SPNHA Review

Volume 12 | Issue 1 Article 6

2016

Airbnb and the Sharing Economy: Policy Implications for Local Governments

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AIRBNB AND THE SHARING ECONOMY: POLICY IMPLICATIONS FOR LOCAL GOVERNMENTS

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Abstract

The sharing economy, or the sharing of goods and services peer-to-peer, is expanding rapidly across the United States. Many state and local governments are scrambling to figure out how and if sharing economy services such as Airbnb, Uber, and Lyft need or can be regulated. Cities large and small are developing new or expanded policies addressing the concerns of residents and interest groups to find a compromise between a potential economic engine and potential nuisances. Drawing on available literature and several case study cities, this paper examines the implications of the sharing economy, specifically the service Airbnb, on local government policymaking. Conclusively, cases are analyzed, policy implications are explored, and the future of policies regarding the sharing economy is discussed.

Keywords: sharing economy, Airbnb, local government

INTRODUCTION

The sharing economy is taking American households and vehicles by storm as the expansion of start-up smart-phone driven sharing services such as Airbnb, Uber, and Lyft expand across the country. The sharing economy is unique in that until very recently, few members of the public, with the exception of early adopters, knew what the term meant. According to Tuttle (2014), “The “sharing economy” is the all-purpose term used to describe transactions in which someone in possession of a car, or home, or self-storage space, or commercial real estate, or almost anything else imaginable “shares” it with a stranger” (para. 1). In this regard, the term sharing in sharing economy is loosely used as sharing does not typically involve a monetary transaction (Egger et al., 2014). "The sharing economy is also commonly referred to as collaborative consumption, the collaborative economy, or the peer-to-peer economy" (Hirshon et al., 2015, p. 1). Airbnb, which was founded in San Francisco, is a poster-child of the sharing economy. As outlined in the Financial Times article Airbnb (2014), "The company (Airbnb) functions as an eBay - for spare bedrooms in houses or flats." The growth of sharing economy platforms like Airbnb does not seem to be slowing anytime soon. According to Rusli et al (2014), Airbnb's revenue more than doubled last year to roughly $250 million. Due to the rapid expansion of sharing services, local units of government and states are rapidly attempting to play catch-up and identify where these newfound businesses lay in the vast expanse that is public policy in the United States.

While the policy conundrum of how and why to regulate Airbnb has mostly been brewing in larger cities such as San Francisco, California and New York, New York, smaller cities are beginning to adopt policies regulating the service as well. According to Tuttle (2014), mid-size cities such as Grand Rapids, Michigan, Malibu, California, and Buffalo, New York are also looking or have already regulated the ability of residents to rent rooms via Airbnb. Potential policies regulating services such as Airbnb range from exceptionally strict to a nonexistent for hosts. "The Malibu city council recently voted in favor of issuing subpoenas to over 60 short-term lodging rental websites, including airbnb, according to the *Los Angeles Times*" (Tuttle, 2014, para. 12). The City of Malibu is also attempting to crack down on party houses in areas dominated by vacation rentals (Tuttle, 2014). Additionally, according to Hirshon et al. (2015), "Many cities are welcoming these new business models, despite regulatory barriers and the swift and sometimes aggressive nature of their immersion" (p. 2). As sharing economy services are adopted and the market grows, positive and negative implications for policymaking at the local government level will likely expand with it. The purpose of this research is to discover what the policy implications involving zoning, general law ordinances, and tax structures exist following the market growth and consumer adoption of the sharing economy with a focus on the service Airbnb. In addition to published research, three cities are examined as case studies so as to compare and contrast the policies concocted by their respective staff and local leaders.

