

THE WALL STREET JOURNAL.

WANT TO BOOK AN AIRBNB STAY? NOT SO FAST

Startup helps to crack down on company in cities with rules against short-term rentals

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August 23, 2016

Airbnb Inc. is shaking up the hospitality industry by helping turn people's homes into hotel rooms. Now it is facing turbulence of its own.

The San Francisco company, founded eight years ago, has been a hit with travelers as well as home dwellers looking to rent out their places for extra income. It now operates in 34,000 cities around the world and was recently valued by investors at \$25.5 billion.

But many local governments are pushing back. Some are aggressively enforcing longstanding rules prohibiting short-term rentals. Others are moving to pass new rules, worried that Airbnb is contributing to a shortage of affordable housing by turning scarce apartments into hotel rooms, or that the service could transform quiet residential neighborhoods into party hot spots.

The backlash from local governments has created an opening for San Francisco startup Host Compliance, which formed last year to help cities—from ski towns to coastal enclaves—crack down on Airbnb abuses by rooting out rental listings that violate local laws.

A spokesman for Airbnb said the company tries to comply with local laws, adding that many governments across North America have passed laws allowing short-term rentals and moved to collect tax revenue on them.

"We need new rules for home sharing and governments around the world are already embracing Airbnb. We want to keep working with governments to craft rules that work," the spokesman said.

Airbnb posts listings on its website and via its mobile app of properties available for short-term rental. Travelers often get bargain rates on living quarters, while the home dwellers pull in extra income.

New York state in June passed legislation, awaiting the governor's signature, that strengthens existing rules banning short-term rentals. Under the new legislation, home dwellers, apartment operators and other Airbnb users would face penalties of up to \$7,500 merely for advertising rentals via the service. Cities from Anaheim, Calif., to Berlin have implemented similar bans in recent months. The rules

generally apply to residential buildings with three or more units, including coops and condos, but not single-family homes.

But the governments have found that the new laws have proven difficult to enforce because Airbnb and rival sites often don't publicly list addresses, making it a time-consuming process to find offenders.

Host Compliance compiles data such as the location of short-term rental listings, to provide cities with reports on which listings violate local rules. The service also can help municipalities understand rental activity better so they can craft more effective regulations.

"What we're trying to get through is a transition from the Wild West to something that's a sustainable business," said Host Compliance Chief Executive Ulrik Binzer.

Mr. Binzer said he got the idea for the company when his hometown of Tiburon, Calif., on the north shore of the San Francisco Bay, decided to ban short-term rentals. Mr. Binzer for years had been renting out his home whenever he traveled to visit his native Denmark. He was upset by the blanket rule banning the practice entirely, he said.

Yet Mr. Binzer said his company's aim isn't to drive Airbnb out of business. Rather, "It became apparent to me that our city was just making decisions based on anecdotes and hearsay. There was no data to back up that there was a need to ban it," he said.

The company now has about 15 local governments as clients, ranging from Vancouver to Napa, Calif., Mr. Binzer said. The service can cost tens of thousands of dollars a year, but city officials say it can save them from hiring one or more full-time staff people.

Other companies have sprung up to cater to the Airbnb economy. One company, SubletAlert.com, helps landlords enforce leases that forbid tenants from subletting without permission. David Shapiro, director of sales, said it has customers in about two dozen cities since launching in April 2014.

Hermosa Beach, Calif., a 1.43-square-mile city on the beach just south of Los Angeles, turned to Host Compliance recently to root out illegal Airbnb rentals. It reasoned that the best way to fight a technology company was with the help of another tech company.

The city, which bans renting residential units for less than 30 days, is trying to preserve housing for locals, said Christi Hugin, an assistant city attorney.

"The state's effort to increase its housing stock is threatened," she said. "We are seeing people who are taking units out of the rental market."

The crackdown has had ramifications. The city has been hit with two lawsuits from property owners, who say their property rights are being impinged.

Stifling short-term rentals isn't always in a city's best economic interest, said Arun Sundararajan, a New York University professor of information, operations and management sciences. If cities crack down too hard on Airbnb, they run the risk of losing out to other tourism destinations with a more robust supply of rooms for rent.

"If a city is deeply dependent on tourism, there's a huge expansion that can come from being a city who has a huge number of affordable and interesting Airbnb listings," he said.