-term rental industry has exposed weaknesses and unanticipated consequences in the current regulatory approaches to local, national, and supranational law. While local and regional authorities have been the first responders to resident complaints about the negative impacts of short-term rentals in their communities, regulatory responsibilities do not fall solely on local governments.

4.4.1 National support

63. The division of roles and responsibilities between national states and autonomous entities means that both levels of government have some responsibilities over aspects of the collaborative economy. However, diverging national rules and regulations have created legal uncertainty. These regulatory grey zones are exploited to circumvent rules designed to protect the public interest. Local and regional authorities are looking to their national governments to provide support in two capacities. First, to adjust national housing and commercial laws to explicitly recognise home-sharing, to make it easier for cities to enforce regulations and have legal backing. National governments have more bargaining power in comparison to cities with providers. As such, many cities are looking to their national governments to work with providers to either institute a national registration system, and/or remit data back to the city. Some countries, such as Portugal have already instituted such a registration system. This is advantageous for cities and providers, as cities would gain access to the necessary data to enforce their regulations, and providers would not have to work on such a granular level.

4.4.2 Supranational support

64. In recent years, there has been a growing call from cities looking for help from the EU to regulate home-sharing platforms. While each city's experience with short-term rentals is different, as are the regulations they choose to pass, many are struggling with the enforcement of their regulations due to an unclear legal environment. Cities that are facing the most egregious impacts of short-term rentals are left struggling for power against platforms like Airbnb that operate under EU laws.

65. Platforms such as Airbnb have faced lawsuits and strict regulations in many major cities in Europe, including Amsterdam, Berlin and Barcelona over regulation and data sharing. Cities need strong legal obligations for platforms to cooperate with registration schemes and supply data from the platforms on their properties. While some platforms agree to do so on a voluntary basis, a more formal agreement and liability from the platform is needed.

66. The Directive 2000/31/EC of the European Parliament and of the Council (“the E-commerce Directive”) was adopted 20 years ago and no longer adequately reflects the rapid transformation and expansion of e-commerce in all its forms, with its multitude of different emerging services, providers and challenges.⁶² Under the current EU legal framework, digital or online platforms are not legally responsible for hosting illegal content but are required to remove such material once it is flagged. However, technologies and business models have evolved drastically in the last 20 years, and the EU liability framework struggles to capture issues raised by new actors such as accommodation platforms.

67. In January of 2020, the European Commission’s Work Programme 2020 was published.⁶³ One of the priorities was to develop “A Europe fit for the digital age,” and the Commission announced its intention to put forward a new Digital Services Act in Q4 of 2020 in order to reinforce the single market for digital services and help provide smaller businesses with the legal clarity and level playing field they need. The European Commission has conducted a public consultation for the Digital Services Act. The New EU legislation is expected in the forthcoming digital services act package and will include set rules on how companies will have to police illegal and possibly harmful content online.

68. The European Committee of the Regions (CoR),⁶⁴ a political assembly of regional and local representatives who provides opinion on proposed European legislation, has issued an opinion on the platform economy. In this text, the CoR calls for the EU to execute on the following:⁶⁵

- clearly define the status of collaborative economy platforms to clarify which rules govern their operations;
- the concept of “service provider” should be clarified through EU-wide thresholds;
- require platforms to provide public authorities with the necessary data to enforce regulations the city has set forth and ensure that appropriate taxes are paid;
- harmonise rules to prevent the fragmentation of the single market, as regions and cities have set different rules for platform market players.

SECTION 5. IMPACTS OF COVID-19

5.1 Impacts of the pandemic on the tourism industry and short-term rentals

69. The impact of the pandemic on home-sharing has been twofold: On the one hand, a decrease in the rate of tourism and, on the other hand, restrictions on home-sharing due to health and safety concerns. Cities across the members States of the Council of Europe have seen a large drop in occupancy rates, reservations, and flights due to COVID-19. In Vienna, there was a 99% decrease in the number of reservations per night and an 85% cancelation rate of reservations in Porto.