LITERATURE REVIEW

Local Government Authority

In order to study the implications of policies regulating Airbnb and the sharing economy, one must first understand how local governments derive their power. The National League of Cities (NLC) explains the power structure of local governments quite eloquently. "Working in partnership with the 49 state municipal leagues, NLC serves as a resource to and an advocate for the more than 19,000 cities, villages and towns it represents" ("About," n.d., para. 1). According to the National League of Cities (n.d.), "The Constitution of the United States does not mention local governments. Instead, the Tenth Amendment reserved authority-giving powers to the states" (para. 1). While many states oversee local governments in similar ways, no state has an identical relationship with their local units of government. "This means that to speak of local government in the United States is to speak of more than fifty different legal and political situations" ("Local government," n.d., para. 1). The differences in legal and political situations is important when considering policy implications and alternatives at the local level as limitations and differences may alter available policy options. However, overall the power given to local governments is similar. "Political power in a state can be divided into three spheres: the local government, the state government and the functions that the two governments share" ("Local government," n.d., para. 2). The National League of Cities (n.d.) identifies discretionary authority typically given by the states to local governments into four categories: structural, functional, fiscal, and personnel. For the sake of this paper, functional and fiscal authority will largely be the two powers which will be focused upon. According to the National League of Cities (n.d.) functional authority is "power to exercise local self-government in a broad or limited manner" (para. 2). Additionally, the National League of Cities (n.d.) defines fiscal authority as "authority to determine revenue sources, set tax rates, borrow funds and other related financial activities" (para. 2).

The means to which the structure of authority developed has a long history in state and federal court decisions, for example Dillon's Rule. According to the National League of Cities (n.d.):

> Dillon's Rule is derived from the two court decisions issued by Judge John F. Dillon of Iowa in 1868. It affirms the previously held, narrow interpretation of a local government's authority, in which a substate government may engage in an activity only if it is specifically sanctioned by the state government. Dillon's Rule was challenged by Judge Thomas Cooley of the Michigan Supreme Court in 1871, with the ruling that municipalities possess some inherent rights of local self-government. Cooley's Rule was followed for a short time by courts in Indiana, Iowa, Kentucky and Texas until the U.S. Supreme Court upheld Dillon's Rule in 1903 and again in 1923. (para. 4)

Despite the long history of Dillon's Rule, there is quite a simple definition for what it means. The National League of Cities (n.d.) provides the following basic explanation:

> State constitutions vary in the level of power they grant to local governments. However, Dillon's Rule states that if there is a reasonable doubt whether a power has been conferred to a local government, then the power has not been conferred. (para. 5)

Not all states employ Dillon's Rule to their municipalities. Approximately thirty-nine states currently employ it while eight states employ the rule for only certain municipalities ("Local government," n.d.). For reference, Michigan and New York employ Dillon's Rule to all municipalities while

California only employs Dillon's Rule to certain municipalities ("Local government," n.d.).

Dillon's rule put a strangle-hold on many local governments in the late 1800s who could not respond to local forces without permission from their state legislature ("Local government," n.d.). According to the National League of Cities (n.d.):

> The inflexibility of this system is the reason that many states began to adopt "home rule" provisions in the early 1900s that conferred greater authority to their local governments. Home rule is a delegation of power from the state to its sub-units of governments (including counties, municipalities, towns or townships or villages). That power is limited to specific fields, and subject to constant judicial interpretation, but home rule creates local autonomy and limits the degree of state interference in local affairs. (para. 10)

Limits and powers to home rule are defined by individual states ("Local government," n.d.). According to the National League of Cities (n.d.):

> State provisions for home rule can be defined by each state's constitution and/or statutes enacted by its legislature. Not all cities make use of the discretionary powers of home rule that are provided by their charter. Functional powers are the most frequently used and expanded. (para. 11)

While the limitations of home rule differ from state to state, it is not apparent that state authority in California, Michigan, and New York has limited a local government's ability to set policy regarding the sharing economy and more specifically Airbnb. However, state level policy must be analyzed for enabling legislation or other regulations. It will be interesting moving forward if state governments step in regarding sharing services as they have done with medical marijuana and other types of home occupations.

By and large, taxes, police power or general law ordinances, and zoning ordinances are used under the fiscal or functional authority granted to them by their home state.

