biased search. This paper will be used with Congress, the FTC, and media to further illustrate the need to take action.

BACKGROUND

The hotel industry is extremely fragmented in term of the market power of participants - in comparison to the market power of the online travel agencies. Last year, by opposing the Expedia acquisition of Orbitz, AHLA brought to the attention of the public, regulators and Congress, the negative consequences for consumers and hoteliers of increased consolidation in the OTA market. We believe it is clear that this trend toward search bias and pay-for-play rankings is a consequence of the new Expedia-Priceline duopoly facing hoteliers and consumers.

SHORT-TERM RENTALS

- ***AHLA Position:*** *AHLA believes that there should be a level and legal playing field within the lodging sector, and that regulations and taxes with respect to short-term rentals should be strictly enforced. We support the rights of property owners to occasionally rent out a room or their home, but commercial operators within the short-term rental industry should not be allowed to operate outside of the law.*

IMPACT

AHLA continues to move the needle in key areas for short term rentals, working with a broad coalition of affordable housing advocates, community groups, neighborhood associations, labor, and other progressive entities. Notable accomplishments from this year include:

- New York – The New York State legislature passed, and the Governor signed, a precedent-setting bill impacting Airbnb's largest U.S. market. The legislation strengthens existing law (applicable only in New York City) that prohibits short-term rentals in multi-unit dwellings unless the permanent occupant is home during the rental. The new law prohibits the mere *advertising* of such rentals (as opposed to an actual rental transaction) which will help with enforcement of the un-hosted rental prohibition. AHLA provided resources and support to the Hotel Association of New York City and other parties advocating for this legislation.

- Chicago - AHLA, along with the Illinois Hotel & Lodging Association, played a pivotal role in the passage, in July, of an ordinance in Chicago that heavily regulates short-term rentals. Chicago was the first major U.S. city to take action. Among the notable provisions are a 4% surtax on short-term rentals levied in addition to the regular hotel occupancy taxes, as well as a provision that allows apartment and condo buildings to prohibit short-term rentals by registering with the city. To date, more than 700 buildings in Chicago have opted out of short-term rentals.

- San Francisco – Working with our state and local partners, AHLA has been actively engaged in the San Francisco debate. In June, the Board of Supervisors passed important enforcement legislation that prohibits short-term rental platforms from listing rentals that are not properly registered with the City. More recently, additional legislation has been introduced that would establish a 60-day annual cap on all short-term rental units. Under current law, "un-hosted" rentals are capped at 90 days per year, while "hosted" rentals are not capped. In addition to *lowering* the caps, this provision will make the cap more enforceable, because it is difficult to for

authorities to discover and demonstrate that the permanent resident was not home during a rental. We are hopeful that this legislation will be approved by the Board of Supervisors in the coming weeks.

- Los Angeles - The City Planning Commission released a draft ordinance in the spring that includes a prohibition against non-owner occupied rental units, a prohibition on short-term rentals operated out of rent-stabilized housing units, registration requirements for hosts, data collection requirements, and a hard cap on the number of days per year a host can rent out their residence. AHLA continues to work with our state and local partners to push for City Council action before the end of the year, which looks likely.

- State Action - This year, working alongside our partners, we have been successful in key states (i.e. Virginia, Tennessee, and Utah) in stopping Airbnb-backed pre-emption bills. We also worked to improve an Arizona bill that unfortunately provided some degree of preemption from local legislation. Several state legislatures have created interim study committees that will produce recommended legislation for the 2017 sessions, and AHLA has been actively engaged in those discussions.

- Federal Conversation – After working closely with AHLA for several months, Senators Brian Schatz, Elizabeth Warren and Dianne Feinstein sent a letter to the Federal Trade Commission (FTC) in July raising concerns about the short-term rental industry with respect to housing costs, racial discrimination, consumer protection, community safety, and inconsistent tax compliance. Further, the Senators requested the FTC to provide data on the degree to which the short term rental industry is comprised of commercial operators. The letter highlights our strategy of pushing for transparency while calling out the public policy issues and the need for a level playing field. Senator Warren's status as one of the most prominent lawmakers among progressive activists has helped mobilize additional grassroots and political support.