70. Cities anticipated that there would be a drop in the number of short-term term rentals due to the long-lasting impact of the pandemic on tourism rates. While there are no exact numbers, representatives from Berlin mentioned anecdotally that there were reported cases in which after the lockdown measures, some short-term rentals were taken off platforms and put back on to the long-term rental market. This trend, however, is not necessarily consistent across cities. Bordeaux also anticipated a decrease in the number of short-term rentals during the lockdown but did not see such a decrease. The municipality received additional interest from residents to begin operating short-term rentals.

62 Directive 2000/31/EC of the European Parliament and of the Council, 8 June 2000 (Available online: <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A32000L0031>)

63 See details https://ec.europa.eu/inf/publications/2020-commission-work-programme-key-documents_en#:~:text=As%20part%20of%20Europe's%20Recovery,valid%20in%20addressing%20today's%20challenges.

64 See details on the European Committee of the Regions https://europa.eu/european-union/about-eu/institutions-bodies/european-committee-regions_en

65 See details

<https://webapi2016.cor.europa.eu/v1/documents/COR-2019-01951-00-00-AC-TRA-EN.docx/content>

SECTION 6. RECOMMENDATIONS

71. Based on the analysis of regulatory approaches and the impacts of these measures, the following recommendations are made. It should be noted that the challenges encountered by local and regional authorities are not all the same, nor are the policy levers available to each city. As such, the recommendations provided below are a menu of policy principles and good practices that cities should explore. The collaborative economy accommodation sector has seen rapid growth in recent years. Given the complexity of the policy and regulatory space, cities should be proactive and establish regulations before it becomes an issue. It is much easier for cities to limit the number of short-term rentals in their city than it is to remove them from the market. Establishing regulations also becomes increasingly controversial as more stakeholders are involved, making it advantageous for cities to be proactive in their decision making.

6.1 Identify current policies

6.1.1 Political will

72. The regulation of the collaborative economy accommodation sector has become inherently political and increasingly complex. Cities must have the appropriate political backing and support, both legal and financial, from various levels of governance to adapt their operation and allocate adequate resources to establishing and enforcing meaningful regulations.

6.1.2 Policy mapping

73. Prior to instituting any regulations, municipal and regional governments should conduct a comprehensive overview of historic policy decisions that have impacted the collaborative economy tourism accommodation sector in that locality. A policy mapping exercise will highlight policy issues and identify interconnectivities.

6.2 Develop goals and intentions

6.2.1 Identify position on the collaborative economy tourism accommodation sector

74. Cities should develop a clearly articulated position, or aspirational statement, on their long-term vision for the collaborative economy tourism accommodation sector to provide a framework to guide regulations across departments. Some cities may be focused on the collaborative economy tourism accommodation sector as it relates to the impacts of housing, others regarding tourism. Regardless of the focus, this statement should guide efforts by various departments involved in the regulatory process and enforcement. In developing this position, cities should consult with community stakeholders to make sure that regulatory responses are reflective of their community's aspirations.

6.2.2 Focus on sustainable development

75. The collaborative economy tourism sector can play a role in a sustainable and economically resilient city, in so far that it operates in a balanced manner. Cities should identify what a long-term moderate growth in tourism looks like in their city, and how the collaborative economy accommodation sector can play a role in this. Identifying the "future goal" is key to guiding more immediate term interventions.

6.2.3 Information sharing

76. While each city's experience with the collaborative economy accommodation sector is localised, there are common themes that emerge. Cities should leverage each other's knowledge and expertise by sharing experiences, comparing approaches, and evaluating the efficacy of various policy levers to identify best practices and evidence-based policy and regulation solutions.

6.3 Implementation

6.3.1 *Talk to platforms*

77. Cities have had varying degrees of success in creating valuable two-way conversations with platforms. Regardless, it is important for municipalities to attempt to engage in conversation with platforms in a productive way – aligning visions between platforms and municipalities takes time and patience. In lieu of more formal agreements or obligations on the local and national level, some cities have voluntary agreements with platforms in which they agree to remit taxes back to the city, send data on active listings in the city, enforce limits on the number of nights a host is allowed to rent a particular unit a year, require registration numbers on advertisements and/or removing listings without legal registration numbers. While not an adequate substitute for formal and legal obligations to do so, these voluntary agreements may be helpful in the interim.