For example, according to the Grand Rapids, Michigan Municipal Code (n.d.):

> The Legislative and administrative powers of the City are hereby vested in the City Commission, which is authorized to pass all laws and ordinances relating to its municipal concerns, subject to the Constitution and General Laws of the State (Michigan) and this Charter. (Title V – City Commission section, para. 1)

Airbnb also recognizes the tools to which local governments regulate its services. Airbnb's website outlines rules and offers advice to those looking to be hosts. According to Airbnb (n.d):

> Some cities have laws that restrict your ability to host paying guests for short periods. These laws are often part of a city's zoning or administrative codes. In many cities, you must register, get a permit, or obtain a license before you list your property or accept guests. Certain types of short-term bookings may be prohibited altogether. Local governments vary greatly in how they enforce these laws. Penalties may include fines or other enforcement. (para. 2)

The Sharing Economy

Currently, academic literature regarding the sharing economy and local and state policy implications is practically nonexistent due to the relative newness of the market segment. Regardless, pertinent information can be gleaned from a combination of scholarly articles as well as articles written in magazines and outlets from related nonprofit or professional organizations. Much of the published discussion and research regarding the sharing economy has been done through the latter medium.

While academic literature regarding the sharing economy's policy implications is lacking, there are a few recently published articles regarding the sharing economy's history and utilization in the market. One such article regarding the sharing economy was published in the *MIT*

Sloan Management Review. According to Matzler et al. (2015):

> Growth in sharing systems has particularly been fueled by the Internet, with its rise of social media systems, 3 which facilitate connections between peers eager to share their possessions. The central conceit of collaborative consumption is simple: Obtain value from untapped potential residing in goods that are not entirely exploited by their owners. (p. 72)

Technology drives economic activity and innovation in ways that are unpredictable. This quick and constant innovation has made it increasingly difficult for local governments to keep up from a policy and fiscal standpoint. Furthermore, some see the sharing economy and the accompanying innovations as a form of rent-seeking by entrepreneurs which are avoiding regulations by operating between the regulatory cracks (Albright, 2014). In order to adapt, local governments often rely on each other, think tanks, and advocacy and professional organizations for best practices and recommendations regarding changes in the policy and political climate. Additionally, states and local governments must determine what sort of approach they will take at regulation. Albright (2014) ends his article with the following conclusion:

> What needs to be determined is whether we are willing to tolerate a certain inequality in regulations in order to ultimately reduce the burden on everyone, or if equity considerations alone justify imposing the costs of current regulations on everyone. (p. 14)

This conclusion ultimately brings to light the economic and ethical question of policymaking and local governance. Do policymakers adopt the greatest happiness principal and do the most for the greatest number such as is suggested by the utilitarianism framework or do policymakers allow consumers to make their own choices uninhibited by regulation and public policy as is suggested by libertarianism (Sandel, 2009).

Much of the applied research completed on the sharing economy by advocacy and professional organizations such as The National League of Cities and the American Planning Association is so new that it was published during the writing of this paper. For example, the National League of Cities published *Cities, the Sharing Economy and What's Next* on March 31, 2015. The findings and conclusions of this report are likely one of many that will surface as the sharing economy becomes better understood by professionals, academics, and consumers. *Cities, the Sharing Economy and What's Next* seems to offer the first comprehensive look into the relationship between cities, policy, and the sharing economy. The report methodology developed by Hirson et al. (2015) is as follows:

> This research emerged from conversations with city leaders around the country who were looking for guidance on how to modify or develop new regulations for the sharing economy. The National League of Cities partnered with researchers from Fels Consulting at the University of Pennsylvania's Master's in Public Administration program to design a research approach, develop interview questions, and identify interview candidates who could share insights on their strategies, tactics, and lessons learned while regulating this new space. (p. 4)

The report is organized into a variety of themes identifying common concerns in which local governments might discover during the policy process. "As city officials prepare to modify regulations or develop new ordinances or legislation to fit the sharing economy they must balance issues of innovation, economic development, tourism, equity, access, and safety" (Hirson et al., 2015, p. 36). The report tackles questions in each of the identified themes and makes an attempt at answering them utilizing cases from eleven case cities and their leadership. Hirson et al. (2015) researches not only Airbnb, but Transportation Network Companies (TNCs) such as Uber and Lyft as well. The report also addresses process and implementation of policy in individual communities. Importantly, the report identifies issues with enforcing new regulations. "As more and more cities pass ordinances related to sharing economy services, many are beginning or encounter challenges implementing the regulations" (Hirson et al., 2015, p. 32). While the challenges differ from city to city, the report identified a few common problems. Hirson et al. (2015) explain that staffing, even in larger city organizations, has been a large issue when enforcing policies regulating the sharing economy. In conclusion, Hirson et al., (2015) report that:

> The sharing economy will only continue to grow and change as cities serve as laboratories for these ever-changing technologies and business models. There is great promise with the rapid ascent of sharing economy services in our nation's cities, and the best thing that city policymakers can do is keep an open mind about how the new economy might be fruitful with the right regulatory framework in place – because sharing is here to stay. (p. 36)

Cities, the Sharing Economy and What's Next is undoubtedly the first comprehensive look at the shift in economic behavior toward sharing in our cities and how local leaders are drafting and developing policies and legislation to cope with the changes. While the report asks important questions and gives abundant examples of how example cities are currently coping with sharing economy services, best practices and overarching successful approaches to policy and legislation are largely missing.

LOCAL GOVERNMENT CASES

Methods

In order to supplement the comparative lack of research on the topic, three case cities, which have developed policies to address the sharing economy, were examined. Each of the following policy cases were chosen given their distinctive characteristics as a community as well as ease of access and coverage of their policies regarding Airbnb. While the City of Grand Rapids, Michigan could be considered a less obvious choice when compared to Malibu, California or New York, New York, it is a city that many across the United States can relate to given its status as a more typical Midwestern metropolis, especially when compared to Malibu and New York. Each case city's municipal code, administrative code, general law ordinance, zoning ordinance, and website were intensely investigated so as to determine how short-term rentals, or Airbnb, are regulated. The case studies are also extensively supplemented with secondary sourced data from meeting minutes, reports, and local news sources.

Case One: City of Grand Rapids, Michigan

In August 2014, the City of Grand Rapids, Michigan approved regulations that permit, however restrict, rentals via websites like Airbnb (Vande Bunte, 2014). According to Vande Bunte (2014), the restrictions include that a residence must be owner-occupied, one room may be rented at a time, no more than two adults, there is a city-wide limit of 200 permits, and neighbors within 300 feet would be notified at time of approval. Advocates and opponents of temporary room rentals and the sharing economy have a variety of reasons for their stance. According to Vande Bunte (2014), some residents see the regulations as necessary so as to keep "…neighborhoods from losing their residential character" (para. 5). Proponents of less strict rules include those at the large art exhibition and contest Artprize (Vande Bunte, 2014). While the City of Grand Rapids' Zoning Ordinance has traditionally addressed bed and breakfasts and home occupations as individual land uses, the City added additional language to regulate short-term one bedroom rental lodging. According to O'Neal (2014) the following definition for one room rental was added to the City of Grand Rapids Zoning Ordinance in August 2014:

> An owner-occupied dwelling in which a single room, couch, or other sleeping area is rented to no more than two adult guests overnight. The dwelling shall be the principal residence of the owner-

> operator and the owner operator shall be on the premises when the rental activity is occurring. Subject to a class B Home Occupation License. (p. 660)

In addition to changes to the Zoning Ordinance, the Grand Rapids City Commission also made changes to the City of Grand Rapids Code of Ordinances regarding Home Occupation Class B licenses. According to O'Neal (2014), the following addition was made to section 7.641 of the City of Grand Rapids Code of Ordinances:

> Business where transients are accommodated for sleeping or lodging purposes under a one-room rental, as defined in Chapter 61 of this Code. No more than two (2) adult customers, clients, students, or patients shall be on the premises at any one time. (p. 665)

According to O'Neal (2014), the following addition was made to section 7.646 of the City of Grand Rapids Code of Ordinances:

> No more than two hundred (200) Class B Home Occupation licenses for one-room short-term rentals shall be issued at any one time. Such permits are non-transferrable. A permit number shall be included in all advertising of the one-room rental. (p. 666)

However, these rules are likely not set in stone and additional adjustments to the policy will likely take place. According to Vande Bunte (2014), even though the current rules were unanimously approved by the City Commission, "…some Grand Rapids city commissioners on Tuesday, August 26, also expressed a desire to foster two-room rentals." Additionally, many of the existing hotels and bed and breakfasts in the City of Grand Rapids are looking for a level playing field. According to Vande Bunte (2014), "…others in the hospitality industry want Airbnb operators to play by the same licensing rules and pay the same fees as traditional B&Bs" (para. 5). Similarly, many residents have expressed concern for transients in their neighborhoods while others want to keep renting out rooms like they've been doing for many years (Vande Bunte, 2014).