- Research and National Narrative – AHLA continues to change the narrative of the short-term rental debate toward the predominance of commercial operators on Airbnb and other sites through the dissemination of research performed by Penn State and funded by AHLA and AHLEF. In addition to the national report first released in January, we released city-specific reports in 14 markets throughout this year. Working with our partners, AHLA also stood up AirbnbWATCH.org, an online portal dedicated to gathering stories of short-term rentals harms and highlighting Airbnb's lack of transparency. AirbnbWATCH has become an active coalition of diverse organizations, all working to ensure responsible short-term rental regulation.

BACKGROUND

Airbnb has grown exponentially in recent years and has an estimated market cap greater than any hotel company, and although it is the largest player in the short-term rental market, it does face competition from HomeAway (now owned by Expedia), Flipkey, and others. Policy debates are taking place around in the country in cities of all sizes, as well as in state capitals, and increasingly in Congress, about the appropriate regulation and tax collection for short-term rentals.

2017 SHORT-TERM RENTAL STRATEGY

Objective: Build on the success of 2016 efforts to ensure comprehensive legislation in key markets around the country and create a receptive environment to launch a wave of strong bills at the state level while advancing a national narrative that furthers the focus on reining in commercial operators and the need for commonsense regulation of short-term rentals.

To accomplish our objectives, we are focused on the following key strategic imperatives:

- Build on the national narrative that commercial operators are driving a large portion of revenue for short-term rental companies like Airbnb by advancing new research to keep the story in the news and these entities on the defensive;
- Continue to actively coordinate with state and local hotel associations, along with affordable housing, neighborhood and tenant groups, consumer groups, labor and others to drive common sense laws forward in key cities and states;
- Aggressively counter Airbnb's "we're just helping the middle-class make ends meet" narrative with a wave of personal testimonials of consumer harm through a "My Neighborhood" paid and social campaign;
- Advance federal legislative efforts to level the playing field in specific areas and push back on Airbnb's offensive within the Beltway;
- Build a case for allies to dismiss potential litigation threats; and
- Advance work with Attorneys General to encourage action and/or enforcement in their jurisdictions.

Research: To drive earned media, AHLA plans to roll out research that builds on the foundational data we compiled this year in conjunction with Penn State University, which revealed the rise of commercial operators. Topics under consideration are as follows:

- Rutgers discrimination report: This research, which illustrates discrimination and lack of accessible short-term rentals for those with disabilities, will be released in November 2016, but will have spillover effects into 1Q17 as we work with our partners to use this data to advocate for enforcement actions and regulatory changes.
- CBRE studies on "Millionaire Airbnb Landlords" and taxes owed by Airbnb: This research will shine a spotlight on the individuals who are the most egregious commercial operators in key markets to then be used to re-engage media who are looking for a new angle. The second part of the research will focus on examining Airbnb's true tax obligation in select markets to illustrate that, in many cases, it's not paying its fair share.
- Florida International University study on safety and security: This research will support our fundamental argument about the harms that short-term rental companies pose to consumers and communities, and provide data to buttress testimonial campaign.
- University of North Carolina short-term rental legality survey: This research will provide important information to advance our State AG enforcement efforts as it will highlight where short-term rentals are currently illegal and what laws are being violated.
- Select Penn State commercial operator reports: We will update the existing report to provide fresh news hooks for upcoming key markets (i.e. Boston, D.C., Miami) as well as

major cities that continue to grapple with the right solution (i.e. Honolulu, New Orleans, Portland, OR).

Testimonial Campaign – "My Neighborhood": To provide a counter-weight to Airbnb's strategy of presenting a unified, working-class face, a cornerstone of the 2017 communications strategy will be our own testimonial campaign. We will harness the countless stories of real people across the country who have been negatively impacted by short-term rentals in their neighborhoods, whether it's the working teacher whose apartment complex is overrun by drunken tourists, to the tenants who are evicted so their landlords can create an illegal hotel, these stories will resonate more profoundly with stakeholders and allow us to tap "ambassadors" for key campaign milestones. To accomplish this, we will:

- Secure video footage of the individuals telling their personal story, shot in a similar style and consistent format, and produce short, compelling narratives that can be woven together into a geographic-agnostic message highlighting the harm that is being done to their communities.
- Aggressively pursue leads from aggrieved individuals around the country and identify stories of harm caused by illegal hotels and commercial operators to neighborhoods.
- Once the stories are developed, the deployment and amplification opportunities are substantial. They can be put out on multiple platforms and through multiple channels, including on social media, through broadcast (TV and radio), in static displays (bus shelters, billboards, print). Additional traction can be gained by making the individuals available to print reporters for quotes, at press conferences and media availabilities and broadcast interviews and other key stakeholder meetings at all levels of government.