6.3.2 *Digitise systems*

78. It is important for cities to introduce simple central online systems for hosts to use for tax and registration purposes. Complex, non-user-friendly systems only alienate peers from using platforms and create unnecessary burden for both hosts and the municipality.

6.3.3 *Seek community input*

79. For most local and regional authorities, public consultation is a required process of establishing new regulations. It is important to do so in a meaningful way that encourages community by in, given that local associations, neighbourhood groups, and citizens' groups will be on the front lines of upholding that regulation. Consider working with neighbourhood associations to map existing commercial structures in districts especially strained by tourism to enable early identification of a concentration of commercial tourist service and launch the requisite measures to counter.

6.3.4 *Mixed instruments*

80. Short-term rentals pose a challenge to municipalities because they touch on a number of topic areas within municipal government (ex. Housing, Planning, Economic Development and Tourism). This also gives municipalities several policy and regulatory instruments to achieve their objectives. These policy instruments may include:

- i. building and land use permissions
- ii. urban planning
- iii. housing
- iv. taxation
- v. registration system

i. *Building and land use permissions*

81. Cities can create distinctions between different types of properties (e.g. primary or secondary residences; owner-occupied or non-owner-occupied residences) for short-term accommodation rentals. For cities that are struggling with affordable housing and the supply of housing, it may be beneficial to limit short-term rentals to owner-occupied housing, which ensures that no additional housing will be taken off the market. In these regulations, cities are also able to establish conditions of usage, such as the minimum and maximum duration of stay, number of people, presence of owner, and permission requirements from other occupants of the building.

ii. *Urban planning*

82. Cities can address the impacts of overcrowding in certain neighbourhoods, visitor flows, and quality of life concerns. Local and regional authorities can control the spatial distribution of the accommodation, by instituting caps on the number of licenses that are allowed in a particular neighbourhood, or banning short-term rentals in neighbourhoods that are facing the most egregious impacts of the proliferation of short-term rentals.

iii. *Housing*

83. Where there is a need to protect the availability and affordability of the housing stock, particularly in inner-city neighbourhoods and around popular tourist destinations, cities can set a cap on the duration of the rental controls, permissible locations, restrictions on the conversion of social housing or housing generally, to short-term rentals.

- Cities should consider creating a distinction between hosts acting in an occasional or professional capacity.
- A nightcap in terms of the number of permissible nights a property can be rented out per year can limit the economic incentive for a host or landlord to withdraw the property from a long-term rental market.

84. For municipalities that have an overabundance of short-term rentals, incentivising owners to move short-term rentals to the long-term rental market is key (offering the municipality to rent units at a set price for a contracted number of years to convert to affordable housing; instituting fines for noncompliance; using a change of use law etc.). This will naturally cause attrition in the number of houses on the short-term rental market.

iv. *Taxation*

85. The collaborative economy tourism sector is subject to taxation rules namely tourist and personal income taxes. Cities should charge the same tourist occupancy taxes on collaborative economy tourism accommodations and the traditional lodging sector to apply functionally similar tax obligations to businesses that provide similar and comparable services. It should be noted that commercially operated collaborative economy tourism accommodations are able to navigate complex tax remittance procedures; however, occasional renters “peers” will likely not be able to. Simplify taxation and conduct information campaigns to ensure that tax obligations are not excluding residents who seek to benefit most from the additional income from home-sharing - the administrative burden should be proportionate to the taxable activity and revenue generated. Specific tax schemes for revenue generated up to a certain threshold is another means to avoid disproportionate compliance costs and administrative burden for private residents who occasionally rent on their properties.

86. Tax collection agreements and partnerships with platforms can reduce the administrative burden on both the municipality and hosts and facilitate the compliance of hosts with applicable tax obligations. Online platforms can inform accommodation providers of both their income and/or tax obligations, total income generated, and share that information with relevant public authorities (subject to data protection rules).