Case Two: City of Malibu, California

Despite its relatively small population, the City of Malibu, California has also seen a large uptick of private residences available for short-term rentals along its Pacific Ocean beaches as well as inland. Stevens (2014), explains the overall issue at hand:

> Malibu, like many cities, is grappling with how to regulate short-term rentals like those promoted by fast-growing online newcomers such as Airbnb and Vacation Rentals by Owner and established giants such as Craigslist. (para. 5)

Due to the City's attractive natural landscape, the vacation rentals are quite expensive and tend to attract a different clientele than say Grand Rapids, Michigan or Buffalo, New York. "Officials emphasized that the city is not yet proposing to stop the practice of short-term rentals but rather to cut down on the "party house" atmosphere that has disrupted some neighborhoods" (Stevens, 2014, para. 14). According to some residents, short-term renters have been disrespectful of neighboring property owners (Stevens, 2014).

Due to the City's nature as an attractive vacation destination, Malibu has taken a slightly different approach to regulation. "Malibu allows short-term renting as long as property owners register with the city and pay the same 12% transient occupancy tax that hotels are required to remit" (Stevens, 2014, para. 10). Thus Airbnb and other rental sharing websites began remitting the Transient Occupancy Tax on July 1, 2009 ("Transient," 2015). According to the City of Malibu (2015):

> …all homes, condominiums, or other structures that will be rented or leased for a period of 30 days or less must register with the City of Malibu and will be subject to a transient occupancy tax (TOT) per Malibu Code Section 3.24. (para. 1)

Due to the ever evolving and innovative nature of the topic concerning policy implications and the sharing economy, policy changes occurred in the City of Malibu during the development of this paper. The City of Malibu (2015) updated its transient occupancy tax policy to read as follows:

> In April 2015, the City announced that Airbnb had agreed to collect and remit the TOT on behalf of the property owners who use its service. Beginning April 20, 2015, Airbnb users will no longer have to register with the City, nor will they have to collect and submit quarterly tax returns to the City, a real benefit that will save those users time and help them avoid any penalties or fines imposed if taxes are not properly collected and timely paid. (para. 2)

However, this new policy only applies to hosts and residents utilizing Airbnb. The City of Malibu (2015) goes on to clarify: "Property owners must continue to collect and remit TOT taxes on their own for any rental resulting from the use of other vacation rental websites or made independently" (para. 3).

While the City of Malibu's Zoning Ordinance contains a definition for hotel, it defines it in a general nature and does not specify differences between types of hotels or transient lodging ("Malibu municipal," n.d.). Similarly, the City's Zoning Ordinance does not define short-term rentals as a use nor does it regulate short-term rentals in any specific zoning district or within the general provisions ("Malibu municipal," n.d.).

Case Three: City of New York, New York

The City of New York, New York is arguably one of the largest adopters of the sharing service Airbnb in the United States if not the World. According to Schneiderman (2014) "…the number of unique units booked for private short-term rentals through Airbnb has exploded, rising from 2,652 units in 2010 to 16,483 in just the first five months of 2014" (p. 6). Due to the proliferation of short-term rentals and a rising number of concerns by the citizenry of New York City, the State of New York Attorney General conducted a study published as *Airbnb in the City* in October of 2014. "Where supporters of Airbnb and other rental sites see a catalyst for entrepreneurship, critics see a threat to the safety, affordability, and residential character of local communities" (Schneiderman, 2014, p. 2).