Federal Legislation & Enforcement: As short-term rentals and the "sharing economy" increasingly permeates the Beltway conversation, AHLA plans to press our position, either ourselves or through our allies, utilizing Congress and the legislative process. To that end, we have developed multiple legislative ideas, detailed below, that will also be an important mechanism to help us defend against messaging and initiatives by Airbnb or Expedia (on behalf of its subsidiary, HomeAway/VRBO):

- **Federal Worker Illegal Hotel Ban** – Not allow federal workers on official travel to stay in short-term rentals that violate local law.
- **Federal Worker Fire Safety** - Ensure that short-term rentals are subject to the Hotel-Motel Fire Safety Act. At least 90% of room nights purchased by federal workers must be in lodging that is on the FEMA fire-safe list, which means they meet basic fire safety requirements.
- **Americans with Disabilities Act (ADA)** – Revise the ADA statute or ADA regulations to subject certain commercial operators of short-term rentals to ADA requirements.
- **Discrimination** – Urge DOJ to report on the application of civil rights laws to short-term rentals or investigate potential violations.
- **Subsidized Housing** - Prohibit or enforce restrictions on short-term rentals in any federally subsidized residences.
- **Tax Collection** - Adjust rules for 1099s to ensure better income tax compliance by hosts.

Legal Response: Airbnb has filed or threatened lawsuits against several local and state ordinances claiming protection under the first amendment and a federal statute called the Communications Decency Act, specifically Section 230 of that Act. Airbnb claims it cannot be liable for policing its hosts, even with respect to the simplest of regulations such as outright bans on short-term rentals or licensing requirements. Holding Airbnb and the other short-term rental companies accountable is crucial, given the difficulty in enforcing the rules host by host, and our efforts for 2017 are focused on the following:

- Arming allies with arguments as to why these lawsuits are flawed in order assuage the fears of legislators who are considering legislation but are reticent to have their policies challenged in court;
- Identifying academics to publicly express doubts about Airbnb's legal claims;
- Engaging the copyright holder community which has similar concerns with an expansive interpretation of the CDA; and
- Evaluating whether an amicus brief is warranted and feasible.

State and Local Engagement: At the outset, AHLA's first priority will be to get the job done in outstanding major metro markets that we have previously identified as critical: Los Angeles, San Francisco, Boston, Washington D.C. and Miami. Further, while we will be encouraging state lodging associations to push legislation at the state level across the country, our targeted efforts, and greatest resource focus, will be on states and localities where we believe the right political conditions exist for us to push legislation across the finish line and that could be considered precedent setting. Today, these state target include (but are not limited to): Maryland, Michigan, Ohio, Colorado, Louisiana, Indiana, Hawaii, Florida, Massachusetts, New York State, Virginia, and West Virginia.

In contrast, in certain states, primarily those with Republican legislative majorities, AHLA will be focused on stopping Airbnb's efforts to pass statewide preemption language that would prohibit local municipalities from enforcing local zoning laws to restrict short-term rentals. Today, we believe these states are the most vulnerable to such legislation: Texas, Florida, Georgia, North Carolina, Utah, and Virginia.

Given the massive resources of Airbnb and other short-term rental companies to invest in every state and local battle, AHLA will also be focused more broadly on monitoring legislative activity. Building on this year's early warning system with the state lodging associations, we want to make sure Airbnb doesn't introduce harmful pre-emption bills or try and push tax collection only without our side mobilizing.

With the state AGs, we will build on the foundation from this year where we educated multiple AGs about the impact of short-term rentals on tax revenues, affordable housing, discrimination, and public safety. We will aggressively push state AGs to investigate short-term rentals that are in violation of existing state law. Additionally, we will encourage them to become advocates with their legislatures to encourage enactment of new laws that will allow them to better enforce short-term rental activity in their states, as well as engaging them in the unfolding litigation landscape where possible.