87. For local and regional authorities that do have access to revenue generated from tourist taxes, consider using the revenue to go towards fulfilling the “long-term vision” for the collaborative economy tourism sector. Some cities have put the revenue towards funding affordable housing, the cost of tourism, or the promotion of tourism, dependent on city priority.

v. *Registration system*

88. Introducing a simple central online registration system for hosts can be considered a proportionate policy response where short-term rental services negatively impact the city. A registration system solves the issue of a lack of data and provides the municipalities the tools necessary for effective enforcement. The registration system can be used to verify the suspicion of tax fraud and facilitate monitoring and enforcement of the applicable income and tourist taxes are paid. It can also be used to allow for increased oversight from the municipality regarding public safety concerns.

6.3.5 *Impact of overly complex regulations*

89. Overly complex regulations may disincentivise residents from hosting occasionally on short-term rental platform accommodations. Ensure that regulations and penalties for non-compliance are proportionate to the activity at hand. Furthermore, ensure that registration and tax reporting are simple and not acting as unintentional barriers to using the platform economy.

6.4 Enforcement

6.4.1 Noncompliance

90. Consider instituting a fine for noncompliance to disincentivise homeowners and landlords to rent their units illegally on platforms. Be wary that this may discourage potential hosts from participating in the market.

6.4.2 Communication, information and education

91. Local and regional authorities must make hosting information easily accessible for hosts to boost compliance rates. Overly complicated regulations and unclear communication about host obligations may discourage the segment of the host-base that seeks to benefit most from the sector. Conduct information campaigns and locate necessary information on a centralised government webpage for hosts to refer to.

6.4.3 Flexible regulations

92. The negative and positive implications of the collaborative economy tourism sector are fast-changing. Cities should be quick to establish meaningful regulations but should also build flexibility into their regulations, evaluate the efficacy of their regulations, revisit them often. For instance, cities may need to limit the number of short-term rentals that can operate in a particular neighbourhood, in anticipation of an overabundance of both rentals and tourists.

6.4.4 Involvement of community stakeholders

93. Cities should leverage community stakeholders to aid with enforcement of regulations. By establishing relationships with organisations of hosts, cities will have a more effective and direct communication channels to convey host responsibilities such as cutting down on nuisances and have a tighter oversight on safety. Cities should also consider establishing a permanent citizens' advisory council to enable the direct experiences of city residents to flow back into the policies, the revision of those policies, and developing project ideas for more city- and resident-compatible tourism. Residents are more acutely attuned to their neighbourhoods and may be able to detect changes before the government can.

6.4.5 Politicisation

94. As the collaborative economy accommodation sector has grown, so too has the divergent opinion among relevant stakeholders. Several cities have been subject to politically charged debates, which has created conflict and barriers to garnering more wide-spread community support for increased regulatory oversight. Obtaining and analysing independent and objective data and information about the short-term rental accommodation sector is necessary to establish, monitor, enforce and revise evidence-based regulations.

6.5 Tourism

6.5.1 Develop regional tourism strategies

95. Spreading visitors and tourists across the city and into neighbouring regions will help mitigate the overabundance of tourists in tourist precincts. Business travellers are particularly easy to spread across the city and are an easy target to begin with. Work with neighbouring cities, towns, and villages to promote tourism into other, less frequented, areas. Engage in conversation with regional stakeholders to identify how to execute. This may be particularly pertinent as cities construct their reopening strategies.

6.5.2 *Focus on mitigating uncertainty and fear*

96. Tourism plays an important role in many cities' economic and fiscal health. As cities and nations begin to reopen, cities must balance multiple concerns - attempting to restart and reopen the economy to tourism while mitigating both perceived and real public health concerns. Cities must work closely with hosts of short-term rental accommodations to ensure that health and safety standards are enforced. Cities should think about environments that are conducive to safe distancing—namely outdoor gathering—to decrease the risk of community spread of COVID-19.