Similar to Grand Rapids and Malibu, the City of New York regulates short-term rentals in a variety of ways. "The New York City Administrative Code requires certain businesses to obtain a license" ("New York," n.d.). According to Schneiderman (2014):

> …New York City Administrative Code section 28-118.3.2, prohibits changes to the use, occupancy, or egress of a building. A short-term stay in a building that is not a "Class A" multiple dwelling would violate the law unless the building's certificate of occupancy expressly authorized that type of use. (p. 18)

Additionally, the City of New York has a variety of tax structures that apply to short-term rentals. "These taxes include the New York City Hotel Occupancy tax of 5.875%, plus an additional per room fee of 50 cents to $2, depending on the total cost of the room" (Schneiderman, 2014, p. 19). The host of the Airbnb rental is liable for collecting the required taxes (Schneiderman, 2014). "Other taxes, including sales taxes and the New York City Unincorporated Business Tax ("UBT"), may also apply" (Schneiderman, 2014, p. 19). Additionally, the City of New York Zoning Ordinance defines apartment hotel and limits the residential zoning districts where they are permitted ("New York Zoning," n.d.).

Outside of policies and ordinances regulating Airbnb by the City of New York, New York State also has laws that affect the sharing economy. According to Schneiderman (2014):

> One such law is the New York State Multiple Dwelling Law (the "MDL"), which prohibits rentals of less than 30 days in "Class A" multiple dwellings. Prior to 2010, the MDL defined "Class A" buildings as those dwellings occupied "as a rule, for permanent resident purposes." (p. 18)

Schneiderman (2014) goes on to explain "The phrase "as a rule, for permanent residence purposes" was ambiguous and left room for various interpretations" (p. 18). This ambiguity resulted in an amendment of the MDL. "In 2010, the MDL was amended to specify that permanent residency of a dwelling means at least 30 consecutive days' occupancy by a "natural person or family" in a unit" (Schneiderman, 2014, p. 18).

While the above laws and regulations were in place prior to the implementation of Airbnb as a service and company in New York City, concerned residents occupying apartments and units next to short-term rentals brought the violations to light. According to Schneiderman (2014), a variety of anonymous complaints were submitted to the Attorney General during the study. For example, several complaints stemmed from residents witnessing blocks of apartments being rented out via Airbnb operating similarly to a hotel chain (Schneiderman, 2014). Schneiderman (2014) concluded that most private short-term rentals, or approximately 72% of unique units rented, appear to violate New York law. Additionally, Schneiderman (2014) estimates that "New York City is likely owed millions in unpaid hotel taxes from private short-term rentals" (p. 9).

POLICY ANALYSIS & IMPLICATIONS

Methods

Each case city has been broken down into fiscal or functional authority, legislative documentation, accompanying regulations, and identifiable stakeholders. The purpose of categorization was to compare and contrast the different legal authority of the case cities as well as policies and regulations regarding Airbnb. Local governments should be aware of their home state's enabling legislation and the implications it has on regulating the sharing economy. Additionally, local governments should be aware of stakeholders and their various discretions regarding the sharing economy and Airbnb.

Fiscal Authority

The case study cities reveal that each individual municipality utilizes their fiscal authority differently. The City of Grand Rapids does not levy a hotel occupancy or transient tax on short-term rentals while the City of Malibu and the City of New York both do (“Grand Rapids,” n.d.; “Malibu,” n.d.; “New York,” n.d.). Additionally, the City of Malibu is unique among the three cases in that Airbnb currently collects and remits the Transient Occupancy Tax the City requires of short-term rentals for Airbnb hosts and guests (“Transient,” 2015). However, Airbnb has recently made a similar attempt in the City of New York. Airbnb recently sent a letter “…to all 213 members of the New York State Legislature, saying it wants to collect taxes on behalf of Airbnb hosts and guests but that the law doesn’t let it” (Kerr, 2015, para. 2). Successful collection of hotel or transient taxes by Airbnb may have implications for policy in municipalities and counties across the United States. “Analysts say if Airbnb can succeed in New York, it could be a signal of how it’ll fare elsewhere” (Kerr, 2015, para. 4). The collection of taxes by Airbnb has positive revenue potential as it could collect taxes similar to a hotel (Kerr, 2015). However, if states and cities do not adapt to allow Airbnb to do so, hosts could continue to avoid paying taxes and cities such as New York could lose out on potential revenue that may otherwise be collected through transactions at a traditional hotel. The duty of tax collection via each host could prove to be a strain on local government and state resources and staffing as was similarly identified by Hirson et al. (2015).

Functional Authority

The case study cities reveal that each individual municipality utilizes their functional authority differently as well. The City of Grand Rapids Zoning Ordinance defines one-bedroom short-term rentals as a home occupation and is thus allowed where a home occupation is allowed as a use by zoning district (“Grand Rapids,” n.d.). Comparatively,

City of Grand Rapids, Michigan	City of Malibu, California	City of New York, New York
Hotel or Transient Tax (fiscal)		
County Lodging Tax (Airbnb not specified)	Transient Occupancy Tax (12%)	Hotel Occupancy Tax (5.875%)
General Law Ordinance, Municipal, or Administrative Code (functional)		
Class B home occupation license required.	Property registration for non-Airbnb hosts	Business license, certificate of occupancy, Multiple Dwelling Law (see State Level Policies).
Zoning Ordinance Provisions (functional)		
Definition for one room rental. Standards for one-room rentals in home occupations. Must abide by Zoning District standards.	None concerning short-term rentals. Hotel is defined.	Hotel, transient and hotel, apartment defined. Apartment hotel must abide by Zoning District standards.
State Level Policies or Regulations (Dillon's Rule and Home Rule authority)		
Michigan Zoning Enabling Act, 2006* Home Rule City Act, 1909* *Enabling acts above do not directly address the sharing-economy.	California Government Code title 4* California Government Code title 7* *Enabling code above do not directly address the sharing-economy.	Multiple Dwelling Law prohibits rentals less than 30 days in "Class A" units unless "natural" family present New York State Land Use Enabling Acts* *Home Rule granted by New York Constitution *Enabling acts above do not directly address the sharing-economy.
Stakeholders		
Existing hotels, bed and breakfast establishments, hosts, homeowners, Planning Commission, City Commission, ArtPrize, Airbnb	Hosts, homeowners, City Commission, Airbnb	Hosts, apartment building management/ownership, apartment tenants, condominium owners, homeowners, New York State Attorney General, Planning Commission, City Commission, Airbnb
References		
Grand Rapids, MI Municipal Code, (n.d.) Wilson, (2012)	Malibu, California Municipal Code, (n.d.)	New York, New York Administrative Code (n.d.) New York, New York Zoning Ordinance (n.d.)

the City of Malibu does not define nor does it providestandards for short-term rentals in the City ("Malibu," n.d.). The City of New York, while it defines hotel apartment as a use, does regulate short-term rentals as a home occupation ("New York," n.d.). However, hotel apartments must abide by the standards of the individual zoning districts in which they are allowed ("New York," n.d.). Planning and zoning practice may differ greatly from state to state and city to city depending upon enabling legislation and state level policy. States may step in and adopt legislation that preempts local municipal zoning. While this is not currently the case in the three cities studied, states have historically either protected certain uses or industries by exempting them from local zoning or disallowed certain uses or industries. For example, in Michigan, oil and gas wells are largely exempt from local zoning law by the State of Michigan (Hammersley & Redman, 2014). While this sort of exemption or regulation is unlikely in most states, overregulation of the sharing economy may push certain states to provide protections for services such as Airbnb.

Across all case cities, a form of permitting process is required to host transient short-term renters. The City of Grand Rapids requires a Class B Home Occupation License, of which it limits the quantity of single-room short-term rentals ("Grand Rapids," n.d.). Comparatively, the City of Malibu requires that residents register their properties with the City unless they are utilizing Airbnb as a service ("Transient," 2015). The City of New York requires a business license for the purpose of tax collection ("New York," n.d.). Additionally, the City of New York Administrative Code requires that the building's certificate of occupancy allow for hotel uses ("New York," n.d.). The requirement of permits and business licenses for certain activities by local governments is typical beyond the three case cities. Permitting and business licenses will likely continue to be used by municipalities as ways of collecting host information for tax purposes and limit the number of legal short-term rentals available. However, as mentioned before, Airbnb is in the process of collecting taxes for hosts which may in turn reduce barriers to entry for potential hosts looking to rent out rooms (Kerr, 2015). Eliminating the tax collection burden on individual hosts may reduce or eliminate the need for business or occupancy permits by local governments. This in turn may reduce additional strain on enforcement of illegal rentals and tax collections by city staff all the while collecting revenue via Airbnb directly (Hirson et al., 2015).

State Level Policies

While the three case study cities are bound by their various pieces of enabling legislation, the case study cities reveal a unique relationship between the City of New York and State of New York ("Grand Rapids," n.d.; "Malibu," n.d.; "New York," n.d.). The Multiple Dwelling Law (MDL) is New York State legislation originally enacted in 1929 that regulates multiple dwellings at the municipal level across the entire State of New York (Schneiderman, 2014; "New York State," 2010). New York City was taken to court over interpretations of certain text in the law, which prohibits rentals in Class-A multiple dwellings for less than 30 days (Schneiderman, 2014). Municipalities should be aware of similar legislation if it exists in their state. While there is no comparison to the State of Michigan or the State of California case study cities, it is unique and notable.

Stakeholders

The three case study cities reveal a variety of stakeholders which are either currently involved in the policy process or who are concerned with enforcement of current or future policy. While it is difficult to identify all stakeholders, many are easy to recognize. Common stakeholders among the three case cities included hosts, homeowners, the city commissions, and Airbnb. Undoubtedly, each case city also had unique stakeholders, which were different from the others. The City of Grand Rapids also includes traditional hotels, bed and breakfasts, the Grand Rapids Planning Commission, and ArtPrize. The

City of Malibu did not have any unique stakeholders that were different from Grand Rapids or New York. The City of New York included unique stakeholders such as apartment tenants, apartment building management and owners, condominium owners, and the New York State Attorney General. The various case studies outlined the roles, which the various stakeholders played. Municipalities looking at sharing economy policies should identify stakeholders and be strategic about their public outreach. Implications for strong press coverage and pushback or pull from various stakeholder groups not included in discussions have the potential to derail the policy process.

DISCUSSION & CONCLUSION

There is no local government policy in use today that is perfect or all encompassing. Similarly, much of the time public policy consists of a compromise between multiple competing groups or political factions. The various short-term rental policies in the cases explored above are no different. Arguments exist behind a variety of identifiable stakeholders and groups as well as the intended and unintended consequences of those particular policy solutions. Additionally, alternatives and innovations in policy will always exist and others will argue for no policy at all. Hirson et al. (2015) explains the policy conundrum local governments face as we push deeper into the 21st century:

> Due to rapidly evolving business models, intense media campaigns, and vocal constituents, the process of regulating sharing economy businesses can be complex and contentious, often straining staff time and resources across multiple offices. With no clear precedent for the regulatory process, each city must determine which agency or agencies committees and staff members will take the lead on meeting with stakeholders, drafting ordinances and implementing new policies. (p. 6)

Current policies regulating short-term rentals in the case cities, as well as many others are so new that it may be too early to give a definitive direction as to whether or not alternatives are better or worse. Additionally, services like Airbnb are also recent enough that it is unclear whether or not they will continue to be supported by the market, or if viable competing services will be established. Although, many sources seem to predict that the sharing economy and companies like Airbnb are here to stay (Rusli et al, 2010; Matzler et al., 2015; Hirson et al., 2015).

While it is important for cities to prepare for potential sharing economy implications and be innovative in their approach, cities must also be careful not to jump on policy bandwagons with regulations and permitting processes. Despite early research and panels by The National League of Cities and the American Planning Association, broad based and applicable best practices do not currently exist (Hirson et al., 2015; Egger et al., 2014). Municipal leadership must take a grass roots, comprehensive approach and determine what is best for their individual needs given their available resources. The government adage of incrementalism, or building upon past policies with incremental modifications, also may or may not be a solution (Dye, 2011).

The research and cases studied reveal that the sharing economy, and specifically Airbnb, has many implications for local government policymaking and regulation. The research reveals many opportunities and challenges, which will surely continue to be revealed as the modern technological marketplace continues its steady wave of innovation. Governments large and small must be just as innovative in order to continue to adapt in an unprecedented and quickly changing economy and world.

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